

Investor Relations

Ad hoc announcement of Deutsche Telekom

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Deutsche Telekom records net income in the first quarter of 2003

Group revenue increased by around 6.6 % to EUR 13.6 billion

- Net income in the first quarter EUR 0.85 billion compared with a loss of EUR 1.8 billion in the same period last year; net income excluding special factors EUR 0.1 billion compared with a loss of EUR 1.4 billion
- Net debt at March 31 reduced to EUR 56.3 billion compared with EUR 61.1 billion at the end of 2002
- EBITDA increased by almost 30 % to EUR 4.9 billion, EBITDA excluding special factors grew by 18 % to EUR 4.5 billion
- Considerable increase in EBITDA margin (adjusted for special factors) in all four divisions
- Net cash provided by operating activities increased by 38% to EUR 3.1 billion; free cash flow increased almost sixfold to around EUR 2 billion
- Target for EBITDA (adjusted for special factors) for full financial year reset from previous range of EUR 16.7 to 17.7 billion to new range of EUR 17.2 to 17.7 billion.

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Deutsche Telekom made considerable progress in the first quarter of 2003 in increasing EBITDA and reducing debt.

Group revenue increased in the first quarter by 6.6 % compared with the same period last year from EUR 12.8 billion to EUR 13.6 billion. Group EBITDA increased disproportionately by 29.7 % from EUR 3.8 billion to EUR 4.9 billion. EBITDA adjusted for special factors also increased considerably more than revenue, by 18.4 % from EUR 3.8 billion to EUR 4.5 billion.

In the first quarter of 2003, the Deutsche Telekom Group recorded net income of EUR 0.85 billion compared with a loss of EUR 1.8 billion in the same period last year. This increase is a result of a considerable increase in EBITDA as well as positive tax effects and the sale of shareholdings. Adjusted for these special factors, Deutsche Telekom's net income amounted to approximately EUR 0.1 billion compared with a loss of approximately EUR 1.4 billion.

All four Group divisions contributed to this increase in EBITDA. With almost stable revenue of EUR 7.5 billion, T-Com increased its EBITDA in the first quarter of 2003 by 15.4 % from EUR 2.5 billion to EUR 2.9 billion. Taking the special factors into account; EBITDA increased by 7.2 % to EUR 2.7 billion. T-Systems achieved a 2.8 % growth in revenue to almost EUR 2.6 compared with EUR 2.5 billion and increased EBITDA by 42.6 % to EUR 368 million compared with EUR 258 million in the same period last year. EBITDA (excluding special factors) increased by 10.9 % to EUR 286 million. Revenue in the T-Mobile division increased by 18.9 % to EUR 5.3 billion compared with EUR 4.5 billion. EBITDA increased by significantly more than one quarter to EUR 1.5 billion compared with EUR 1.2 billion in the same period last year. As was the case at T-Online, T-Mobile's EBITDA does not include any special factors. T-Online's revenue increased by 21.6 % from EUR 366 million to EUR 445 million and EBITDA increased from EUR 14 million to a positive figure of EUR 75 million.

This data reflects not only the increase in revenue but also considerable progress in efficiency of approximately EUR 0.4 billion

on a quarterly basis as part of Deutsche Telekom's program to reduce debt and improve efficiency.

The Group's net debt was significantly reduced by approximately EUR 4.8 billion or 7.9 % from EUR 61.1 billion at the end of 2002 to EUR 56.3 billion at March 31, 2003. This was a result of the sale of non-strategic assets as well as the free cash flow of EUR 2.0 billion achieved in the first quarter of 2003 compared with EUR 0.3 billion in the first quarter of 2002.

Of the sale of assets announced in November of last year as part of the 6+6 program, EUR 4.4 billion were generated or contractually agreed by the end of the quarter. Including the reduction of Deutsche Telekom's stake in MTS announced in April 2003 the proceeds from asset sales already realized or agreed currently amount to around EUR 4.9 billion.

Deutsche Telekom continues to be confident that it will achieve the year-end goal of decreasing its net debt to three times the Group EBITDA (excluding special factors) expected for the year 2003.

In view of the progress made in improving Group efficiency, the target announced for EBITDA (excluding special factors) has been adjusted from the previous range of EUR 16.7 to 17.7 billion to a new range of EUR 17.2 to 17.7 billion. However, this will not change the targeted reduction of net debt.

Deutsche Telekom has changed its reporting from the total-cost method previously used to the cost-of-sales method from the first quarter of 2003. In addition, there have been some adjustments in the allocation of revenue to the Group's four divisions. A detailed explanation of the changes and the adjusted data for the individual quarters of the past year and a reconciliation to pro forma figures can be found on Deutsche Telekom's website at www.telekom.de under Investor Relations. These adjustments have no influence on Group revenue or net income.

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Included are also forward-looking statements regarding the planned development of EBITDA and the achievement of targets in the debt reduction program which reflect the current views of the Deutsche Telekom management. Such statements are subject to risks and uncertainties which were described in Form 20-F recently submitted to the U.S. Securities and Exchange Commission. If these risks or uncertainties materialize or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom's actual results may be materially different from those expressed or implied by such statements.

Deutsche Telekom does not intend or assume any obligation to update these forward-looking statements.