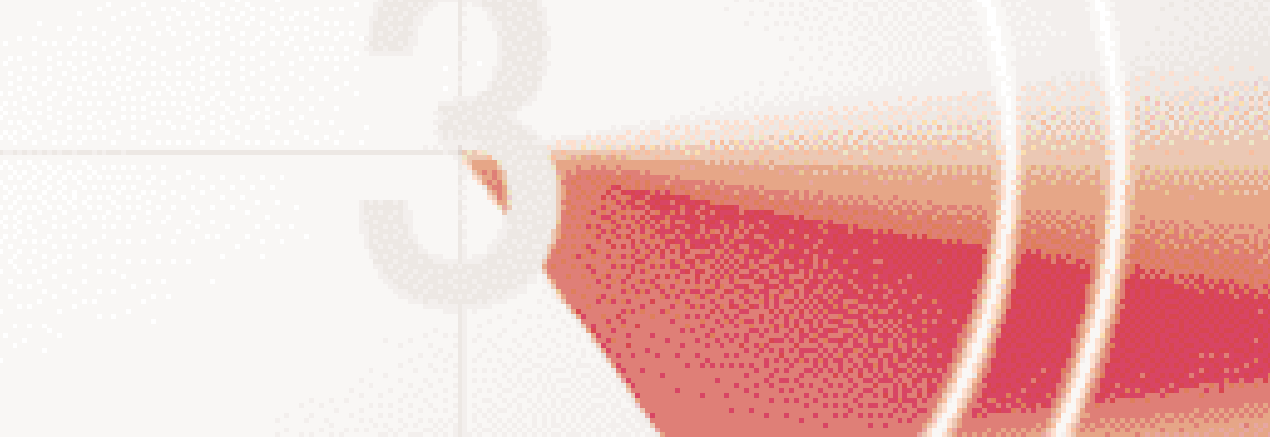


Our strategy

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Our strategy: four pillars for sustainable growth.

T.I.M.E.S. is a global market with great potential for growth, the result of the merger of Telecommunications, Information technology, Multimedia, Entertainment and Security services. Convergence of technology, media, networks and services gives the telecommunications industry – one of the world's fastest growing sectors – new dynamism and fresh impetus. Mobile communications, online services and applications, data communications and e-business systems solutions, and broadband network access – that's T.I.M.E.S.

Deutsche Telekom was quick to give its strategy a clear focus on global growth sectors and is well on its way to transforming the Deutsche Telekom Group into a global T.I.M.E.S. player.

Building on four strategic pillars, namely T-Systems, T-Com, T-Mobile and T-Online, we have brought the Group's structure in line with our corporate strategy, initiating far-reaching change processes to become even better and more efficient when it comes to serving our customers.

Our unparalleled T-DSL broadband campaign and increasing growth in subscriber figures at T-Mobile and T-Online, coupled with the Company's comprehensive range of combined information technology/telecommunications systems solutions for global customers, manifest our clear positioning. Our Group's four strategic pillars cover the entire spectrum of integrated telematics, enjoying high levels of autonomy as they operate within their own lines of business. Furthermore, they assume clearly defined scopes of responsibility for their respective customer segments, which run the gamut from residential customers to small and medium-sized enterprises (SMEs) and named accounts.

Efforts to extend the four pillars' international reach are being stepped up significantly. Testimony to Deutsche Telekom's internationalization strategy are the position the Company now occupies in Central and Eastern Europe by virtue of its wireline and wireless holdings, the planned acquisition of VoiceStream and Powertel that would serve as the basis for stamping a unique footprint on the global market for GSM wireless operators, and the creation of one of Europe's leading e-business providers through the acquisition of a majority shareholding in debis Systemhaus. The Company's unambiguous control and resource allocation build on the majority interests we have seized in our shareholdings and our shedding operations that are not required in order to maintain core businesses.

Banking on its declared strategy, Deutsche Telekom capitalizes on the enormous potential for growth in convergence areas between the four pillars, systematically leveraging ensuing synergy. More than anywhere else, the advantages of being an integrated provider of telematics services become evident in our capability to provide SME customers

T-Com

- T-Com – sales stronghold for residential customers and SMEs.**
- Serves 41 million residential customers and some 350,000 business customers from the SME segment (small and medium-sized enterprises)
 - Nationwide presence on the German consumer market through a proprietary retail network (T-Punkt outlets) and licensed distributors
 - Expands its product and service portfolio to suit the special needs of SMEs
 - T-DSL broadband campaign

T-Systems

- T-Systems – comprehensive IT/telecoms solutions for global customers.**
- Offers worldwide systems solutions and innovative IT/telecoms solutions from a single source
 - Second-largest system house in Europe
 - Serves the Deutsche Telekom Group's top corporate customers, i.e., named accounts with global operations
 - International presence with 37,000 employees in more than 20 countries. The footprint is being enlarged
 - Comprehensive product and service portfolio through the combination of debis Systemhaus' and Deutsche Telekom's competencies

T-Mobile

- T-Mobile International AG – en route to becoming a leading brand in global mobile communications.**
- Integrates the Deutsche Telekom Group's major mobile communications operations
 - Uniquely positioned as a global wireless carrier using GSM technology, the world's leading mobile communications standard
 - Enters the US market with the planned acquisition of a majority shareholding in VoiceStream/Powertel
 - Bundles mobile Internet operations to take advantage of business opportunities in the m-commerce sector in concert with T-Motion, the joint venture between T-Mobile and T-Online

T-Online

- T-Online International AG – solid mainstay on the Internet market.**
- Europe's biggest online service
 - Operates in Germany, Austria, France, Spain and Portugal
 - Growth strategy sharply focuses on access, advertising, e-commerce and content

with integrated solutions and applications, bundling offerings from every area in our Group, bouquets of combined wireline and wireless products, and T-Motion's stance as a T-Mobile and T-Online joint venture poised to strike in the explosively expanding market for m-commerce services.

Our four-pillar model lets us optimally work the market, based on a state-of-the-art network infrastructure, enabling us to efficiently customize our distribution channels, processes and IT. A nationwide sales and service organization along with high-quality processes, powerful internal IT infrastructure and leveraging of e-business potential are decisive competitive factors.

The foundations. The four strategic pillars of our Company are based on a solid foundation as part of our corporate strategy: T-Networks. Its tailor-made infrastructure platforms are the basis on which we can build our range of innovative, high-quality products and services for the markets across all four lines of business. T-Networks enables us to develop and operate one of the most sophisticated telecommunications platforms in the world. Its overall responsibility for networks throughout the Group enables us to realize synergy and efficiency gains.

Competitive factor: nationwide reach.

T-Punkt shops for residential and business customers. With more than 500 T-Punkt shops and 4,000 employees by the end of the year under review, we made significant progress in expanding our sales and distribution network during 2000. These shops are carefully positioned in busy shopping centers and pedestrian zones for maximum accessibility and convenience. Sales are driven predominantly by T-ISDN, T-DSL, T-D1, T-Online and new rate options. Our T-Punkt shops sold a total of 180,000 T-DSL packages in 2000. We also improved our corporate service – for small and medium-sized enterprises (SMEs) in particular - by opening 30 T-Punkt Business shops. We plan to increase the total number of T-Punkt Business shops to 120 during 2001.

Indirect sales reinforce strong positioning. Indirect sales is an important lever in our sales strategy. In 2000, we increased the number of our sales partners by 50 percent to 15,000. Our customers can now buy Deutsche Telekom products and services at over 45,000 partner outlets.

Extensive customer care. We have implemented our central portal for all Deutsche Telekom call centers. Residential customers can now reach us under a single, nationwide service number: 0800 33 0 1000. Over 9,000 Customer Care employees had been trained by the end of 2000. At the same time, we exceeded our target of giving a final answer to 80 percent of customer requests at first contact, thus clearly improving the quality of service extended to our residential customers.

The e-company of tomorrow. Over the past few years, our online marketplace **www.telekom.de** has evolved into one of the largest and most popular service and shopping portals operated by an international telecommunications provider. Online users can check out the latest products and services and place orders around the clock. **www.telekom.de** handled more than 700,000 transactions during 2000, reinforcing its status as a strategic revenue engine.

Germ@ny goes online. Leveraging our nationwide, robust service network, we launched a highly successful Internet promotion campaign on the German market in 2000. This campaign focused on target-specific offers to increase the appeal of the Internet and encourage people to “go online”. Our “Germ@ny goes online” initiative involved individualized projects for various target groups.

Our T@School project was particularly successful. By the end of April 2001 – well ahead of our original target – we will have equipped all 36,000 state-run schools in Germany with a free Internet connection. As part of our “SMEs go online” project, our customer branch offices hosted more than 1,500 Internet events dedicated entirely to the needs of small and medium-sized enterprises.

Professional partner. Demand among key and named accounts for end-to-end solutions is rising. At Deutsche Telekom, we are steadily building on our capabilities as an integrated T.I.M.E.S. provider to meet these needs quickly and effectively. During the year under review, we took concrete, strategic steps to ramp up activities in this high-growth segment. One such move was the formation of T-Systems. This was created by merging DeTeSystem with debis Systemhaus (dSH) and various other group units after acquiring a majority shareholding in dSH (50.1 percent). A number of innovative solutions for individual customer projects were also realized during 2000. We paved the way for the ABB Group to harness the benefits of e-business, for example, by connecting the Group's German offices over a high-speed Wide Area Network (WAN). Evidence of our sharper focus on the needs of small and medium-sized enterprises comes by way of our concept initiated in 2000 to reorganize sales and service activities.

Fit for the T.I.M.E.S. market. T-Service is positioned as a telecommunications and IT service provider. It offers a broad portfolio ranging from installation, (remote) maintenance, repair, logistics, hotline support, software installation, training, network management through to disposal, thus providing the full range of service and support over all phases of planning, building and operating from a single source. Some 26,000 employees ensure the highest standards of quality in T-Service nationwide. In 2000, we started building our own international service organization.

Turning IT into a competitive tool. Particularly in a ruthless market such as telecommunications, the ability to turn IT into business value can have a major impact on an operator's competitiveness. A seamless information flow over the corporate intranet (HITNET) is essential in order to optimize business processes and respond to changing market dynamics with lightning speed. Moreover, powerful information technology alongside lean, Group-wide uniform process management gives us the basis for networking strategic growth fields at the process level. By bundling and speeding up processes, we can bring innovations to market much more quickly and take a targeted approach to capitalize on cost advantages.

