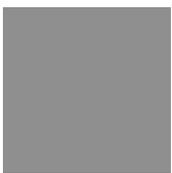


Deutsche Telekom
Group Report
January 1 to June 30, 2001



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Summary of the most important Group figures

Most important figures	June 30, 2001 millions of €	June 30, 2000 millions of €	Change in %	Total 2000 millions of €
Total revenue	22,468	19,213	16.9	40,939
Domestic	17,295	15,808	9.4	33,178
International	5,173	3,405	51.9	7,761
Net income (loss)	(349)	4,347	n.a.	5,926
Net cash provided by operating activities	4,719	4,389	7.5	10,000
Investments in property, plant and equipment	3,797	3,140	20.9	7,563
Number of employees at balance sheet date	245,211	195,648	25.3	227,015
Number of shares at balance sheet date (in millions)	4,198	3,030	38.5	3,030

Numbers of customers in selected services	June 30, 2001 in millions	Dec. 31, 2000 in millions	Change		Change
			June 30, 2001/ Dec. 31, 2000 in %	June 30, 2000 in millions	June 30, 2001/ June 30, 2000 in %
Telephone lines (incl. ISDN channels)	55.0	53.9	2.0	53.0	3.8
Deutsche Telekom	50.4	49.4	2.0	48.5	3.9
AktivPlus customers	6.8	4.5	51.1	2.1	223.8
T-DSL contracts	1.0	0.6	66.7	0.1	900.0
ISDN channels	19.3	17.3	11.6	15.3	26.1
MATÁV	2.9	2.9	0.0	2.9	0.0
Slovenské Telekomunikácie ¹	1.7	1.6	6.3	1.6	6.3
Mobile phone subscribers					
Majority-owned subsidiaries ^{1,2}	43.9	37.9	15.8	27.4	60.2
of which: T-D1	22.1	19.1	15.7	13.4	64.9
of which: One 2 One	9.4	8.3	13.3	6.1	54.1
of which: VoiceStream ¹	6.0	4.8	25.0	3.5	71.4
of which: max.mobil.	2.1	2.1	0.0	1.8	16.7
of which: Westel ³	2.1	1.7	23.5	1.3	61.5
of which: RadioMobil ¹	2.2	1.9	15.8	1.3	69.2
Proportionate number of subscribers ⁴	47.2	39.8	18.6	28.8	63.9
Total subscribers ⁵	58.7	46.9	25.2	33.9	73.2
T-Online subscribers ¹	9.2	7.9	16.5	6.3	46.0
of which: T-Online	7.5	6.5	15.4	5.5	36.4
of which: Club-Internet	0.7	0.6	16.7	0.5	40.0
of which: Ya.com ¹	0.8	0.7	14.3	0.3	166.7
of which: others	0.2	0.1	100.0	0.0	n.a.

¹ The companies were not consolidated in the first half of 2000, but are shown here to facilitate comparison (VoiceStream/Powertel also for the full 2000 financial year).

² Number of subscribers of the consolidated mobile communications companies.

³ Held directly and indirectly via MATÁV.

⁴ Proportion of subscribers of all associated mobile communications companies pro rata to shareholding.

⁵ Total number of subscribers of the consolidated mobile communications companies and total number of subscribers of other associated mobile communications companies.

Ladies and Gentlemen, Dear Shareholders,

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

Having focused the organization of the Group on the four growth areas of mobile communications, online, systems and fixed network, Deutsche Telekom has placed its em-

phasis on the further development of its operational business and thus on improving efficiency. This is being achieved in particular through the further improvement of product and service quality and the accelerated integration of the newly consolidated companies. Leveraging synergies results in further potential for reducing costs. Our highlights are as follows:

- Acquisition of VoiceStream and Powertel completed successfully
- Group revenue increased by 17 % to EUR 22.5 billion
- International proportion of total revenue reaches 23 %
- Group EBITDA increase, excluding special influences⁶, of 12 % to EUR 7.2 billion
- EBITDA from mobile communications more than doubled compared with the first half of 2000 to EUR 1.4 billion
- T-D1 market leader in Germany
- Number of T-DSL lines reaches 1 million
- Continued strong growth in ISDN
- Offer filed to increase stake in the Croatian company Hrvatske telekomunikacije k.k. to 51 %
- Sale of Sprint shares generates high one-time proceeds
- Successful issue of euro bond for EUR 8 billion
- Deutsche Telekom maintains "A-" -rating for bonds

Summary

Group revenue increased by 17 % to EUR 22.5 billion

Group revenue increased by 17 % to EUR 22.5 billion compared with the first six months of 2000 (EUR 19.2 billion). Excluding VoiceStream/Powertel, revenue increased by more than 15 % T-Com contributed 43 % of Group revenue, T-Systems 25 %, T-Mobile 23 %, T-Online 3 % and other segments 6 %.

A particularly pleasing development in the first six months of 2001 in the T-Com pillar was the number of T-DSL lines marketed, which increased by more than 60 % compared with the end of 2000 to 1 million. This makes Deutsche Telekom the European market leader. The number of ISDN channels also continues to grow strongly, with an increase of 4 million over the first six months of last year, bringing the figure to 19.3 million channels in Germany. The number of customers opting for the AktivPlus tariff increased by 4.7 million over last year's figure to 6.8 million. Our AktivPlus tariffs generate higher levels of customer loyalty. This is demonstrated by the growth in revenue from installation and rental charges and the broad stabilization of market shares for call charges. Total T-Com revenue, EUR 13,062 million in the first six months in 2001, decreased slightly compared with the same period last year. The main factor in this development was the effects of the sale of Deutsche Telekom's cable business (North Rhine-Westphalia and Hesse) and price reductions for call charges. Revenues from installation and rental charges, however, increased by more than 3 % compared with the first six months of 2000.

