

Investor Relations

Ad hoc announcement of Deutsche Telekom

Hanover/Bonn, March 10, 2003



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Deutsche Telekom brings 2002 to a close with a strong 4th quarter

- Group revenue for full year increased by 11.1 % to EUR 53.7 billion
- Net debt reduced from EUR 64.3 billion in the third quarter of 2002 to EUR 61.1 billion
- Group EBITDA (adjusted for special influences) increased from EUR 15.1 billion to EUR 16.3 billion
- Net loss EUR 24.6 billion as a result of high level of non-scheduled write-downs
- T-Com increased revenue by 2.6 % to EUR 30.2 billion
- T-Mobile increased EBITDA by almost 61 % to EUR 5.0 billion
- T-Systems with weaker revenue but higher EBITDA
- T-Online improved EBITDA by EUR 0.3 billion to plus EUR 0.2 billion

EBITDA and EBITDA adjusted for special influences, net debt and free cash flow are pro forma figures that are not covered by the provisions of German or U.S. GAAP. They should not be viewed in isolation as an alternative to net income/loss, income/loss before taxes, operating income, net cash provided by operating activities or other Deutsche Telekom financial measures prepared in accordance with German or U.S. GAAP. For a detailed explanation and calculation of these figures, please refer to the information in the appendix to this press release "Reconciliation to pro forma figures".

All information given in this announcement is on the basis of preliminary, unaudited figures.

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Revenue increased considerably by 11 % to EUR 53.7 billion. The strict debt reduction policy led to a considerably lower level of net debt of EUR 61.1 billion at year end. The net loss for the full financial year amounted to around EUR 24.6 billion. This loss is mainly attributable to the one-time, non-cash, non-scheduled write-downs resulting from the strategic review in the third quarter of 2002.

Development of Group revenue

billions of EUR	Dec 31 2002	Dec 31 2001	Change in %	financial year 2002	financial year 2001	Change in %
Net revenue	14,5	13,3	9,0	53,7	48,3	11,1
Net revenue (excluding changes in the composition of the Group)	14,3	13,3	7,7	50,4	48,3	4,3
Domestic International	5,2	4,3	20,9	18,4	13,2	7,8
Domestic National	9,3	9,0	3,3	35,3	35,1	n.a.

Figures calculated and rounded on the basis of millions

EBITDA excluding special influences increased considerably in fourth Quarter. Group EBITDA excluding special influences amounted to EUR 16.3 billion for the full 2002 financial year, almost EUR 1.2 billion or 7.8 % higher than in the previous year. EBITDA including special influences amounted to EUR 16.1 billion. The difference of around EUR 0.2 billion consists of EUR 0.5 billion relating to proceeds from the sale of shares (Satelindo and T-Online) and EUR 0.7 billion for restructuring expenses at T-Com and T-Systems and an additional accrual for pensions.

Group EBITDA

billions of EUR	Dec 31 2002	Dec 31 2001	Change in %	financial year 2002	financial year 2001	Change in %
EBITDA excl. special influences	4,4	3,8	14,6	16,3	15,1	7,8
EBITDA incl. special influences	4,7	4,0	18,8	16,1	18,1	(10,8)

Figures calculated and rounded on the basis of millions

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Net loss for the full year at the same level as after nine months The Group's net loss for the full 2002 financial year amounted to EUR 24.6 billion, only slightly higher than the net loss of EUR 24.5 billion recorded for the first nine months of the year. The increase in the net loss compared with the previous year is mainly attributable to the nonscheduled write-downs of EUR 21.4 billion resulting from the strategic review.

Net loss

billions of EUR	Dec 31 2002	Dec 31 2001	Change in %	financial year 2002	financial year 2001	Change in %
Net loss	(0,1)	(2,5)	96,9	(24,6)	(3,5)	n.a.
Net loss excl. special influences	(0,5)	(1,9)	71,0	(4,8)	(4,7)	(1,4)

Figures calculated and rounded on the basis of millions

The prior-year figures shown have been adjusted in line with this definition to allow proper comparisons.

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Net debt

In comparison with the third quarter of 2002, Deutsche Telekom succeeded in reducing its net debt to EUR 61.1 billion. This significant progress in reducing the company's debt is attributable in part to asset sales already made (including the sale of various real estate holdings, 120 million T-Online shares, T-Systems ABS transaction) and the improvement of free cash flow.

A further aspect in the reduction of net debt is the continued positive development of the dollar exchange rate.

billions of EUR	2002	2001	Change	Change in %	30.09.2002
Bonds and Debenture	56,7	58,3	(1,6)	-2,7	58,9
Liabilities to banks	6,3	8,7	(2,4)	-27,9	7,7
Debt (in accordance with balance sheet)	63,0	67,0	(4,0)	-5,9	66,5
Liabilities to nonbanks from loan notes	0,8	0,7	(0,1)	-27,8	0,6
Miscellaneous other	0,3	0,2	0,1	-	0,2
Gross debt	64,1	67,9	(3,8)	-5,6	67,3
Liquid assets	1,9	2,9	(1,0)	-33,6	1,9
Other investment (Investment in noncurrent securities)	0,4	0,7	(0,3)	-41,2	0,5
Other investments in noncurrent securities	0,2	0,9	(0,7)	-72,9	0,3
Other assets	0,2	0,3	(0,1)	-44,7	0,0
Discounts on Loans (prepaid expenses and deferred charges)	0,3	0,3	-	-16,0	0,4
Net debt	61,1	62,8	(1,7)	-2,7	64,3

Figures calculated on the basis of millions.