During the year under review, we concentrated on turning IT into a strategic vehicle to boost our competitiveness. HITNET is one of the largest and most powerful intranets in Europe. The network is managed for the entire Group by Deutsche Telekom Computer Service Management GmbH (DeTeCSM). Some 172,000 users are connected to HITNET worldwide. Approximately 200 servers distributed among six computing centers throughout Germany form the network's backbone.

Our computing centers rank among the industry's most cost-efficient, which has led to some DM 200 million in operational savings over the last four years. We reduced the total cost of 1,000 CPU seconds, a parameter used to measure computing power, from DM 3.49 to DM 0.59, above all by implementing optimization projects, increasing capacity utilization and raising the level of automation. These accomplishments landed us second place in the pan-European ranking by Compass market researchers in 2000.

DeTeCSM was the first German company to fulfil all the requirements prescribed by the renowned "British Standard 7799" in the field of data security and to be certified by the German certification body DQS (Deutsche Gesellschaft zur Zertifizierung von Managementsystemen mbH) for its quality management system.

IT management solutions for our customers. DeTeCSM also develops and realizes tailor-made IT solutions for our customers. Since July 2000, Deutsche Post has been gradually outsourcing its corporate network (with some 62,000 workstations) to DeTeCSM. Valued at approximately DM 111 million, this is one of the largest outsourcing projects on the German IT market. According to a survey by the consulting firm PAC, DeTeCSM led the German outsourcing market in 2000.

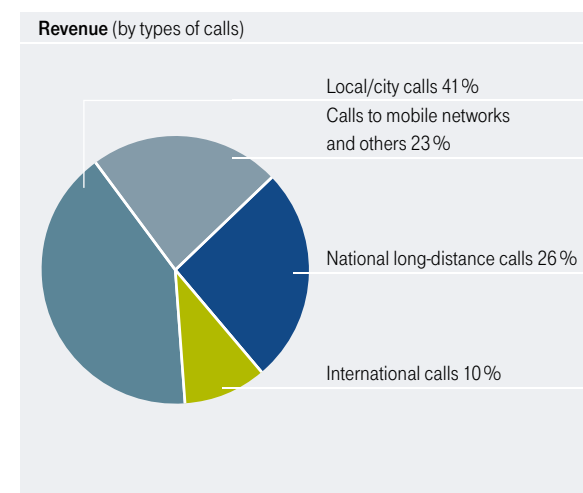


Network communications. Consolidation in the face of stiff competition.

2000 was a year of intense competition in the telecommunications industry. Price wars were particularly intense in the market for connections. However, the rate of decline in prices was slower than 1999. Call charges have now reached a low level – due mainly to a sharp decline in profit margins. In this challenging environment, we are pursuing a strategy of upgrading subscriber lines from standard telephone lines to multi-service solutions. This strategy is driven primarily by integrated service packages combining access with particularly competitive rates or mobile with fixed-network services, and online packages.

Fixed-network communications accounted for approximately 37 percent of group revenue in the 2000 financial year, thus confirming its status as one of Deutsche Telekom's key revenue engines. Total sales in this segment were posted at EUR 15.1 billion. This represents a drop in revenue of approximately 10 percent compared with last year's figure of EUR 16.7 billion. The drop is mainly attributable to lower prices.

57 percent of the revenue generated by Network Communications in the year under review is attributable to call charges. Revenue from residential customers and business customers represented around 70 percent and around 30 percent of this figure respectively. Local/city calls accounted for 41 percent of this revenue, national long-distance calls stood at 26 percent. International calls made up 10 percent of total revenue from call charges. There was an increase in the number of calls to mobile networks and others during 2000. They accounted for 23 percent of revenue.

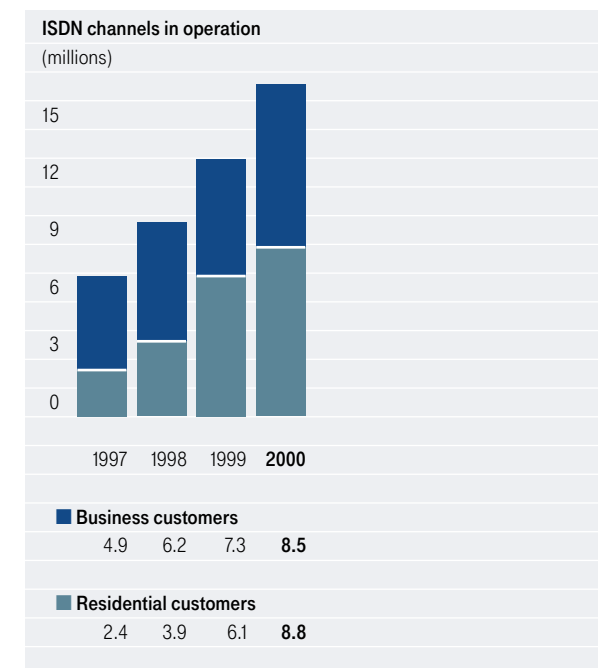


At the close of the 2000 financial year, our customers were using 49.2 million telephone lines – including 17.2 million ISDN channels. This represents an increase of approximately 30 percent over the previous year. We thus remain the world's leading ISDN network operator. The now 8.2 million ISDN channels used by residential customers account for almost 50 percent of all T-ISDN channels.

At the beginning of June 2000, we launched T-ISDN xxl, the first flat-rate offer for voice communications on the German market. With T-ISDN xxl, customers can phone free of charge in Germany on Sundays and public holidays. This flat-rate option has helped to consolidate the position of ISDN as a strategic growth driver.

Bringing broadband communications to the mass market. Building on T-ISDN, broadband T-DSL is the next installment in our strategy to optimize telecom subscriber lines. Our T-DSL solution has fuelled further growth in subscription figures. We launched a flat rate for broadband Internet access in the 2000 financial year and our medium-term objective is to develop T-DSL into the standard Internet access format for our customers.

In keeping with our commitment to offer our customers innovative, customized solutions, we bundled competitive packages, leveraging the convenience of T-ISDN for voice communication and the high-speed capabilities of T-DSL for Internet access. The packages T-ISDN xxl with T-DSL and T-ISDN 300 xxl with T-DSL deliver on Deutsche Telekom's vision of the telephone subscriber line as a multi-service tool.



Inspired by these and other innovations, the T-DSL marketing initiative in 2000 was a resounding success. By the end of the year, the number of new orders for T-DSL had reached some 600,000. This means a coverage of approximately 90 percent. Further information on local availability can be found in the chapter about our network infrastructure.

Bridging the wire-bound and wireless worlds. The AktivMobil brand is built around integrated services combining fixed-network and mobile communications. Our customers benefit from AktivMobil in more ways than one. Firstly, they save money when they subscribe to both our fixed and mobile networks. Secondly, it's more convenient. AktivMobil offers a wide range of attractive features and practical services. These include a single monthly invoice and just one contact partner. AktivMobil 300 and 600 also include a joint mailbox and an intelligent CallManager. This service provides a central contact point for mobile and fixed-network calls, making the customer much easier to reach.

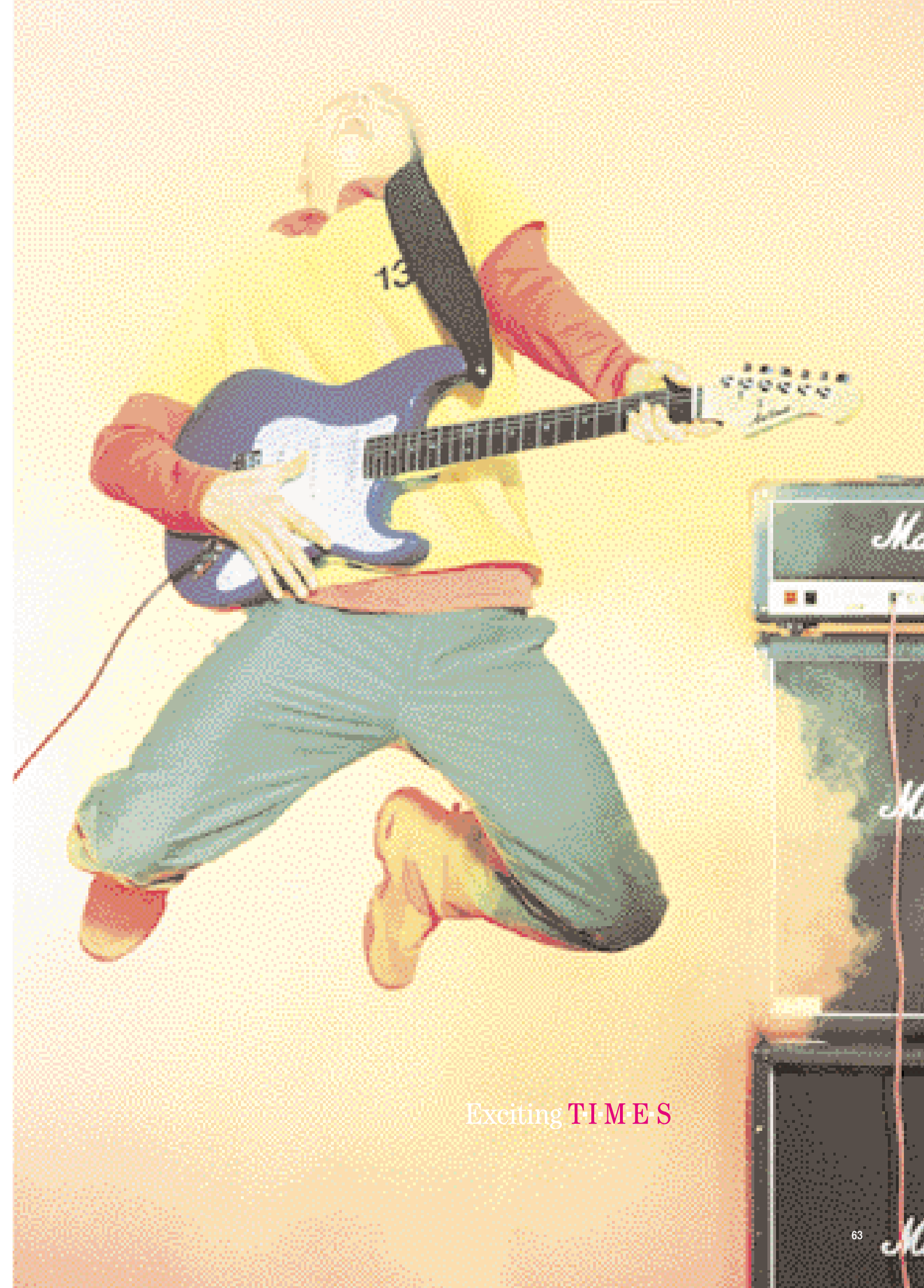
Success story. The AktivPlus rate turned out to be a huge success in the 2000 financial year in terms of enhancing customer loyalty. AktivPlus lowers the cost of regional and national calls for both analog lines (without extension numbers) and Euro-ISDN multiterminal lines by up to 66 percent – and by as much as 75 percent with city/local calls. More than 4.5 million customers had taken advantage of this offer by the end of the year under review. 2.1 million of these combined AktivPlus with T-ISDN xxl, T-ISDN 300 or T-Net 100, adding to the success of AktivPlus.