T-Systems increased its revenue by over 46 % compared with the first six months of 2000 to EUR 6,717 billion. The revenue increase in the T-Systems pillar is mainly attributable to the inclusion of debis Systemhaus. Furthermore, increased revenue was generated with IT outsourcing and systems solutions for key account customers.

The number of mobile communications subscribers served by majority-owned Deutsche Telekom subsidiaries increased compared to the end of 2000 by 6.0 million to 43.91 million. The number of T-D1 subscribers increased by 3.0 million in the first six months of 2001 to 22.1 million. This gave T-D1 market leadership in Germany. The U.S. company VoiceStream (including Powertel), consolidated for the first time in the second quarter of 2001 had approximately 6 million subscribers at June 30, 2001. The number of VoiceStream/Powertel subscribers thus increased by more than 70 % compared with the same period last year. Compared with the other five national U.S. providers, this is by far the highest percentage growth rate. Revenue in the T-Mobile pillar increased by 31 % compared with the same period last year to EUR 5,973 million. Of this, EUR 370 million relates to the first-time consolidation of VoiceStream and Powertel (both for one month) for one month and EUR 148 million relates to the Czech company RadioMobil consolidated for the first time in the second quarter. Excluding the newly consolidated companies, revenue increased by 19.7 %.

Revenue in the T-Online pillar – including DeTeMedien – increased by 34 % compared with the same period last year to EUR 707 million. The development of the number of subscribers in the T-Online group shows that the growth is continuing at its already high level. In an intensely competitive market environment, the T-Online group increased its revenue by 52.7 % in the first six months of 2001 to EUR 539 million. In contrast to the negative market trend, revenue from portal business increased compared with the first quarter of 2001. As expected, the migration of narrowband flatrate customers to the new budget tariffs – in combination with seasonal changes in user behavior – resulted in a slight decrease in access revenue compared with the first quarter of 2001. Besides the revenue of the T-Online group, DeTeMedien also contributed to the increase in the revenue of the T-Online pillar.

The segment "Other" recorded revenue growth of 8 % to EUR 3,623 million compared with the same period last year. The newly consolidated companies Maktel and Slovenské Telekomunikácie made positive contributions to the development of revenue, with EUR 118 million and EUR 221 million respectively.

Adjusted EBITDA increased almost 12 % to EUR 7.2 billion⁶

Group EBITDA amounted to EUR 8.195 billion in the first six months of 2001 and was thus 26.6 % lower than in the same period last year. Adjusted to exclude special influences⁶, however, EBITDA increased by EUR 772 million to EUR 7,239 million, which represents an increase of 12 %.

EBITDA in the T-Com pillar amounted to EUR 3,942 million in the first six months of 2001 and was at approximately the same level as in the first six months of last year. It should be pointed out that EBITDA in the second quarter was burdened mainly value adjustments for inventories, materials and supplies amounting to approximately EUR 0.1 billion. In addition, there is the effect of the completed sale of cable activities amounting to approximately EUR 0.1 billion.

EBITDA in the T-Systems pillar amounted to EUR 354 million compared with EUR 3,327 million in the first six months of last year. The decrease in EBITDA in the first six months of 2001 is mainly a result of the sale of Global One, which contributed EUR 2,864 million to EBITDA in the first six months of 2000. EBITDA in the first six months of 2001 was negatively affected by an increased value adjustments relating to domestic carriers amounting to EUR 118 million and increased expenses for goods and services purchased which cannot be assigned to a specific period.

EBITDA in the T-Mobile pillar developed particularly positively in the first six months of the year, more than doubling from EUR 597 million to EUR 1,375 million and thus, by the middle of this year, had almost reached the level of the full 2000 financial year. Besides the absolute increase in EBITDA, the EBITDA margin increased from 13.1 % in the first six months of 2000 to 23.0 % in the first six months of 2001, mainly as a result of lower customer acquisition costs.

DeTeMedien contributed EUR 71 million to the EBITDA of the T-Online pillar in the period under review. EBITDA of the T-Online group in the second quarter of 2001 improved by approximately 14 % compared with the first quarter of 2001 to EUR -123 million. The main reasons for this improvement are the successful migration of customers from the loss-making narrowband flat rate to other tariffs and the positive effects from cost management measures in Germany and foreign subsidiaries.

EBITDA in the segment "Other" was EUR 2,510 million in the first six months of 2001 compared with EUR 465 million in the same period last year. The newly consolidated companies Slovenské Telekomunikácie and Maktel contributed EUR 118 million and EUR 66 million respectively to this development. When comparing with EBITDA in the first six months of 2000, however, it should be pointed out that this figure was negatively influenced by the disposal of assets and additions to accruals totaling EUR 824 million. Special influences⁶ amounting to EUR 956 million had a positive effect on EBITDA in the first six months of 2001. Excluding these special influences, EBITDA increased by 20.6 % compared with the first six months of last year to EUR 1,554 million, which corresponds to an adjusted EBITDA margin of 42.9 % compared with 38.4 % in the same period last year.