The prior-year figures shown have been adjusted in line with this definition to allow proper comparisons.

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T-Com - EBITDA increased in the fourth quarter

T-Com's total revenue increased by almost 3 % or EUR 0.8 billion, compared with the previous year to EUR 30.2 billion. The main contributing factors to this development were the Eastern European affiliates with an increase in revenue from EUR 2.8 billion to EUR 3.9 billion. Revenue from business within Germany decreased by EUR 0.3 billion.

T-Com's EBITDA excluding special influences increased slightly by 0.4 % from EUR 10.1 billion to EUR 10.2 billion. EBITDA including special influences decreased by 8.9 % from EUR 10.9 billion to EUR 9.9 billion. Income before taxes (including special influences) amounted to EUR 3.5 billion compared with EUR 4.6 billion in the previous year. T-Com recorded adjusted EBITDA of EUR 2.6 billion in the fourth quarter of 2002, an increase over the corresponding figure of EUR 2.5 billion for the third quarter.

T-Com

billions of EUR	Dec 31 2002	Dec 31 2001	Change in %	financial year 2002	financial year 2001	Change in %
Total Revenue	7,9	7,4	7,9	30,2	29,4	2,6
Net revenue	6,5	6,4	2,7	25,4	25,0	1,6
EBITDA excl. special influences	2,6	2,6	2,9	10,2	10,1	0,4
EBITDA	2,4	2,5	(1,1)	9,9	10,9	(8,9)
Depreciation and amortization	(1,5)	(1,5)	2,3	(5,5)	(5,4)	(1,7)
Financial income(expense), net	(0,1)	0	n.a.	(0,9)	(0,9)	(1,2)
Income (loss) before taxes	0,9	0,9	(5,2)	3,5	4,6	(23,3)
Employees				152.836	148.247	3,1

Average number of employees

Calculated and rounded off on the basis of millions for the sake of greater precision

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Disproportionately high EBITDA growth at T-Mobile

The T-Mobile division recorded strong growth of total revenue over the full 2002 financial year of almost 35 % or EUR 5.1 billion to EUR 19.7 billion. EBITDA increased by 61 % or EUR 1.9 billion to EUR 5.0 billion. T-Mobile USA recorded the strongest EBITDA growth, turning negative EBITDA of EUR 0.3 billion into EBITDA plus EUR 0.5 billion. The loss before taxes increased by EUR 17.3 billion from EUR 6.4 billion in 2001 to EUR 23.7 billion in 2002.

T-Mobile

billions of EUR	Dec 31 2002	Dec 31 2001	Change in %	financial year 2002	financial year 2001	Change in %
Total revenue	5,5	4,5	22,8	19,7	14,6	34,8
Net revenue	5,2	4,0	29,5	18,2	13,0	40,3
EBITDA excl. special influences	1,2	1,0	24,4	5,0	3,1	60,6
EBITDA	1,2	1,0	24,4	5,0	3,1	60,6
Depreciation and amortization	(1,1)	(2,8)	62,2	(27,3)	(6,3)	n.a.
Financial income(expense), net	(0,3)	(1,3)	75,0	(1,4)	(3,2)	55,4
Income (loss) before taxes	(0,2)	(3,2)	93,4	(23,7)	(6,4)	n.a.
Employees				38.943	30.124	29,3

Average number of employees

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T-Systems increased its adjusted EBITDA despite negative economic influences

T-Systems was not able to set itself apart from the generally weak economic environment. Total revenue decreased by EUR 0.6 billion or 5 %, compared with the previous year to EUR 11.3 billion. Net revenue decreased by around 6 % or EUR 0.5 billion to EUR 7.8 billion. Despite this decrease in revenue, T-Systems recorded a growth in EBITDA excluding special influences of around 30 % or EUR 0.3 billion to EUR 1.15 billion. EBITDA including special influences decreased in the period under review from EUR 0.9 billion to EUR 0.8 billion. The special influences of EUR 0.4 billion affecting EBITDA in 2002 related mainly to restructuring expenses. The loss before taxes increased from EUR 0.4 billion in 2001 to EUR 2 billion in 2002.