Customized voice solutions for business customers and named accounts. Network Communications focuses on improving communication infrastructures by offering cost-efficient voice solutions engineered in line with market conditions to reflect the precise business needs of small and medium-sized enterprises (SMEs), large corporate customers and named accounts both in Germany and abroad. As an integral component of systems solutions, our voice services will continue to play a key role in the success of Deutsche Telekom. The product portfolio which the Network Communications business unit offers corporate customers and named accounts ranges from standard rates such as BusinessCall 500 and 700 to individual customer solutions centered around T-VPN.

Customized networks for voice communications. The umbrella brand T-VPN (Telekom Virtual Private Network) provides premium voice solutions for our corporate customer base. T-VPN Global is a powerful platform developed for globally operating companies with high volumes of international traffic. In addition to an attractive pricing structure, T-VPN offers a suite of network-based value-added services aimed at ensuring individualized voice systems solutions. With T-VPN, our customers benefit from progressive, streamlined communications management without having to invest in costly telecommunications equipment. Similarly, customers are buying in to future Deutsche Telekom innovations – at no extra charge. The number of new T-VPN contracts concluded in the year under review was again up as compared with the previous year.

Professional solutions for SMEs. The BusinessCall family is geared to the requirements of small and medium-sized enterprises. BusinessCall 500 enables corporate customers with multiple connections at a single location to optimize their phone costs. In addition to the basic rate, BC 500 includes sales-volume-based discounts, on-top bonuses and premium service quality. BC 700 is designed for larger enterprises with more than one location. Both BC 500 and BC 700 have gained in popularity and profile thanks to a re-launch and the integration of a greater range of value-added telephone services.

A strong start. BusinessPremium offers business customers enhanced features in technical support (troubleshooting, response time), billing (online invoicing) and customer care. The number of subscribers has risen steadily since we launched this service in May 2000. It is proving particularly attractive to SMEs with a strong focus on consulting and service quality.



Exciting **TIMES**

Data and IP communications. Strong position in a global high-growth industry.

Data and IP communications are among the fastest growing segments in the telecommunications industry. Companies transfer increasingly large volumes of data and multimedia information using Deutsche Telekom's LANs, WANs and Internet access. We manage multinational customer projects; we deliver standardized, integrated solutions for data and voice traffic over high-performance global IP networks; and we ensure the highest levels of data security.

2000 saw a further increase in the volume of data traffic. This was fuelled primarily by the sharp rise in the number of residential and corporate Internet users and the general increase in inter and intra-company networking. At the same time, we strengthened our position as a leading provider of network platforms and access technologies, customized solutions and systems solutions. Ongoing development of our broadband T-DSL technology and the implementation of complex multinational integration solutions for voice and data played a key role in consolidating our position.

Despite the continuing pressure to maintain a competitive pricing structure, we were able to increase revenue by around 19 percent. The Data Communications business unit generated revenue to the tune of EUR 3.3 billion in the year under review (compared with EUR 2.8 billion in the previous year). Data Communications thus accounted for approximately 8 percent of total group revenue.

Professional Web-enabler. Through our T-InterConnect product line, we offer business customers a product portfolio for secure Internet access and assistance in building intranets/extranets. Revenue in this product segment doubled in the year under review – despite significant price reductions. Migration to next-generation Internet/intranet has been accelerated thanks to a new IP backbone – offering 2.5 Gbit/s trunk lines and guaranteed quality parameters (such as security and access speed). At the same time we have continuously raised worldwide peering capacities to further improve performance for our Internet customers. By the end of 2000, over 10 Gbit/s was available. This represents a large increase in peering capacity during the year under review.

We launched T-InterConnect Office Solution in 2000. Designed with the needs of SMEs in mind, T-InterConnect Office provides fast, professional and cost-effective access to the integrated world of voice, data, fax and Internet over IP.

Multimedia broadband communications. T-ATM (Asynchronous Transfer Mode) is a broadband network platform for transferring data, voice and multimedia content. Available nationwide, its outstanding transmission rate, flexibility and security position T-ATM to become a platform of choice for building powerful corporate networks. By extending the number of points of presence (from 54 to 70) and devising a particularly attractive pricing model, we have further increased the appeal of T-ATM. T-ATM dsl, the digital subscriber line technology which offers cost-effective access to the world of T-ATM, has also been extended to keep pace with T-ATM coverage. Customer demand for T-ATM connections in 2000 rose by more than 100 percent compared with 1999. We developed innovative T-ATM managed network solutions for a number of well known financial institutions and insurance companies during the year under review. For example, we set up a high-performance infrastructure integrating some four hundred branch offices for a leading bank. This central instance gives all networked offices access to complex banking software and other applications.

High-speed leased lines. LeasedLink offers business customers dedicated data links between two or more locations. Demand for this service continues to rise as customers migrate to higher bandwidths. LeasedLink products were increasingly provided in connection with customized solutions during 2000.

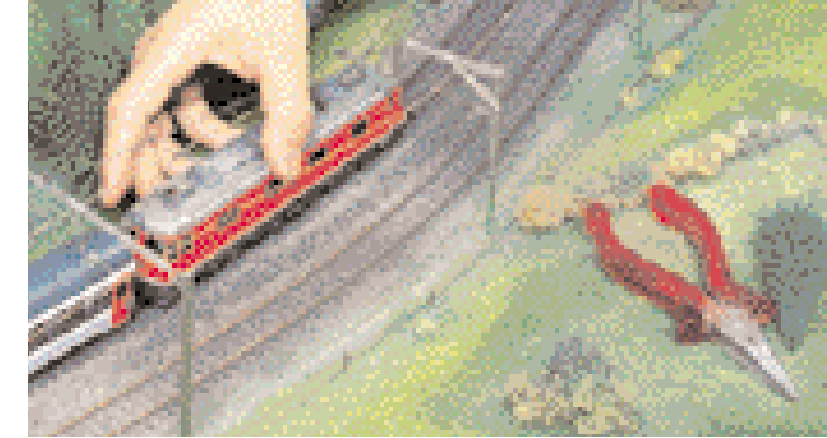
Global Internet and intranet communications. Global Internet, Global Intranet and WorldWideTransit are customizable IP-based solutions centered around the communication requirements of international companies and Internet providers. Global Internet was launched in 2000 as a comprehensive package linking global corporate networks to the Internet safely and reliably.

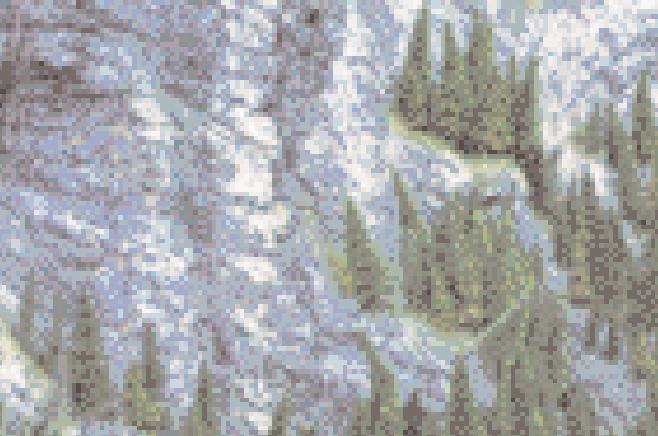
Global Intranet delivers IP-based all-in-one solutions for global corporate networks with particularly high security demands. It complements local leased-line access with global dial-up access. We created Global Intranet solutions for a number of key customers during the 2000 financial year.

Progressive solutions on multi-service platforms. We leverage state-of-the-art technologies to build high-performance data networks for a broad application spectrum. The launch of IntraSelect in October 2000 marked the start of our advanced, high-quality virtual private network (VPN) range of services. IntraSelect offers four different levels of transfer quality, enabling the IP-based transmission of multimedia data.

FrameLink Plus is the basic platform for building corporate networks and linking LANs. We continued to expand and improve the existing network in Germany during 2000. There was a substantial rise in the number of national and international connections during 2000. The introduction of guaranteed classes of service further enhanced the flexibility and evolutionary capabilities of FrameLink Plus.

Corporate solutions running on industry-specific network platforms comprise an area of potential future growth within the data communications market. We have developed products, based on ENX® (European Exchange Network), the IP network of the European automotive industry, to tap this market. Larger customers can choose from our customizable ENX® Solution suite while small and medium-sized automotive enterprises have the option of flexible, cost-effective access to the ENX® network through our ENX® Dial In stand-alone solution. These services are realized by our subsidiary, T-Data.