Net income (loss)

Deutsche Telekom broke even in the second quarter of 2001. The accumulated net loss for the first six months of 2001 was EUR 349 million. The main negative effects on the result in the first six months of 2001 were the amortization of goodwill amounting to EUR 984 million, the UMTS costs (of which UMTS amortization totaling EUR 361 million and UMTS interest of EUR 527 million) and the contribution of VoiceStream/Powertel of EUR -314 million (plus EUR 125 million amortization of goodwill). A positive effect was the sale of Sprint FON shares in the second quarter of 2001 with a book profit of EUR 1,021 million. This was offset, however, by consulting costs, mainly relating to the sale of the Sprint FON shares, amounting to EUR 65 million. At EUR 1,592 million, income before taxes excluding special influences⁶, goodwill amortization and UMTS costs, and excluding VoiceStream/Powertel in the first six months of 2001 was 27 % higher than in the same period last year (EUR 1,251 million).

⁶ Special influences in 2001: The book profit from the sale of the Sprint FON shares totaled EUR 956 million after deduction of consulting and sale costs.

Special influences in 2000: The net book proceeds of the sale of Global One amounting to EUR 2,864 million, the dilution effect of the T-Online initial public offering amounting to EUR 2,657 million, additions to accruals and the disposal of assets totaling EUR 824 million.

Highlights

Acquisition of VoiceStream and Powertel completed successfully

■ On May 31, 2001, in accordance with §5 (2) of Deutsche Telekom's Articles of Incorporation, the Board of Management approved the partial use of the approved capital for the acquisition of VoiceStream Wireless Corporation and Powertel, Inc. Accordingly, the company has increased its capital stock from EUR 7,755,786,327.04 by a total of EUR 2,990,459,880.96 to EUR 10,746,246,208 through the issue of 1,168,148,391 new individual no par value registered shares. In addition, Deutsche Telekom AG made a cash payment to the former VoiceStream shareholders amounting to US\$ 4,228,191,724.36 (equivalent of EUR 4,937,745,795.12 at the exchange rate on May 30, 2001). The capital increase was entered in the appropriate commercial register on the same day. Trading in the new shares on the Frankfurt stock exchange and other stock exchanges started on Monday, June 4, 2001.

Deutsche Telekom sells Sprint shares

■ On May 31, 2001, Deutsche Telekom announced the sale of approximately 87.8 million Sprint FON shares as part of the sale of its shares in the U.S. telecommunications company Sprint. Deutsche Telekom received approximately EUR 1.9 billion from this transaction and recorded a tax-free income of approximately EUR 1.0 billion – after deduction of the net carrying amount – in the second quarter of 2001.

■ In August 2001, Deutsche Telekom sold 57 million Sprint PCS shares at a price of US\$ 24.50 in the course of a further public offer. Deutsche Telekom has thus sold almost all of its shares in Sprint PCS, worth approximately EUR 1.6 billion. This sale will not affect financial liabilities until the third quarter and generates a book profit of approximately EUR 1 billion.

■ By selling non-strategic assets, Deutsche Telekom is supporting both its focus on the 4-pillar strategy and the management of its financial liabilities, which it began implementing earlier than its European competitors.

Eurobonds issued to the value of over EUR 8 billion, oversubscribed twice

■ On July 3, 2001, Deutsche Telekom issued two bonds for a total of EUR 8 billion. They have maturities of five and ten years. The bonds met with a good level of demand. The issue will not increase the level of Deutsche Telekom's liabilities. The proceeds are to replace bonds which are approaching maturity, which ultimately optimizes the interest and maturities structure of the liabilities.

■ Deutsche Telekom's bonds continue to have an "A-" rating: After Standard & Poor's, Moody's also published its result, in which Deutsche Telekom continues to be among the field of high-caliber evaluations.

Outlook

Offer filed to increase stake in the Croatian company Hrvatske telekomunikacije k.k. (HT) to 51 %

- Deutsche Telekom and the government of the Republic of Croatia signed a Letter of Intent on July 13, 2001. Under the terms of this letter, Deutsche Telekom intends to increase its current stake of 35 % in HT, acquiring a further 16 % of the company for the price of EUR 500 million. This would give Deutsche Telekom a majority stake of 51 % after conclusion of the negotiations.
- As the largest provider of telecommunications services, HT is one of the leading companies in the country. HT is the only national provider of voice services and has approximately 1.7 million fixed network customers. Furthermore, HT operates an analog and digital mobile communications network with approximately 500,000 subscribers. HT is also the leading provider of Internet and data services in Croatia. The company had approximately 11,000 employees in the 2000 financial year and increased its revenue from EUR 694 million to EUR 763 million. Its income after taxes increased from EUR 83 million to EUR 120 million.

Revenue and income expectations 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.
- The company expects a strong increase in EBITDA from mobile communications. We are aiming to double our EBITDA for the full 2001 financial year for the European mobile communications sector compared with the previous year.
- T-Online expects further improvement in group EBITDA in the coming quarters of 2001.
- Concentrating on the four pillars and the associated sale of peripheral activities remains focal points of the company's strategy. Cash injections, for example, were realized in August 2001 from the sale of shares in Sprint PCS. We are expecting further proceeds from the planned sale of majority stakes in the remaining cable regions and from real estate in the coming months.

* 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

Since January 1, 2001, Deutsche Telekom has been managing its business in the structure of its four strategic pillars: T-Com, T-Systems, T-Mobile and T-Online. In addition to the Group headquarters and central service areas, the segment "Other" also includes some foreign subsidiaries. Apart from the new divisions T-Mobile and T-Online which are focused on product markets, the remainder of Deutsche Telekom's business has been reassigned according to customer relationships. While T-Com concentrates on residential customer business and small and medium-sized enterprises, T-Systems specializes on domestic and international key account customers. The following tables show Deutsche Telekom's business developments in the new four pillars. For the first time we are showing separately both the entire first half of the year and the second quarter with prior year figures for purposes of comparison in our segment reporting. A full presentation of the segment information can be found in the Accounting section of this Group Report.