T-Systems

billions of EUR	Dec 31 2002	Dec 31 2001	Change in %	financial year 2002	financial year 2001	Change in %
Total Revenue	3,0	3,3	(8,9)	11,3	11,9	(4,9)
Net revenue	2,0	2,3	(12,3)	7,8	8,3	(6,3)
EBITDA excl. special influences	0,3	0,26	20,9	1,15	0,9	29,9
EBITDA	0,3	0,25	19,0	0,75	0,9	(13,9)
Depreciation and amortization	(0,6)	(0,4)	(65,7)	(2,6)	(1,4)	(90,7)
Financial income(expense), net	0	0	n.a.	(0,1)	0,1	n.a.
Income (loss) before taxes	(0,3)	(0,1)	n.a.	(2,0)	(0,4)	n.a.
Employees				43.482	41.716	4,2

Average number of employees

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T-Online continued its profitable growth trend

The T-Online division (including DeTeMedien) increased its total revenue by 26 % or almost EUR 0.4 billion, compared with the previous year to EUR 1.8 billion. EBITDA improved over the same period, from negative EBITDA of EUR 0.1 billion into positive EBITDA of EUR 0.2 billion and thus demonstrates clearly the division's successful orientation towards increasing its profitability.

T-Online

billions of EUR	Dec 31 2002	Dec 31 2001	Change in %	financial year 2002	financial year 2001	Change in %
Total revenue	0,5	0,4	31,2	1,8	1,4	26,3
Net revenue	0,5	0,4	31,9	1,7	1,3	25,0
EBITDA	0,1	0	n.a.	0,2	(0,1)	n.a.
Depreciation and amortization	(0,1)	0	(39,1)	(0,2)	(0,2)	(10,1)
Financial income(expense), net	0	(0,1)	n.a.	0	0	(70,6)
Income (loss) before taxes	0	(0,1)	n.a.	0	(0,2)	n.a.
Employees				2.765	3.008	8,1

Average number of employees

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Others: PSA up and running

Total revenue generated by the area "Other" amounted to EUR 4.4 billion compared with EUR 5.1 billion in the previous year. The decrease in revenue of around EUR 0.7 billion was a result of the deconsolidation of DeTeSat (around EUR 0.1 billion) at December 31, 2001 and, in particular, the lower level of services provided within the Group for other divisions. EBITDA adjusted to exclude special influences decreased by EUR 1.1 billion compared with the previous year to around EUR 30 million. The main reasons for this are the decrease in revenue (EUR 0.7 billion), the costs of T-Mobile rebranding amounting to around EUR 0.2 billion and expenses of approximately EUR 0.2 billion related to the sale of receivables. The Personnel Service Agency (PSA) is now in operation and had around 1,700 employees (calculated as full-time equivalents) assigned to it at December 31, 2002.

Other

billions of EUR	Dec 31 2002	Dec 31 2001	Change in %	financial year 2002	financial year 2001	Change in %
Total revenue	1,2	1,5	(19,8)	4,4	5,1	(13,7)
Net revenue	0,3	0,3	3,9	0,6	0,6	(9,5)
EBITDA excl. special influences	0,2	0,2	18,3	0	1,1	(97,3)
EBITDA	0,8	0,5	68,3	0,4	3,3	(86,4)
Depreciation and amortization	(0,4)	(0,6)	44,1	(1,3)	(1,4)	10,3
Financial income(expense), net	(1,0)	0,2	n.a.	(3,6)	(1,5)	(143,9)
Income (loss) before taxes	(0,6)	0	n.a.	(4,5)	0,4	n.a.
Employees				17.870	18.565	(3,7)

Average number of employees

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Free cash flow more than quadrupled

Over the full financial year, free cash flow increased from EUR 1.1 billion to EUR 4.8 billion.

Cash generated from operations in the full financial year increased by 2.4 % to EUR 16.7 billion, while net cash provided by operating activities, i.e. after net interest payments, improved by 4.4 % to EUR 12.5 billion. At the same time, cash outflows for investments in property, plant and equipment and intangible assets decreased by EUR 3.3 billion to EUR 7.6 billion.

Cash flow

billions of EUR	2002	2001	Change	Change in %
Cash generated from operations	16,7	16,3	0,4	2,4
Interest received/ (paid)	(4,2)	(4,3)	0,1	3,1
Net cash provided by operating activities	12,5	11,9	0,6	4,4
Cash outflows from investments in intangible assets and property, plant and equipment	(7,6)	(10,9)	3,3	29,8
Free cash flow before dividend	4,8	1,1	3,7	n.a.
Dividend	(1,6)	(1,9)	0,3	17,0
Free cash flow after dividend	3,3	(0,8)	4,1	n.a.

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This message contains or may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. It is important to note that the company's actual results could differ materially from the results anticipated or projected in any such forward-looking statements, based on a number of important factors. Deutsche Telekom's filing with the U.S. SEC (particularly its report on Form 20-F) contain cautionary statements identifying important factors affecting such forward-looking statements, including certain risks and uncertainties, that could cause actual results to differ materially from projections contained in any forward-looking statements made by the company.

The detailed explanations and calculations of the so-called pro forma figures are included as an appendix "Reconciliation to pro forma figures" to the published press release on the Internet and can be viewed at www.deutschetelekom.com/reconciliation/2002

All information given in this press release is on the basis of preliminary, unaudited figures.