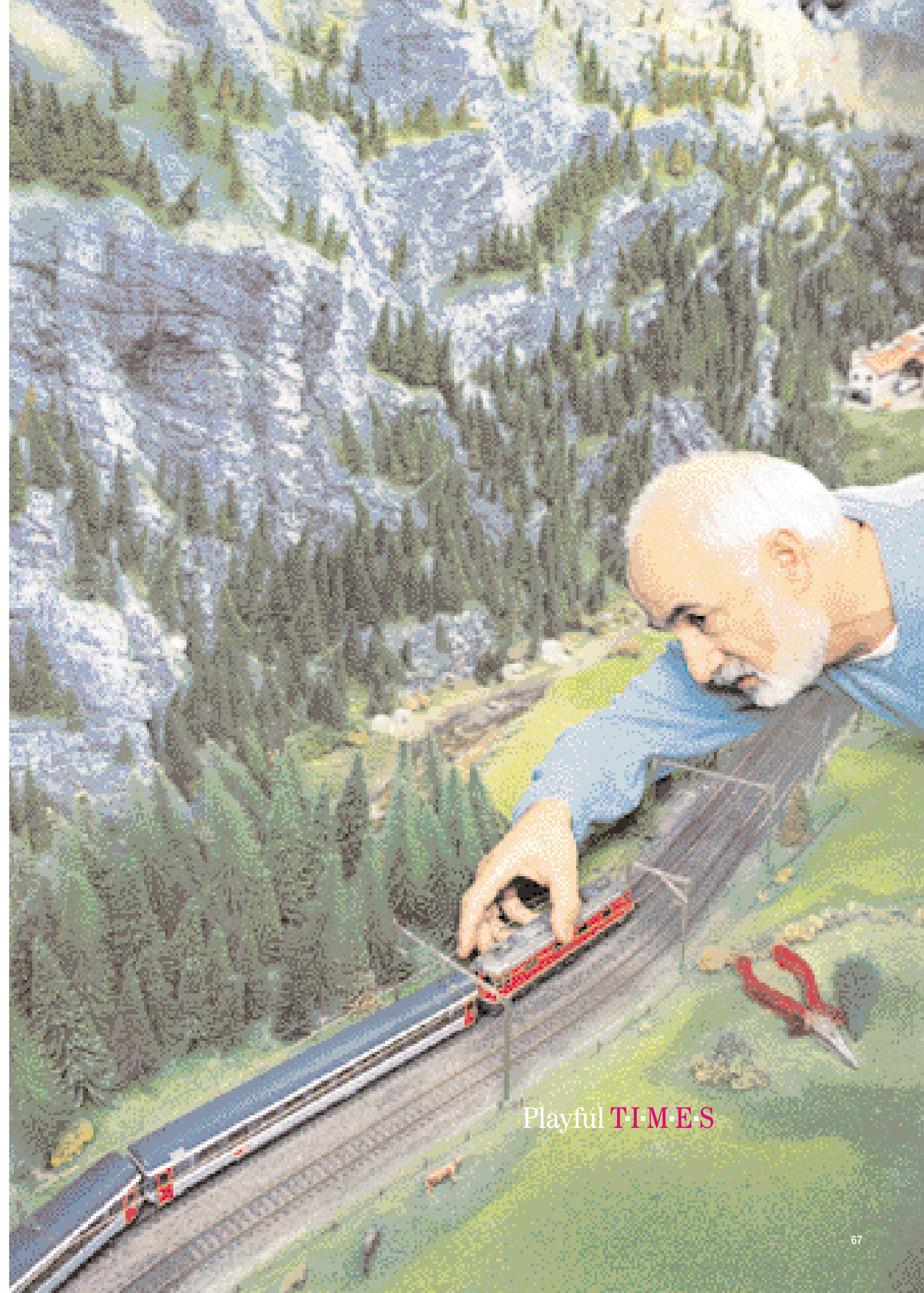




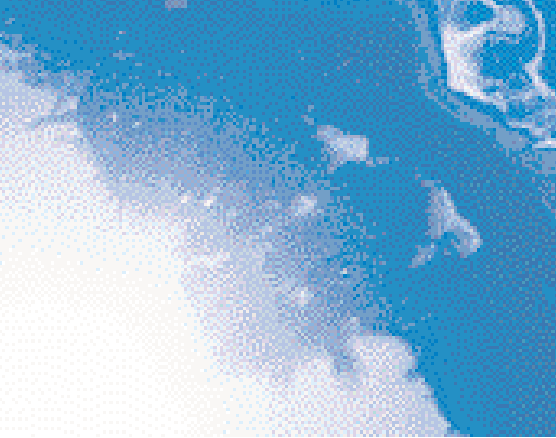
Corporate communications infrastructures. Our T-LAN service builds customized LANs for companies of all sizes across all branches of trade and industry. The T-LAN range of services extends from planning and implementation of network infrastructures through integration of network-related IT/telecom applications to network management and security solutions. During the period under review, we focused in particular on consulting services and innovative solutions for voice over IP, security applications and wireless LAN. These solutions – and communications networks for carriers and service providers – are realized by our subsidiary, DeTeLine.

Breaking down the barriers. We stepped up our commitment to internationalization and seamless cross-border data communications during the 2000 financial year. In addition to investments in foreign companies, we started offering Deutsche Telekom products and services on foreign markets through our own infrastructure for the first time.

The products marketed internationally range from Web-based data services (including Internet access and intranet solutions) to voice over IP solutions. We will focus initially on countries in which German companies have a strong presence. Marketing is handled by subsidiaries and associated companies of Deutsche Telekom and by the worldwide network of subsidiaries operated by the renowned systems specialist, debis Systemhaus. In Hungary, for example, MATÁV has started preparing for international product launches, while in France, our telecommunications subsidiary SIRIS is already serving its first customers. In Switzerland, Deutsche Telekom increased its shareholding of the Swiss fixed-network specialist Multilink SA to 100 percent, thus significantly enhancing its prospects for extending its data and Internet business on a key European market. And acquisition of a 51 percent shareholding in the Czech city carrier PragoNet has enabled Deutsche Telekom to offer high-quality data communications products to corporate clients in Prague.



Playful T·I·M·E·S



Mobile communications. Leading the way in third-generation mobile telephony.

Our mobile communications strategy reached far beyond Germany during the 2000 financial year. In total, we are now active in 14 foreign countries. On January 1, 2000, our core mobile activities were bundled and integrated in T-Mobile International AG (TMO). TMO is sole shareholder of T-Mobil (Germany), One 2 One (Great Britain) and max.mobil. (Austria). TMO also has shareholdings in a range of international mobile operators: RADIOMOBIL in the Czech Republic, BEN in the Netherlands, PTC in Poland and MTS in Russia. In addition, Deutsche Telekom has shareholdings in other major mobile operators in Hungary, Slovakia, Croatia, the Ukraine and in South-east Asia.

During the year under review, all subsidiaries and associated companies of TMO reported rapid increases in their subscriber bases. Through the purchase of five UMTS licenses, the TMO Group has also charted a direct course for third-generation (3G) mobile telephony. TMO now holds much-coveted access rights to the world of mobile multimedia in Germany, Great Britain, Austria, Poland and the Netherlands.

Mobile Communications posted revenue of EUR 9.2 billion in the 2000 financial year. (This accounts for 23 percent of total group revenue.)

By the end of the 2000 financial year, Deutsche Telekom's consolidated companies boasted some 31.2 million subscribers (compared with 15.8 million in 1999). At the same time, a total of around 42 million customers worldwide were subscribing to the mobile services of Deutsche Telekom subsidiaries and associated companies.

Looking towards a mobile broadband future. As the mobile communications industry prepares for transition to its third generation, we concentrated increasingly on the strategic acquisition of UMTS licenses. Companies of the TMO Group purchased one license at each of the UMTS auctions in Germany, Great Britain and Austria. In Poland, a license was also awarded to the network operator PTC, in which the Deutsche Telekom Group has a 45 percent shareholding. And in the Netherlands, the mobile operator BEN acquired a license to build and operate a UMTS network. A total of more than EUR 15 billion was invested in UMTS licenses.

At the same time, we concentrated on network evolution to accelerate delivery of UMTS capabilities. In December 2000, letters of intent were signed with system suppliers Nokia, Siemens and Nortel. These companies will start building networks in Germany, Great Britain and Austria in 2001. It is anticipated that these networks will be operative in 2002.

Mobile services for a mobile society. In March 2000, we migrated our mobile multimedia activities to the newly established London-based company T-Motion. A joint venture between TMO (60 percent) and T-Online International (40 percent), T-Motion operates a new-wave WAP portal, enabling direct access to specially designed Internet pages using WAP cellphones. The T-Motion portal was made available to T-Mobil customers in September 2000. The marketing campaign in Great Britain was launched in February 2001.

Customer figures doubled. 2000 was a record year for T-Mobil. The T-D1 customer base rose from 9.07 million in 1999 to 19.14 million in 2000 – an increase of around 111 percent. With over 10 million new subscribers, T-Mobil was thus the fastest growing mobile operator on the German market (based on absolute subscriber figures). Market share remained stable at around 40 percent. Revenue – including intra-group sales – rose to EUR 6.48 billion (from approximately EUR 5 billion in 1999).

Despite the high customer acquisition costs required to fuel this growth, T-Mobil's financial statements posted a clearly positive result in 2000.

CeBIT 2000 marked a major milestone in prepay mobile communications with the launch of our prepay packages for under EUR 50. The number of T-D1 prepay customers rose from around 2 million at the end of 1999 to more than 10 million at the end of December 2000. T-D1 also recorded high two-digit growth rates in both the subscription and wholesale segments.

The demand for mobile data services continued to rise rapidly in Germany in the year under review. The number of sales-relevant short messages sent via the T-D1 network in December 2000 jumped to around 650 million (compared with around 300 million in December 1999). A total of around 5.2 billion sales-relevant SMS messages were sent in 2000. Demand for the WAP services introduced by T-Mobil in 1999 also remained high, with over 1.3 million customers using the T-D1 WAP portal in 2000.

T-Mobil continued to invest in GPRS technology in 2000, laying the groundwork for tomorrow's wireless data infrastructures. A total of around EUR 150 million were dedicated to GPRS. Marketing commenced on February 1, 2001.

Around EUR 0.8 billion were invested in building and improving the T-D1 network in 2000. Some 10,000 new base stations were connected nationwide. This placed the total number of radio cells at around 34,000, dispersed across more than 15,000 locations. And the transmission capacity for SMS messages was doubled.

The analog T-C-Tel network was phased out on December 31, 2000. The majority of customers migrated to T-Mobil.

Increased revenue in the UK. One 2 One, the British subsidiary of TMO, closed the year under review with excellent results. Revenue figures of EUR 2.9 billion were clearly up on the previous year. One 2 One also increased its subscriber base by just under 100 percent to around 8.3 million subscribers. Around 74 percent of these were prepay users. The market share rose to around 21 percent (compared with 17 percent in 1999). This result is also attributable to Virgin Mobile, a mobile virtual network operator in which One 2 One has a 50 percent shareholding.

Network coverage was extended in 2000. One 2 One's mobile service is now available to 98 percent of the population. The number of transmission sites was increased to around 4,200.

Mobile data services are highly popular with One 2 One customers. Around 100 million SMS messages are now sent every month via One 2 One. And the number of WAP users had exceeded 135,000 by the end of 2000. The company plans to launch its first GPRS services during the second half of the current financial year.

In July 2000, One 2 One acquired the Pocket Phone Shop dealer chain. This acquisition is a valuable link in the mobile communications distribution chain.