T-Com

In the new four-pillar structure, T-Com manages and supports 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 pillars at market-oriented prices.

	2 nd quarter 2001 millions of €	1 st half year 2001 millions of €	2 nd quarter 2000 millions of €	1 st half year 2000 millions of €
T-Com				
Total revenue	6,343	13,062	6,923	13,515
Depreciation and amortization	(1,193)	(2,305)	(1,288)	(2,908)
Net interest expense	(125)	(200)	(176)	(366)
Income (loss) related to subsidiaries, associated and related companies	(2)	(4)	1	1
Income before taxes	486	1,433	711	792
Employees		118,042		122,318

Net revenue decreased in the first six months of 2001 by 3.4 % (EUR 0.5 billion) in comparison with the same period last year. This decrease includes a reduction of EUR 0.3 billion in fixed-networks communications, although reductions in call charges were partially offset by increases from rental and installation charges (for ISDN and T-DSL lines). The decreases in revenue from call charges were mainly in the "Deutschland und Regional" (Germany and Regional) and "City" (local) tariff zones. The price measures introduced in the year 2000 took effect on domestic long-distance calls as the traffic volume increased. City calls have been substituted to a considerable extent by mobile calls. Growth in calls to mobile communications and online services, with an increased traffic volume, had a positive offsetting effect. When looking at revenue from call charges, it should be pointed out that, due to seasonal variations, the first quarter always generates more revenue than the second quarter. The completed sale of parts of the cable network (North Rhine-Westphalia and Hesse) in the third quarter of 2000 resulted in further decreases in revenue (EUR 0.2 billion). Cable revenues will continue to decrease as soon as the planned sale of the remaining cable regions is completed.

EBITDA in the T-Com segment was at approximately the same level in the first six months of 2001 (EUR 3,942 million) as in the same period last year (EUR 4,065 million).

T-Systems

T-Systems serves Deutsche Telekom's domestic and international named account customers. T-Systems offers comprehensive services in the convergence sector of information technology (IT) and telecommunications (TK). With debis Systemhaus, Deutsche Telekom has become the second largest systems house 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.

	2 nd quarter 2001 millions of €	1 st half year 2001 millions of €	2 nd quarter 2000 millions of €	1 st half year 2000 millions of €
T-Systems				
Total revenue	3,417	6,717	2,428	4,593
Depreciation and amortization	(321)	(634)	(155)	(284)
Net interest expense	(3)	(4)	(17)	(32)
Income (loss) related to subsidiaries, associated and related companies	(1)	(6)	3	6
Income before taxes	(158)	(290)	(115)	3,017
Employees		40,624		17,941

T-Systems increased its revenue by 46.2 % compared with the first six months of 2000. This increase is mainly attributable to the revenues of the debis Systemhaus group which was consolidated in Deutsche Telekom's financial statements for the first time on October 1, 2000. Furthermore, higher levels of revenue were generated from business with domestic carriers and in the areas of IT outsourcing and systems solutions for key account customers.

EBITDA decreased by EUR 2,973 million compared with the first six months of 2000 to EUR 354 million in the first six months of 2001. This is primarily attributable to the proceeds from the sale of shares in Global One (EUR 2,864 million) in the spring of 2000. In addition, the operating result from business with domestic carriers decreased, particularly as a consequence of losses on accounts receivable and provision for doubtful accounts.

T-Mobile

T-Mobile is Deutsche Telekom's mobile communications pillar. It combines all the Group's main mobile communications activities. Via its subsidiaries, T-Mobile currently provides mobile communications services in Germany, the United Kingdom, the USA, Austria and the Czech Republic and has shareholdings in mobile communications companies in Poland, the Netherlands and Russia. T-Mobile will be able to provide the new mobile communications standard UMTS in many countries via its subsidiaries.

	2 nd quarter 2001	1 st half year 2001	2 nd quarter 2000	1 st half year 2000
	millions of €	millions of €	millions of €	millions of €
T-Mobile				
Total revenue	3,292	5,973	2,354	4,557
Depreciation and amortization	(1,075)	(1,764)	(541)	(991)
Net interest expense	(607)	(1,117)	(265)	(442)
Income (loss) related to subsidiaries, associated and related companies	(55)	(108)	(25)	(13)
Income before taxes	(952)	(1,614)	(582)	(873)
Employees		35,780		15,988

T-Mobile's business includes all the activities of the T-Mobile International group. 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.

The strong growth in the number of subscribers served by the mobile communications companies in 2000/2001 led to a considerable increase in revenue at T-Mobile in the first six months of 2001. The main factors in this increase were mobile communications services in Germany and the United Kingdom. Revenue growth of EUR 370 million was also recorded in June as a consequence of the consolidation for the first time of VoiceStream/Powertel. RadioMobil, T-Mobile's Czech mobile communications subsidiary, contributed EUR 148 million to the revenue increase since its first full consolidation in the T-Mobile group.

T-Mobile's EBITDA in the first six months of 2001 was EUR 1,375 million. This is more than double the EBITDA generated in the same period last year. The increase in EBITDA is primarily attributable to lower customer acquisition costs.