Secure market position in Austria. In April 2000, we purchased the remaining 9 percent of the Austrian operator max.mobil. from the publisher Krone Verlag. max.mobil.'s consolidated revenue (including Niedermeyer, a key distributor for mobile communications products) rose to EUR 1.02 billion in the 2000 financial year (compared with EUR 811 million in 1999). The max.mobil. subscriber base rose from 1.5 million at the end of 1999 to more than 2 million by the end of 2000. Despite the entry of a new mobile operator to the market (there are now four players), max.mobil. maintained a steady market share, at around 37 percent.

On March 1, 2000, max.mobil. launched max.w@p.info, a WAP service for both subscription and prepay customers. More than 200,000 users had taken advantage of this new service by the end of the year. In mid February 2001, max.mobil. also introduced a "friendly user" GPRS service in Vienna and surrounding areas. The nationwide GPRS network is due to be officially launched in early April 2001. max.mobil. will make GPRS available to all customer segments.

2000 was an important year for max.mobil. in terms of network expansion. The number of base stations was increased from around 2,600 in 1999 to around 3,400. The network now offers 97 percent coverage.

BEN – the youngest member of the TMO family. In October 2000, TMO acquired 50 percent – minus one share – of the Dutch mobile network operator BEN. The remaining shares are held by Belgacom and TeleDanmark. Around 768,000 subscribers were using the BEN network by the end of 2000 – an increase of 169 percent on 1999. With its attractive brand image and an easy-to-follow pricing structure, BEN has secured a strong position on the Dutch post-paid market. More than 57 percent of all BEN customers have a subscription.

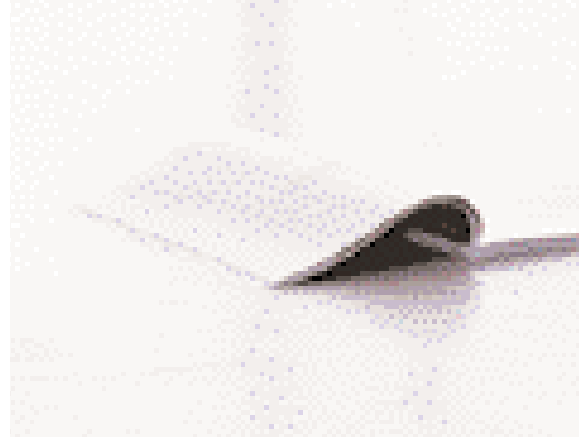
Promising future in Poland. Polska Telefonia Cyfrowa (PTC) is Poland's leading operator of mobile communications networks. The PTC subscriber base had risen to around 2.8 million by the end of 2000. And with a market share of around 42 percent, PTC comfortably maintained its clear competitive lead. The PTC network covers 94 percent of Poland, reaching approximately 99 percent of the population. The EraGSM network offers Internet access via cellphone and laptop. During the second half of 2000, the company commenced "friendly user" testing for GPRS. The official launch is scheduled for the first half of 2001.

Innovation leader in the Czech Republic. With a total of 1.85 million subscribers at the end of 2000 and a market share of 43 percent, RadioMobil a.s. is the second-largest mobile communications operator in the Czech Republic. TMO currently holds a minority shareholding in the company, which markets its GSM services under the name Paegas. Our interest will be expanded to a majority shareholding during 2001. Thanks to the Paegas network, RadioMobil reaches over 99 percent of the population. With a suite of leading-edge products and services, such as unified messaging, data transfer for all customer segments, GSM banking and WAP services, RadioMobil is established as an innovation leader and driver on the Czech market.

Market leader in Moscow and beyond. 2000 was a year of explosive growth for Mobile Telesystems (MTS), Russia's largest GSM900/1800 operator. By the end of the year, the company's subscriber base had exceeded one million – an increase of more than 300 percent on 1999. MTS will be the first Russian mobile communications operator to build and operate a GPRS infrastructure.



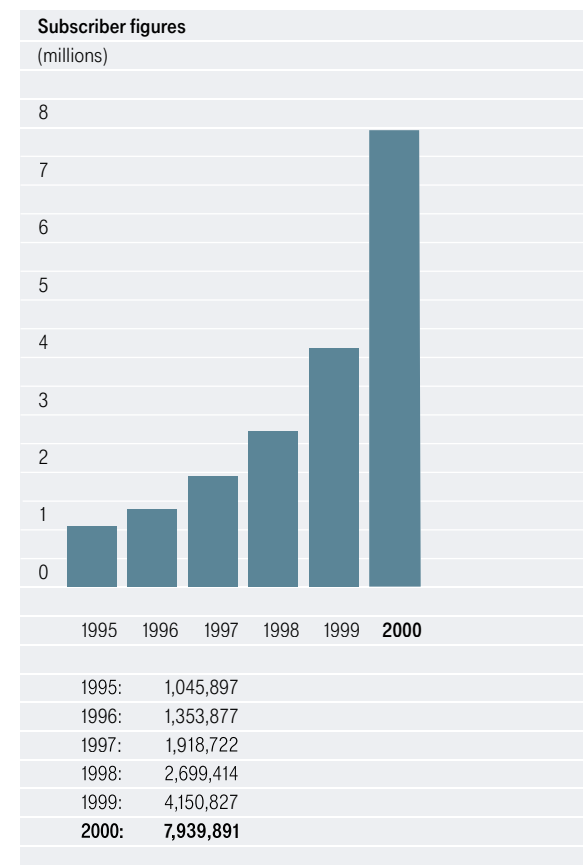
Exploring T·I·M·E·S



T-Online. Broadband Internet access.

2000 was a busy year for T-Online International AG. Stock market flotation provided impetus to strengthen our position in the dynamic Internet market and step up activities on international markets. With around eight million customers, the company is the leading Internet access provider and boasts a reach that ranks top among European providers.

Sustained revenue growth. Despite growing pressure from competitors during the 2000 financial year, T-Online International AG extended its leadership on the Internet market. The absolute number of T-Online subscribers in Germany rose to around 6.5 million in 2000, an increase of 57 percent over 1999. Including the shareholdings in France, Austria, Spain and Portugal, T-Online International's customer base had risen to around 7.9 million by the end of 2000.



Total online time also increased dramatically – by around 297 percent. Each T-Online customer used the Internet for an average of 580 minutes every month. The corresponding figure in 1999 was 319 minutes per month.

The T-Online Group posted revenue of EUR 797.2 million in the 2000 financial year – an increase of 86.1 percent compared with 1999. Newly acquired subsidiaries accounted for EUR 55.2 million of the Group's revenue. In other words, excluding the changes in the composition of the Group, the increase in revenue amounts to 73.2 percent.

Revenue from advertising and e-commerce increased significantly compared with 1999. This was fuelled predominantly by the ever-expanding reach of the T-Online portal and its increasing popularity. Startup costs incurred in connection with our foreign subsidiaries and heavy use of the flat rate, particularly in the third quarter, impacted negatively on group results. Total earnings for 2000 before taxes, interest, depreciation and amortization (EBITDA) were minus EUR 83 million.

Going public. Stock market flotation in April 2000 opened a new chapter in the history of T-Online International AG. T-Online stocks were placed on the increasingly turbulent Neuer Markt. This was soon followed by admission to the Nemax 50, the stock index of the Neuer Markt. The changing status of high-growth and technology stocks on international exchanges led to a decline in stock prices across all markets. Despite its initial buoyant performance, T-Online was not immune to negative market trends. Viewed over the financial year, however, T-Online outperformed the overall Nemax ratings. The 114 million shares – including employee shares and Greenshoe – issued to the public (institutional and retail investors) were oversubscribed by more than a factor of 20. With IPO proceeds of around EUR 3.08 billion, T-Online was the biggest stock market flotation by an Internet company worldwide in 2000.

New pricing structure. The flat rate launched in 2000 provided a substantial boost to subscriber numbers and the volume of data traffic. This flat rate enables users to surf the Internet for an unlimited period of time. From an economic viewpoint, however, the flat rate offers advantages only to a small cross-section of subscribers who make intensive use of the Net. Only about 3 percent of users fall into this category.

That is why T-Online developed a new pricing concept for Internet access – one more closely aligned to the requirements of T-Online subscribers. Launched in March 2000, the new pricing structure combines the old standard rates with six new options. The "T-DSL flat" rate introduced in September 2000 will be retained to promote the promising T-DSL broadband technology.

T-Online portals take the lead. Looking beyond network access, T-Online also focused on strengthening its position as an Internet content provider in 2000. We significantly extended our portal activities in this context. In addition to supplementing entertainment and information services and launching regional sites, T-Online opened a portal for corporate users and a WAP-based Internet portal. In cooperation with comdirect bank, European online broker services were fully integrated in the T-Online finance portal. A health portal was also launched in 2000, offering information, addresses and advice on a broad range of health-related issues.

In May 2000, T-Online acquired a majority shareholding in the Hamburg-based daybyday media GmbH. daybyday media develops a personal Web organizer, which offers T-Online users global, 24x7 access to their own digital assistant. This service is a key installment in our vision of a fully customized product portfolio. Thanks to the ongoing expansion of our content and online services, the average number of minutes each T-Online user spent online each month rose by a factor of five in the year under review. The total number of T-Online portal visitors rose from 2.6 million in December 1999 to 5.8 million in December 2000. In simple terms, T-Online currently reaches more than 50 percent of Internet users in Germany.

Internationalization strategy pays dividends. T-Online intensified its commitment to key European markets in the 2000 financial year. This enabled us to market portal strategies and to continue fostering strategic alliances in e-commerce.

We also acquired a 99.9 percent shareholding in Grolier Interactive Europe/Online Groupe, a leading French Internet service provider operating under the Club-Internet brand. This acquisition will help us to secure a strong market position in Europe's second most important national economy.

Another overseas acquisition was a 92.66 percent shareholding in Ya.com. The second largest portal provider on the Iberian Peninsula, Ya.com provides customer-specific content, Web-based value-added services and a free access model.

In the fourth quarter of 2000, T-Online purchased the remaining 49 percent in the Austrian company T-Online.at to become the sole shareholder. T-Online International AG is also the sole shareholder of the Swiss provider T-Online.ch AG, which was founded in August 2000. The company's objective is to build a high-quality horizontal portal and supplement this with various vertical portals for residential and business customers.

Strategic e-commerce alliances. During the year under review, T-Online also focused on the development of new e-business solutions. We bought a 51 percent stake in ATRADA Trading Network AG, provider of an advanced e-commerce platform. The objective of this cooperation is to establish a firm foothold in regional electronic marketplaces.

A joint venture was also agreed with DaimlerChrysler AG in December 2000. The agreement centers around the establishment and marketing of vehicle-specific customer portals in German-speaking countries. The first product – a portal for Mercedes-Benz – is scheduled to go live by summer 2001. A portal for the brand name "smart" and a brand-independent portal are to follow.