T-Online

T-Online is Deutsche Telekom's consumer Internet pillar. With its online offers in Germany, France, Spain, Portugal and Austria, Deutsche Telekom is Europe's largest consumer Internet service provider. T-Online concentrates on the growth areas of access and portals (advertising/e-commerce). For this reason, Deutsche Telekom not only shows the business of T-Online International AG under the T-Online pillar, but also that of DeTeMedien, which is already working closely together with T-Online subsidiaries such as t-info.

T-Online's revenue increased by 33.6 % in the first six months of 2001 compared with the same period last year. This development is predominantly attributable to the strong increase in revenue of the T-Online International group. The companies in France and Spain acquired last year also contributed to this increase. Revenue from access business developed very well as a result of the strong growth in subscriber numbers. Considerable growth was also recorded in the area of advertising/e-commerce.

	2 nd quarter 2001	1 st half year 2001	2 nd quarter 2000	1 st half year 2000
	millions of €	millions of €	millions of €	millions of €
T-Online				
Total revenue	346	707	272	529
Depreciation and amortization	(65)	(102)	(32)	(36)
Net interest expense	41	89	33	36
Income (loss) related to subsidiaries, associated and related companies	(3)	(14)	(5)	(5)
Income before taxes	(52)	(79)	2,593	2,610
Employees		2,850		2,025

EBITDA in the T-Online segment was EUR 2,723 million in the first six months of 2000. EBITDA for the first six months of 2001 amounted to EUR -52 million. EBITDA last year was mainly influenced by the proceeds from the T-Online initial public offering. Excluding this special influence amounting to EUR 2,657 million, EBITDA decreased by EUR -118 million, mainly as a result of an increase in goods and services purchased, related to the number of subscribers, and an increase in personnel costs. The increase in depreciation and amortization is mainly a result of the amortization of goodwill on the acquisitions made last year. The financial expense developed positively. Increased interest income from the proceeds of the initial public offering more than compensated for the slight decline in the income (loss) related to subsidiaries, associated and related companies.

Other

The segment "Other" combines a variety of Group units whose activities cannot be assigned directly to an individual pillar. These include Deutsche Telekom's headquarters and competence centers, such as customer billing and real estate. Foreign subsidiaries which cannot clearly be assigned to a specific segment due to their activities or their customer structure are also shown under "Other". This mainly relates to MATAV and Slovenské Telekomunikácie.

The revenue increase of 7.8 % in the segment "Other" is mainly attributable to the revenue contributions of Maktel and Slovenské Telekomunikácie, which were not consolidated in the first six months of 2000.

EBITDA from the segment results of the segment "Other" amounted to EUR 2,510 million for the first six months of 2001 and EUR 465 million for the same period last year. EBITDA was strongly affected by special influences in the first six months of 2000. These include, in particular, losses on the disposition of noncurrent assets and increased transfers to accruals (total of EUR 824 million). EBDITA in the first six months of 2001 was influenced by the proceeds from the sale of Sprint FON shares and the one-time expenses mainly relating to the sale of the Sprint FON shares (total EUR +956 million). There were additional positive effects in the first six months of 2001 from the newly consolidated companies.

	2 nd quarter 2001 millions of €	1 st half year 2001 millions of €	2 nd quarter 2000 millions of €	1 st half year 2000 millions of €
Other segments				
Total revenue	1,812	3,623	1,699	3,361
Depreciation and amortization	(444)	(875)	(375)	(724)
Net interest expense	(409)	(826)	(14)	(338)
Income (loss) related to subsidiaries, associated and related companies	32	51	(24)	(70)
Income before taxes	1,003	860	(97)	(667)
Employees		47,915		37,376

Summary of the consolidated financial statements as at June 30, 2001

Consolidated statement of income	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Change in %	Total 2000 millions of €
Net revenue	22,468	19,213	16.9	40,939
Changes in inventories and other own capitalized costs	453	354	28.0	864
Total operating performance	22,921	19,567	17.1	41,803
Other operating income	2,551	6,513	(60.8)	11,002
Goods and services purchased	(6,301)	(5,518)	14.2	(11,950)
Personnel costs	(5,706)	(4,679)	21.9	(9,718)
Depreciation and amortization	(5,669)	(4,932)	14.9	(12,991)
Other operating expenses	(5,270)	(4,719)	11.7	(10,424)
Financial income (expense), net	(2,164)	(1,195)	81.1	(1,230)
of which, net interest expense	(2,082)	(1,128)	84.6	(3,097)
Results from ordinary business activities	362	5,037	(92.8)	6,492
Extraordinary income (losses)	0	(132)	(100.0)	(159)
Taxes	(624)	(474)	31.6	(318)
Income (loss) after taxes	(262)	4,431	n.a.	6,015
(Income) losses applicable to minority shareholders	(87)	(84)	3.6	(89)
Net income (loss)	(349)	4,347	n.a.	5,926

Consolidated balance sheet	June 30, 2001 millions of €	Dec. 31, 2000 millions of €	Change in %	June 30, 2000 millions of €
Assets				
Noncurrent assets	154,683	106,606	45.1	89,757
Current assets ¹	22,344	17,636	26.7	20,003
Balance sheet total	177,027	124,242	42.5	109,760
Shareholders' equity and liabilities				
Shareholders' equity	70,476	42,716	65.0	38,342
Liabilities ²	106,551	81,526	30.7	71,418
Balance sheet total	177,027	124,242	42.5	109,760

¹ Including prepaid expenses, deferred charges and deferred taxation.

² Including accruals and deferred income.

Changes in the composition of the Deutsche Telekom Group

Deutsche Telekom acquired shareholdings in various German and foreign companies last year and this year which were not included in the consolidated financial statements at June 30, 2000. The most important of these are VoiceStream/Powertel and RadioMobil in the T-Mobile segment, the debis Systemhaus group in the T-Systems segment, Club Internet in the T-Online segment and Slovenské Telekomunikácie and Maktel in the segment "Other". In

order to allow a more accurate comparison with the financial statements at June 30, 2000, 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 six months of 2001. Depreciation and amortization shown below already includes the amortization of goodwill relating to these companies totaling EUR 462 million.

Effects of new acquisitions on the consolidated statement of income of the first six months of 2001

	VoiceStream/ Powertel millions of €	RadioMobil millions of €	Total T-Mobile millions of €	T-Systems millions of €	T-Online millions of €	Others millions of €	Total millions of €
Net revenue	370	148	518	1,459	29	339	2,345
Changes in inventories and other own capitalized costs	16	1	17	64	0	23	104
Other operating income	2	21	23	36	1	23	83
Goods and services purchased	(137)	(56)	(193)	(484)	(27)	(79)	(783)
Personnel costs	(88)	(8)	(96)	(706)	(16)	(60)	(878)
Depreciation and amortization	(317)	(33)	(350)	(301)	(62)	(168)	(881)
Other operating expenses	(226)	(38)	(264)	(232)	(29)	(63)	(588)
Financial income (expense), net	(56)	(6)	(62)	92	0	(17)	13
Results from ordinary business activities	(436)	29	(407)	(72)	(104)	(2)	(585)
Taxes	(4)	(8)	(12)	(58)	0	(28)	(98)
Income (loss) after taxes	(440)	21	(419)	(130)	(104)	(30)	(683)
(Income) losses applicable to minority shareholders	1	(12)	(11)	(30)	9	16	(16)
Net income (loss)	(439)	9	(430)	(160)	(95)	(14)	(699)

Other operating income

Other operating income

	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Change in %	Total 2000 millions of €
Other operating income	2,551	6,513	(60.8)	11,002

Other operating income in the first six months of 2001 was 60.8% lower than in the same period last year. This decrease is mainly attributable to proceeds from the sale of Global One (EUR 2,864 million) and the dilution effect of T-Online (EUR 2,657 million) in the first six months of 2000. These proceeds are offset in the period under review only by the

special influence of the sale of Sprint FON shares totaling EUR 1,021 million. The remainder of the change in other operating income is mainly attributable to the proceeds from the reversal of accruals and foreign currency transaction gains.

Goods and services purchased

Goods and services purchased

	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Change in %	Total 2000 millions of €
Goods and services purchased	(6,301)	(5,518)	14.2	(11,950)

Goods and services purchased increased by EUR 783 million in the first six months of 2001 compared with the same period last year. This is mainly attributable to the additional goods and services purchased relating to the newly consolidated companies (EUR 783 million). The outsourcing of lo-

gistics also contributed to the increase in goods and services purchased. This increase was offset by a decrease in expenses for goods purchased, particularly for mobile communications terminal equipment.

Personnel

Personnel costs	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Change in %	Total 2000 millions of €
Personnel costs	(5,706)	(4,679)	21.9	(9,718)

Personnel costs increased by EUR 1,027 million or 21.9 % in the first six months of 2001 compared with the same period last year. With an average of 35,572 employees in the first six months of 2001, Slovenské Telekomunikácie and debis Systemhaus, consolidated in the Deutsche Telekom Group for the first time at the end of 2000, and VoiceStream/PowerTel, which were acquired at the beginning of June 2001, were the main factor in this increase. Besides the effect of the changes in the composition of the Deutsche Telekom Group, there was also a further slight increase in personnel in the growth areas of mobile communications,

online and the companies of T-Systems. This increase in personnel is offset by personnel decreases and a resulting reduction in personnel costs at DeTeImmobilien and DTAG.

The fact that the increase in personnel costs (21.9 %) is slightly higher than the increase in the number of personnel (19.1 %) is due to the adjustment of wages and salaries. The increase in the number of employees at the balance sheet date, June 30, 2001, compared to December 31, 2000 is mainly attributable to the acquisition of VoiceStream/PowerTel (14,209 employees).

Average number of employees	1 st half year 2001 Number	1 st half year 2000 Number	Change in %	Total 2000 Number
Civil servants	57,818	67,931	(14.9)	65,217
Salaried employees	133,292	87,178	52.9	97,436
Wage earners	42,019	40,671	3.3	42,379
Deutsche Telekom Group	233,129	195,780	19.1	205,032
Trainees/student interns	7,383	6,335	16.5	6,826

Number of employees at balance sheet date	June 30, 2001 Number	Dec. 31, 2000 Number	Change in %	June 30, 2000 Number
Civil servants	56,568	59,901	(5.6)	66,105
Salaried employees	147,384	121,728	21.1	89,573
Wage earners	41,259	45,386	(9.1)	39,970
Deutsche Telekom Group	245,211	227,015	8.0	195,648
Trainees/student interns	6,850	8,327	(17.7)	5,815

Depreciation and amortization

Depreciation and amortization	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Change in %	Total 2000 millions of €
UMTS amortization	(361)	(53)	581.1	(381)
Amortization of goodwill	(984)	(534)	84.3	(1,247)
Other depreciation and amortization	(4,324)	(4,345)	n.a.	(11,363)
Total depreciation and amortization	(5,669)	(4,932)	14.9	(12,991)

Depreciation and amortization increased by 14.9 % compared with the same period last year. This increase includes the effects of the changes in the composition of the Deutsche Telekom Group (EUR 881 million), approximately half of which relates to the amortization of goodwill. Excluding the nonscheduled write-downs on parts of the copper long-

distance cable network in the first quarter of 2000 amounting to EUR 383 million and increased depreciation and amortization on the UMTS licenses acquired in the second quarter of 2000 and in the second half of 2000, depreciation and amortization increased only slightly compared with the same period last year.