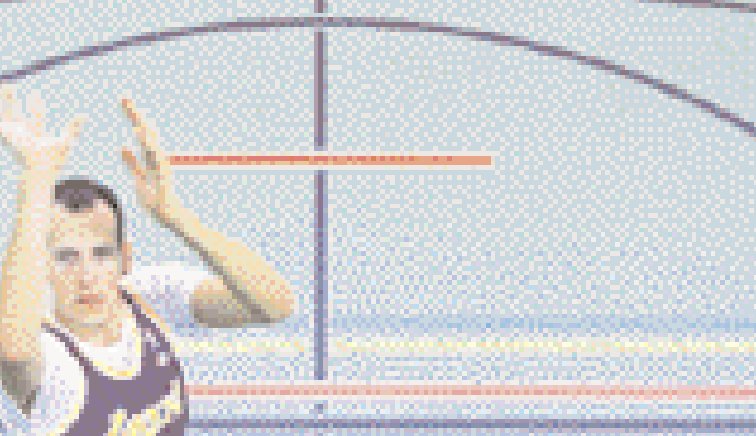
Driver for mobile commerce. In March 2000, T-Online International (40 percent shareholding) and T-Mobile International (60 percent) co-founded T-Motion plc. Based in London, this new joint venture is dedicated to the development of products and services for mobile Internet applications focused primarily on the market of the future, mobile commerce. Since the launch of the WAP portal T-Motion@T-D1 in October 2000, we have been gradually expanding our mobile services and content offering. We plan to extend the T-Motion portfolio in Europe during the 2001 financial year.

Tapping high-growth markets. A primary objective of T-Online in 2001 is to ensure long-term profitability through customer-oriented expansion of our products and services. To ensure sustained success, our strategy clearly focuses on strengthening our market position as a leading Internet access provider. We plan to introduce a more attractive pricing structure and new solutions centered around the benefits of T-DSL technology.

We will also focus on continued development of our content business and extending the reach of our information services to cover a broad range of topics and interests. We intend to maximize our potential by bundling and integrating all the Deutsche Telekom Group's Internet content activities in T-Online. We will also be extending the T-Online service spectrum to tap the high-growth SME market.

Surprising **T-I-M-E-S**





Carrier services. Strong position in the global telecom market.

Deutsche Telekom's Carrier Services business unit specializes in network-based products and services. These are tailored to the needs of network operators and licensed service providers worldwide. During the period under review, we intensified our global marketing efforts and, as a result, we have positioned ourselves well in the worldwide carrier services market. Carrier Services revenue rose by around 38 percent compared with the previous year to a total of approximately EUR 4 billion in 2000, or approximately 10 percent of total group revenue.

Regulatory regime in 2000. During the period under review, the domestic market remained highly regulated by the German authorities. Deutsche Telekom – by virtue of its dominant position in certain market segments such as carrier services – is subject to far-reaching and asymmetrical regulatory restrictions that have a significant impact on our national business activities in this segment. Carrier-specific services such as interconnection, subscriber line access and carrier leased lines in particular are subject to ex-ante pricing controls.

During 2000, we continued our in-depth discussions with the Regulatory Authority for Telecommunications and Posts on the structural details of our services. Negotiations focused in particular on element-based charging, which is due to replace distance-based charging for switched interconnection services during 2001.

Although call originating and call terminating service rates in the interconnection segment dropped due to regulatory decisions, Carrier Services succeeded in posting an increase in overall revenue figures. This was attributable mainly to a rise in the number of our interconnection contract partners (111 at the close of 2000 compared with a total of 95 in 1999) and an upsurge in the number of traffic minutes. The latter was fuelled primarily by the increase in online traffic handled by our competitors, which was fed to their Internet gateways over our network. By the end of 2000, 566 German companies held Class 3 licenses to operate transmission paths for providing public telecom services. 177 companies had secured Class 4 licenses to offer public voice telephony services. The growing number of licensees, however, sets the pace for market consolidation. Early signs of consolidation are reflected in numerous acquisitions and takeovers.

Bigger offering, better sales. During the 2000 financial year, we employed a clearly-defined wholesale strategy to strengthen our customer-oriented activities in the carrier services market. The number of carriers using our products and services rose to 159 by the end of 2000. By contrast, only some 30 carriers subscribed to Deutsche Telekom services when the market was liberalized at the start of 1998.

We further expanded our service portfolio in the year under review to attract new customers and retain existing customers. For example, we introduced various products for the new regional broadband cable companies. And we are already working on a selection of end-to-end solutions for the backbone and inbound networks of future operators of 3rd generation UMTS systems.

We complement our standard network services with single-source IT and telecom convergence solutions tailored to the needs of our carrier customers. New contracts in this area include projects for nationwide IP-based networks.

Stepping up international commitment. In 2000, Carrier Services expanded its horizons beyond the national wholesale market, taking concerted measures to step up activities on the international telecommunications market. We succeeded in increasing our volume of call minutes by over 40 percent in international switched transit traffic. This was achieved by securing new strategic carrier customers in liberalized telecom markets and by developing new products engineered to meet the specific requirements of individual carriers. For example, in mid 2000 we built a converter for an American carrier to enable international roaming. This converter allows GSM subscribers to use their mobile phones in countries which do not support the GSM standard.

During 2000, our strategy to position Deutsche Telekom as a key global player in the telecom market gained significant momentum. We focused heavily on extending our worldwide transmission paths to include the main economic hubs. This was achieved primarily through the selective purchase of maritime cable capacity.

Particularly in Asia, Carrier Services took strategic steps towards meeting the rising demand for worldwide Internet access through the development of T-SkyNet. This solution gives carriers and Internet service providers Internet access via satellite.

In line with our strategy to build a Telekom Global Network, we realized the first points of presence (PoPs) for the international activities of Carrier Services. Pilot projects with test customers have been successfully launched. The objective is to establish PoPs in major cities worldwide and to leverage this base to intensify worldwide marketing of our end-to-end, cross-border services to multinational carrier customers.

Guaranteed quality for maximum customer loyalty. We streamlined our business processes to boost competitiveness in the wholesale market. As a result of our efforts in this area, our quality management system was awarded official DIN EN ISO 9001 certification by the German certification body DQS (Deutsche Gesellschaft zur Zertifizierung von Managementsystemen mbH). We have also intensified cooperation with our customers through our work with the AKNN forum for technical and operational issues relating to numbering and network interconnection with a view to standardizing solutions in intercarrier business. To provide customers with rapid access to the latest information on our products and services, we operate a Carrier Services online information forum (closed user group). In addition, we introduced various Customer Relationship Management initiatives (such as our Carrier Club) to strengthen customer loyalty by promoting direct dialog at the executive level.

Broadcasting and broadband cable. Laying the foundation for the Information Age.

In 2000 Deutsche Telekom successfully closed the sale of two regional cable networks run by Kabel Deutschland GmbH (KDG). We also made significant progress in our negotiations with a number of additional partners. A solid foundation has thus been established for one of the world's most advanced network infrastructures. Both KDG and the new owners will continue to modernize and drive expansion of the broadband cable network. Developments in broadcasting were once again dominated by the continued digitization of networks and radio and TV stations.

The following wholly-owned subsidiaries now handle our broadband cable business: Kabel Deutschland GmbH (KDG), MSG MediaServices GmbH (MSG) and Deutsche Telekom Kabel Service GmbH (DeTeKabelService or DeTeKS). KDG was established on January 1, 1999 and since January 1, 2001 has been acting as a holding company for seven regional companies who are responsible for network operation and marketing and whose networks have not yet been sold. These are: Hamburg/Schleswig-Holstein/ Mecklenburg-West Pomerania; Saxony/Saxony-Anhalt/Thuringia; Berlin/Brandenburg; Bremen/Lower Saxony; Rhineland-Palatinate/Saarland; Baden-Württemberg; and Bavaria. We have, however, succeeded in selling majority shareholdings in the networks of the regional companies in North-Rhine Westphalia (55 percent) and Hesse (65 percent).

MSG is positioned primarily as a service provider for regional companies, in-house distribution network operators (network level 4) and content providers. MSG also operates a neutral platform for digital TV broadcasting. As part of a strategic restructuring of MSG in July 2000, the Content Marketing division was transferred from MSG to Deutsche Telekom's Multimedia group business area under the brand name MediaVision. Through DeTeKS, we are extending our commitment to broadband cable services by driving in-house distribution networks and cable connections.



Around 12 million households in Germany were subscribing to KDG cable services by the end of 2000. An additional 6 million homes were being served by the two regional companies already sold (North-Rhine Westphalia and Hesse).

Cable customers have an impressive range of choice, with a selection of up to 33 analog and 80 digital TV channels (including six free foreign-language channels) and up to 36 VHF radio stations.

First regional networks sold. In 2000 we made solid progress in our broadband cable restructuring and divestiture strategy. In February, a majority shareholding in the North-Rhine Westphalia cable network was sold to a consortium headed by Callahan Associates International LLC. A prominent global telecommunications developer and operator, Callahan acquired 55 percent of the company. The remaining 45 percent were retained by KDG. Ownership was transferred to Callahan in July 2000. 55 percent of the Baden-Württemberg network has also been sold to the consortium. We expect to close this deal during 2001. In March 2000, Deutsche Telekom sold a majority shareholding in the cable network in Hesse to a consortium headed by Klesch & Company Limited. The consortium now holds 65 percent of the company. KDG retains a 35 percent holding. This deal was closed in August 2000.

Pilot project in Berlin/Brandenburg. As part of a pilot project started in 1998, the KDG subsidiary Kabelgesellschaft Berlin/Brandenburg (KBB) has expanded its portfolio to include broadband multimedia services. The objective of the project is to demonstrate the evolutionary capabilities of broadband cable technology.

Continued digitization of broadcasting networks and transmitters. We are migrating our broadcasting networks to ATM (Asynchronous Transfer Mode) technology to meet the rising demand for automatically switched audio and video links. ATM builds on robust technologies to offer broadcast customers precisely the flexibility and bandwidth they need. The switched broadband network was partially phased out during the year under review.