Other operating expenses

Other operating expenses	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Change in %	Total 2000 millions of €
Other operating expenses	(5,270)	(4,719)	11.7	(10,424)

Other operating expenses increased only by 11.7 % in the six months of 2001 compared with the same period last year. This increase is mainly attributable to the changes in the composition of the Deutsche Telekom Group (VoiceStream, debis Systemhaus and Slovenské Telekomunikácie). There are further changes compared with the first six months of 2000 as a result of increased bonuses and commissions, rents and leasing expenses, additional losses on accounts receiv-

able and expenses for maintenance and repair. In the first six months of last year, other operating expenses were increased by special influences totaling EUR 824 million, which was mainly attributable to losses on the disposition of noncurrent assets and transfers to accruals. In the first six months of 2001, by contrast, special influences only totaled EUR 65 million and were mainly attributable to expenses and consulting fees for the sale of Sprint FON shares.

Financial income (expense), net

Financial income (expense), net	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Change in %	Total 2000 millions of €
Financial income (expense), net	(2,164)	(1,195)	81.1	(1,230)
of which, net interest expense	(2,082)	(1,128)	84.6	(3,097)

The increase in financial liabilities in the course of 2000 to finance the acquisition of UMTS licenses and shareholdings in companies had a negative impact on the net financial

expense in the first six months of 2001. Furthermore, there is a slight burden on the net financial expense from the consolidation of VoiceStream.

Taxes

Taxes	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Change in %	Total 2000 millions of €
Taxes	(624)	(474)	31.6	(318)

The Group's income before taxes decreased by EUR 4,543 million compared with the same period last year. Taxes increased by EUR 150 million from EUR 474 million to EUR 624 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 were improved to a considerable extent by influences which had no tax effect, in particular the tax-free sale of Global One/Atlas SA, but also by the proceeds from the attracting new shareholders in the course of the T-Online initial public offering. The

Group's results in the first six months of 2001, however, is only offset by tax-free proceeds from the sale of Sprint FON shares. On the other hand, increased expenses were recorded compared with June 30, 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 which can only be used as part of their losses carried forward.

Investments

Investments	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Change in %	Total 2000 millions of €
Intangible assets	25,202	10,593	137.9	23,123
Property, plant and equipment	3,797	3,140	20.9	7,563
Financial assets	884	1,817	(51.3)	12,382
Total	29,883	15,550	(92.2)	43,068

Deutsche Telekom invested EUR 29,883 million in the first six months of 2001. Investments in intangible assets amounting to EUR 25,202 million relate mainly to goodwill and licenses. The increase in property, plant and equipment amounting to EUR 3,797 million relates mainly to investments in the build-up and expansion of networks (including the roll-out of T-DSL) and work in progress at Deutsche Telekom AG and at the T-Mobile International group.

In the second quarter of 2001, Deutsche Telekom acquired all the shares in the two American mobile communications companies VoiceStream and Powertel for a total of approximately EUR 39 billion. The purchase resulted in goodwill totaling EUR 24 billion at the time of first consolidation, which is shown under investments in intangible assets. In addition, the noncurrent assets of the Deutsche Telekom Group increased by a total of approximately EUR 24 billion as a result of changes in the composition of the Deutsche Telekom Group. These relate mainly to the GSM licenses held by VoiceStream and Powertel and to property, plant and equipment.

Financial liabilities

Financial liabilities	July 2, 2001 ² millions of €	June 30, 2001 millions of €	Dec. 31, 2000 millions of €	June 30, 2000 millions of €
Net financial liabilities ¹	68,667	71,003	56,521	41,284

¹ 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.

² The payment of the purchase price for Wind was not booked until July 2, 2001, as June 30, 2001 was a Saturday.

Net financial liabilities increased by 21.5 % at July 2, 2001 compared with December 31, 2000. The proceeds from the sale of Wind are already included in the value at July 2, 2001.

This increase is mainly attributable to the consolidation of VoiceStream since June 1, 2001 and the related financing of the cash components of the acquisition of VoiceStream.

Cash flows

Cash flows	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Total 2000 millions of €
Net cash provided by operating activities	4,719	4,389	10,000
Net cash used for investing activities	(6,613)	(10,580)	(27,706)
Net cash provided by financing activities	3,049	9,023	17,863
Effect of foreign exchange rate changes on cash and cash equivalents	(21)	(12)	(29)
Net increase (decrease) in cash and cash equivalents	1,134	2,820	128

Net cash provided by operating activities

Net cash provided by operating activities in the first six months of 2001 increased by EUR 330 million compared with the same period last year to EUR 4,719 million. Cash generated from operations increased by as much as EUR 1,549 million in the same period to EUR 6,793 million. Although net income was EUR 4,696 lower than in the first six months of the previous year, the prior-year figures were influenced to a great extent by the proceeds from the T-Online initial public offering (EUR 2.7 billion), which had an impact on net cash provided by financing activities. The cash proceeds in the first six months of 2000 from the sale of Global One (EUR 2.9 billion) and the proceeds from the sale of Sprint FON shares (EUR 1.0 billion) in the first six months of 2001 were recorded under net cash used for investing activities.