We also concentrated on building our nationwide digital audio broadcasting network during the 2000 financial year. Deutsche Telekom now has a shareholding in the following broadcasters: Bayern Digital Radio GmbH (broadcasting to Bavaria), Digital Radio Südwest GmbH (Baden-Württemberg and Rhineland-Palatinate), Digital Radio Saar GmbH (Saarland), Hessen Digital Radio GmbH (Hesse), Digital Radio West GmbH (North-Rhine Westphalia) and Digital Radio Nord GmbH or DRN (Bremen, Hamburg, Lower Saxony, Mecklenburg-West Pomerania and Schleswig-Holstein). Two providers currently operate in Berlin: Sender Freies Berlin (SFB) offers digital VHF broadcasts, whereas Deutsche Telekom focuses on L band transmission. In the other regional states in Germany, Deutsche Telekom is the only digital radio broadcaster.

All broadcasters have received the required licenses and been assigned the necessary frequencies. With the exception of Hessen Digital Radio, which is likely to start broadcasting in 2001, all other companies have rolled out digital radio services based on Digital Audio Broadcasting (DAB) technology. Since Christmas 2000, digital radio can now be received by around half the population in Germany.

Contracts with leading German broadcasting organizations. In July 2000, Deutsche Telekom was awarded a contract to set up a broadband cable infrastructure linking all ARD's main German studios. Based on fiber optics, the new digital network offers a bandwidth of 2.5 Gbit/s. The contract is valued at around EUR 61 million over a six-year period. In December 2000, we also concluded a contract with ARD and the German radio network DeutschlandRadio worth around one billion euros. The contract entails setting up terrestrial transmitters to broadcast public television and radio programs in Germany. It also involves building the associated communications and service networks. The contract will run until the end of 2006. December 2000 also saw the conclusion of a similar agreement with ZDF. The contract expires at the end of 2006 and is worth some EUR 500 million.

Terminal equipment. The shape of tomorrow.

In 2000, Deutsche Telekom launched a major product campaign to convert traditional telephones into multi-functional terminals. Inspired by this strategy, our innovative range of terminal equipment proved to be a key enabler in the drive to win customer loyalty. Following on the turn-around successes of 1999, we again closed the period under review with a positive operating result.

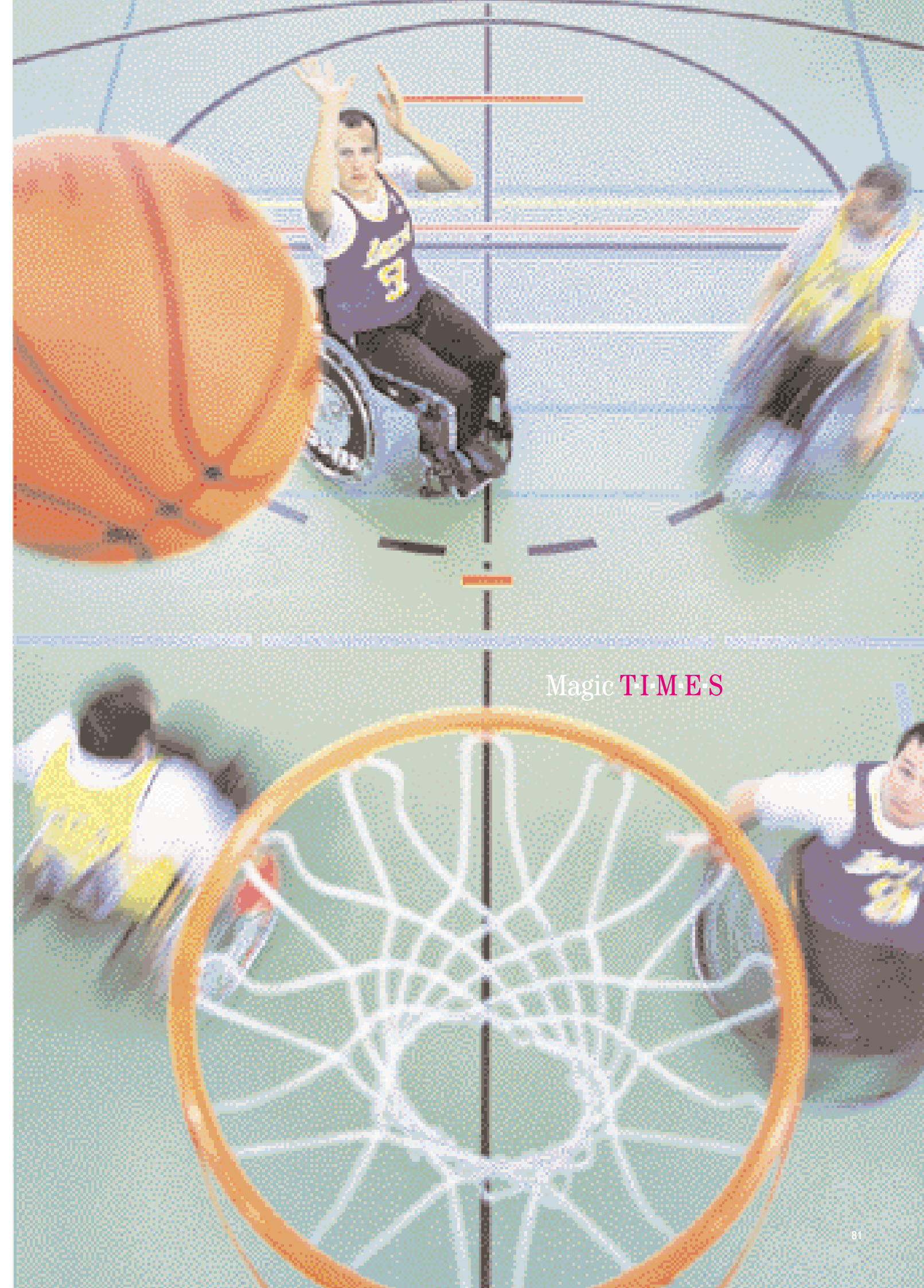
Positive trend consolidated. During the 2000 financial year, the Terminal Equipment group business area posted revenue of approximately one billion euros. Income before taxes amounted to EUR 58 million, thus building on the positive results achieved in 1999. Much of this success is attributable to the ongoing streamlining of our product portfolio in favor of multifunctional solutions. We also completed our outsourcing initiative in September 2000. Merchandise logistics has now been entrusted to Deutsche Post AG.

Siemens AG, our strongest competitor in the terminal equipment market, also remains our biggest supplier – accounting for 45 percent of our purchases. We purchase components for important products from at least two different manufacturers.

Driving innovation in the T-DSL field. A range of innovative, integrated products gave added impetus to our aggressive marketing strategy for T-DSL broadband access. Systems such as Eumex 704 PC DSL, for example, already support parallel use of T-ISDN and T-DSL. In 2000, we also launched the T-Sinus 45 isdn telephone system to accommodate the rising demand for digital communication solutions. With T-Sinus 45 isdn, a data module sets up a cordless connection between an ISDN system and a PC.

Top rankings. The popularity of our terminals was again confirmed by the press during 2000. In a survey among readers of "connect", a German trade publication, Deutsche Telekom ranked first for "cord-bound" terminals, and took first and second place for ISDN systems.

Looking to the future. In the consumer market, we will be further streamlining our range of conventional telephones. Not only do these terminals afford a slim profit margin, they provide limited opportunities for consolidating customer loyalty due to a decline in demand. They will be replaced with more sophisticated devices. The traditional PBXs still used by our business customers will disappear in favor of integrated solutions enabling data and voice over IP communications. We plan to capitalize on the rising demand for IP-based communications in order to strengthen our position in this profitable, high-growth market segment.





Value-added services. Putting the customer first.

More and more companies are realizing that a customer-centered service policy is essential to maintaining a competitive advantage. By offering a comprehensive range of value-added services, Deutsche Telekom is able to build and retain strong customer relationships. We are constantly improving our range by adding new, innovative services and adapting our existing portfolio to keep pace with market trends and changing customer demands. Our commitment to innovation is reflected in our broad choice of service numbers, intelligent information services and public multimedia terminals.

Upward trend. Results achieved by the Value-Added Services business unit during the period under review were improved significantly compared with 1999. We succeeded in turning around a loss situation to post a profit of EUR 42 million before tax in 2000. This was mainly achieved through the introduction of new products. Despite huge price reductions, a move away from public telephony services and strong competition among information service operators and service number providers, we managed to maintain revenue nearly stable at EUR 1.8 billion.

Intelligent service strategy. During the 2000 financial year, Value-Added Services modernized its product line to focus on global mobility, greater user convenience and information/knowledge management. Keeping a close eye on current and emerging market trends, we continually streamlined and improved our product portfolio. Our objective is to bundle individual products into solution packages and tailor these packages to meet individual customer requirements. In line with our commitment to further optimize our range, existing business areas are gradually migrating to new, future-oriented applications, platforms and technologies. This is best exemplified by interactive TV or video/audio-conferencing. Our video-conferencing technology handles up to 900 participants.

Patents are always a good measure of the innovative drive behind any business unit. Of the 89 patent applications submitted by the Deutsche Telekom Group during 2000, 56 originated from Value-Added Services.

Service numbers made to measure. We offer the perfect infrastructure to support our clients at every stage of the customer relationship management cycle. From service numbers to complete call centers, we provide 24-hour information hotlines, telesales solutions or charity appeal services. In 2001, we will be offering major service number providers a range of innovative, intelligent network services centered around our Contact Routing Solutions. This service improves deployment of resources by pre-qualifying leads and routing the caller to the most suitable call center agent.

Our 0700 service lets customers keep the same telephone number – no matter how often they move home. The number simply moves with them.

The right choice. In 2000, we increased both revenue and our share in new business in the service numbers market. Our success in this field was enabled by the introduction of targeted packages (light, basic, premium) for freecall 0800 and 0180call. These packages include optional services, such as call forwarding, automatic call distribution (ACD) and per-second billing. The freecall 0800 brand has established itself successfully on the market. Our “vanity” dial-a-word service is also proving highly popular. It lets customers transform service numbers into powerful advertising slogans.

Fast paybacks. Our 0190 service is targeted at entrepreneurs with new business ideas. It enables subscribers to market information services with individual charge rates and features. Callers pay directly for these services through the regular phone bill.

We also launched the first voice-controlled information portal in 2000. By dialing 0190 0 55555, callers can request the latest news, weather reports, sports updates and information on upcoming events.

In a class of its own. Despite the increase in competition, our 11833 directory enquiry service maintained its position as a market leader. Results improved significantly over 1999 thanks to a strategy of concerted outsourcing, while the service quality remained the same. We also introduced new features. For example, we offer to connect the caller to the requested number. In 2001, 11833 callers will also have the option of traffic reports at the standard charge rate. The reach of this service will be extended to include customer-specific locations.