The Group's results do, however, include a considerably 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 six months of 2001 by EUR 3,967 million compared with the same period last year to EUR 6,613 million. Investments in

the first six months of 2000 consisted mainly of the acquisition of the UMTS license in the United Kingdom and the acquisition of shareholdings. A total of EUR 5,145 million was invested in 2001 for the acquisition of consolidated companies, in particular VoiceStream/Powertel. In addition, investments in assets totaled EUR 5 billion, offset by disinvestments of EUR 786 million. The net change in short-term investments and marketable securities had a positive effect (EUR 2,877 million), of which EUR 1.9 billion is attributable to the sale of Sprint FON shares alone.

Net cash provided by financing activities

Net cash provided by financing activities in the first six months of 2001 amounted to EUR 3,049 million compared with EUR 9,023 million in the same period last year. Net additions to financial liabilities in the period under review were EUR 2,729 million lower than in the same period last year. In addition, the Group received a cash injection last year of EUR 3,080 million from the T-Online initial public offering alone. There was a cash outflow of EUR 1.9 billion, the same level as last year, from the payment of dividends.

Reconciliation of net income from German GAAP to U.S. GAAP

	1 st half year 2001 millions of €	1 st half year 2000 millions of €	Total 2000 millions of €
Net income/(loss) as reported in the consolidated financial statements under German GAAP	(349)	4,347	5,926
Differences between German GAAP and U.S. GAAP	934	1,932	3,894
Income taxes	(421)	(123)	(573)
Net income/(loss) in accordance with U.S. GAAP	164	6,156	9,247

Shareholders' equity in accordance with U.S. GAAP at June 30, 2001 amounted to EUR 76.1 billion (December 31, 2000: EUR 46.0 billion).

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. To the greatest possible extent, 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.

Methods of accounting and valuation

- Deutsche Telekom uses the same methods of accounting and valuation for preparing its quarterly financial statements as for its consolidated financial statements. A detailed description of the methods used can be found in the notes to the consolidated financial statements in the Annual Report 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 six 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 book entries. 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 by Group business areas for the 2000 financial year

	Net revenue	Revenue between segments	Total revenue	Depreciation and amortization	Net interest expense ¹	Income (loss) related to subsidiaries, associated and related companies	Income before taxes ²
	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

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

² 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 by Group business areas for the first half year of 2001

	Net revenue	Revenue between segments	Total revenue	Depreciation and amortization	Net interest expense ¹	Income (loss) related to subsidiaries, associated and related companies	Income before taxes ²
	1st half year 2001	1st half year 2001	1st half year 2001	1st half year 2001	1st half year 2001	1st half year 2001	1st half year 2001
	1st half year 2000	1st half year 2000	1st half year 2000	1st half year 2000	1st half year 2000	1st half year 2000	1st half year 2000
	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
T-Com	9,644	3,418	13,062	(2,305)	(200)	(4)	1,433
	10,197	3,318	13,515	(2,908)	(366)	1	792
T-Systems	5,494	1,223	6,717	(634)	(4)	(6)	(290)
	3,496	1,097	4,593	(284)	(32)	6	3,017
T-Mobile	5,237	736	5,973	(1,764)	(1,117)	(108)	(1,614)
	3,944	613	4,557	(991)	(442)	(13)	(873)
T-Online	656	51	707	(102)	89	(14)	(79)
	489	40	529	(36)	36	(5)	2,610
Other segments	1,437	2,186	3,623	(875)	(826)	51	860
	1,087	2,274	3,361	(724)	(338)	(70)	(667)
Reconciliation	0	(7,614)	(7,614)	11	(24)	(1)	52
	0	(7,342)	(7,342)	11	14	14	26
Group	22,468	0	22,468	(5,669)	(2,082)	(82)	362
	19,213	0	19,213	(4,932)	(1,128)	(67)	4,905

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

² The extraordinary expenses included in the income before taxes amount to EUR 132 million for the first six months of 2000, EUR 24 million of which relates to T-Mobile and EUR 108 million to T-Online. No extraordinary income (loss) was recorded in the first six months of 2001.

Bonn, August 2001
Deutsche Telekom AG

The Board of Management

Further information on Deutsche Telekom is available from:

Deutsche Telekom AG

Group Communications
Postfach 20 00
D-53105 Bonn
Phone + 49 2 28 1 81-49 49
Fax + 49 2 28 1 81-9 40 04
Internet: www.telekom.de/international

Investor Relations

Phone + 49 2 28 1 81-8 88 80
Fax + 49 2 28 1 81-8 80 09
E-Mail: Investor.Relations@telekom.de

New York Office

Phone + 1-212-424-29 51
Fax + 1-212-424-29 77

Additional copies of this report are available at:

Phone + 49 9 21 18-10 22
Fax + 49 9 21 18-10 29

Cautionary Statement

Except for the historical statements and discussions contained herein, statements contained in this report constitute "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21 E of the Securities Exchange Act of 1934, as amended. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside of Deutsche Telekom's control, that could cause actual results to differ materially from such statements. These factors include, but are not limited to, telecommunications usage levels, competitive forces in liberalized markets, regulatory changes, technological developments, the success of business, operating and financial initiatives, material adverse changes in economic conditions in the markets served by Deutsche Telekom and its affiliates and other factors identified in Deutsche Telekom's filings with the Securities and Exchange Commission, including its most recent report on Form 20-F. Readers are cautioned not to put undue reliance on these forward-looking statements.

The German version of this Report is legally binding.