A unanimous hit. During the 2000 financial year, we succeeded in increasing revenue generated by T-NetBox, Deutsche Telekom’s network-based digital answering machine, by 40 percent. At the close of 2000, more than one million voicemail boxes were in use (compared with approximately 700,000 boxes at the close of 1999). We plan to extend our T-NetBox service in 2001 to include a ready-to-run option. Our technicians will set up, configure and connect T-NetBox solutions for first-time users.

With our unified messaging service, our customers will soon be able to collect and manage messages by voice, fax or e-mail anytime, anyplace – thanks to a digital universal message box.

New public telephone services. We continue to install TeleKiosks at busy public locations (such as airports and shopping malls). Customers can use these multimedia terminals to place calls, surf the Net and send e-mails, SMS messages or electronic faxes. TeleStation is another key element in our mobility strategy. By the end of 2001, we will have installed TeleStation terminals at various prominent locations. These modern telephone terminals support both coin and card payment. We first presented TeleKiosk and TeleStation at Expo 2000.

At your fingertips. All Deutsche Telekom directory listings (such as the phone book, local listings, and yellow pages) are published and distributed by our subsidiary DeTeMedien GmbH. DeTeMedien also acts as full service provider in the field of dialog marketing.

New multi-access information portal. Our t-info service redefines the concept of information and directory enquiry services. It structures content according to categories such as Finance and Legal and combines this data with general information (e.g., traffic reports or weather forecasts) and more specific content from databases and reference books. t-info will be launched as an independent portal in 2001 and will focus increasingly on e-commerce applications.

Prepaid cards. Our subsidiary DeTeCardService GmbH specializes in prepaid phone cards as its core area of competence. In 2000, we successfully marketed our T-Card in Spain and also distributed the Xtra Cash cards of our subsidiary T-Mobil.

Dodging the traffic jams. TEGARON, a Deutsche Telekom joint venture, has developed the first ever dynamic offboard navigation system, TEGARON Scout. It offers traffic reports and various telematics services for the automotive industry. We work closely with DDG, a member of the Deutsche Telekom Group, to make available traffic report data. DDG specializes in traffic intelligence and distributes this data to the telematics and mobility services within the Deutsche Telekom Group.

Multimedia, information and communication systems.

Welcome to global trade.

The Internet is changing the way companies of all sizes across all branches of trade and industry are doing business. Deutsche Telekom's Multimedia group business area develops and markets a wide range of creative e-business solutions – from Web-enabled applications to complex electronic marketplaces.

Customized e-business solutions. Drawing on a comprehensive portfolio of products and services, Multimedia's primary focus is on next-generation digital business solutions for corporate customers. T-Mart, our cross-industry electronic marketplace, helps companies optimize business processes and extend their reach to international markets. As a full-service provider, our activities cover all links in the value chain.

Global hub. Our horizontal trade platform T-Mart went live in November 2000. T-Mart is an open marketplace that provides a virtual meeting place for buyers and sellers. Its objective is to improve b2b e-commerce transactions and reduce process costs across all branches of trade and industry. T-Mart also enables us to improve our own purchasing activities, save time and reduce costs.

As well as the technical infrastructure, purchasing and order management systems and a range of customer-centered services, Deutsche Telekom also offers integration services enabling customers to link their proprietary merchandise information systems to T-Mart. As a founding member (with BT, NTT and Singapore Telecom, among others) of Global Trading Web (GTW), the world's largest b2b Internet community, we offer access to the global marketplace through T-Mart.

Our e-business strategy focuses on greater horizontal and vertical integration. We are networking T-Mart with a number of industry-specific marketplaces. Cooperation agreements with industry leaders will create new marketplaces in areas of strategic importance. Deutsche Telekom is thus emerging as a central online source of generic and specialized products and services. All suppliers and buyers trading over T-Mart have seamless access to numerous vertical marketplaces.



A powerful trade platform for the chemical industry.

Chemplorer is a vertical b2b marketplace supporting e-procurement for chemical and life science products and services. A joint venture backed by Deutsche Telekom, Bayer AG and Infracore, Chemplorer went online in October 2000. More than 75,000 transactions had been brokered by Chemplorer by the end of the year. Deutsche Telekom provides the technical platform, i.e., the IT infrastructure and networking equipment.

Further vertical marketplaces are planned for 2001. In conjunction with Walter Holding AG, we will be launching a portal for the construction industry. www.baulogis.com will offer e-procurement, tendering and other industry-specific services. We also plan to set up a construction materials site in cooperation with BayWa AG. www.bausolution.com will Internet-enable every link in the building materials value chain.

Comprehensive product portfolio for multimedia applications.

Multimedia Commerce Services delivers a broad spectrum of services for corporate websites. Modular shop solutions provide a user-friendly launchpad to the world of e-business. The number of customers using shop and Web services in 2000 rose by 100 percent against the previous year.

More security for online trade. The key to success in e-commerce lies in establishing trust. Data security plays a vital role here. TeleSec bundles products and services which guarantee traders and their customers the highest levels of security for Net-based transactions. Building on our broad product portfolio, we offer fully fledged e-commerce solutions from a single source.

The 2000 financial year also saw the launch of Click & Pay Net900 through our subsidiary, TeleCash. Click & Pay Net900 is Deutsche Telekom's secure, reliable and easy-to-use micropayment system for Internet users and content providers. Visitors simply pay for access to online content through their telephone bill. A new version of Click & Pay enabling payment by direct debit will be presented at CeBIT 2001.

One-stop shopping. The growth of e-commerce will be largely determined by the financial viability of e-commerce applications. A huge market potential has been identified for Application Service Providing (ASP), the distribution of standard software applications over the Internet.

In 2000 we extended our portfolio of ASP services to include ASPON (Application Services Portal Online). ASPON subscribers have access to standard software, such as Office, through the Internet portal www.aspon.t-mart.de. A large number of subscribers can use the applications offered without major customization efforts being required. In addition to the software, the licensing fee includes operation, maintenance, updates, backups and IT support. By enabling customers to focus on their core areas of business rather than their IT, this platform enables significant cost savings. We also plan to introduce Customer Relationship Management (CRM), Enterprise Resource Planning (ERP) and Supply Chain Management (SCM) applications.



International business. Growth across all four strategic pillars.

Deutsche Telekom's international strategy in 2000 aimed at dynamic growth across all four strategic lines of business – mobile communications, online services, systems solutions and fixed-network communications. We focused on acquisitions, majority interests in affiliates and management control.

During the 2000 financial year, the Deutsche Telekom Group's internationalization drive gained momentum. We systematically increased visibility and improved our position in Central and Eastern European telecommunications markets. We are now active in all important markets in the region. On the mobile communications front, we took major steps towards realizing our vision of becoming a global telecommunications corporation (see chapter on mobile communications). In 2000, we negotiated agreements for the acquisition of VoiceStream and Powertel. This provides us with access into the strategically important US mobile phone market. We accelerated internationalization of the T-Online Group to capitalize on the growth offered by the online market (see chapter on online communications). Acquisition of a 51 percent shareholding in debis Systemhaus raised our global profile. We are now the second-largest provider of integrated systems solutions in Europe. In order to pursue our internationalization strategy with determination, we have invested or earmarked for investment approximately EUR 90 billion in funds since 1999.

Looking back on a year of rapid expansion, we will be focusing on integrating our newly acquired companies into the Group during 2001.

MATÁV shareholding up to almost 60 percent. In the summer of 2000, we increased our shareholding in MATÁV, leading provider of telecommunications services in Hungary, to 59.49 percent. The acquisition of a majority interest in MATÁV means that we are excellently positioned for success on the Hungarian market. It also reinforces our presence in Central and Eastern Europe. MATÁV increased its total revenue during the financial year under review by around 13 percent to approximately EUR 1.7 billion. Income after tax increased only slightly compared with the previous year's figures, to EUR 330 million. This was due to the slowing pace of fixed-network communications, the intensification of competition and one-off personnel restructuring costs.

The network operator Westel continues to lead the competitive Hungarian mobile communications market with a 53 percent share. The subscriber base of Westel, in which both MATÁV and Deutsche Telekom have direct shareholdings, had increased to 1.6 million by the end of the year 2000. Westel recorded revenue of approximately EUR 585 million in the year under review (1999: approximately EUR 425 million).

Revenue up in France. Acquired in December 1999, SIRIS is the second largest alternative fixed network operator in France. 2000 revenue of this Deutsche Telekom subsidiary exceeded EUR 167 million. SIRIS focuses primarily on the high-growth corporate segment. We connected SIRIS to Deutsche Telekom's European backbone network in July 2000. Over 2,000 km of fiber-optic cabling is to be added to the existing 3,000 km network by the end of 2001.

Innovative positioning on the Swiss market. In 2000, we acquired France Telecom's 50 percent shareholding in Multilink SA. We are now sole proprietor of the Swiss fixed-network operator. Multilink operates its own city fiber-optic networks which are in turn connected to Deutsche Telekom's European backbone. Multilink delivers innovative Internet and data services to business customers.

The sale of our 24.5 percent shareholding in WIND, an Italian joint venture, generated proceeds of approximately EUR 2.4 billion.

Charting a course of rapid growth in Eastern Europe. We have entered an operative partnership with Hrvatske Telekomunikacije (HT) through our 35 percent shareholding. HT is a key player in the Croatian economy, positioned as the largest provider of telecommunications services (particularly Internet and data) in the country with approximately 1.7 million customers. HT is the sole voice service operator on the Croatian market. It also operates an analog and digital mobile communications network that boasts some 500,000 customers. The company has a payroll of 11,000. Revenue rose from EUR 694 million in 1999 to EUR 763 million in 2000.

Added impetus through Slovakia. Acquisition of a majority shareholding in Slovenské Telekomunikácie (ST) in July 2000 gave further impetus to our internationalization strategy. ST is a leading telecommunications operator on the Slovakian market, offering a broad spectrum of telephony and data communication services. Its subscriber base had risen to 1.7 million by the end of 2000.

Consolidated position in Czech Republic. We strengthened our position on the Czech market by acquiring a 51 percent shareholding in the Prague-based city network carrier, PragoNet. This carrier delivers services to customers in the data communications and network access markets.

From strength to strength in Southeast Asia. During the year under review, our shareholdings in TRI/Celcom, Malaysia (21 percent), Satelindo, Indonesia (25 percent) and Islacom, Philippines (40 percent) developed positively overall. TRI/Celcom and Satelindo concluded financial restructuring measures and managed to retain or reinforce their strong positions in the mobile communications segment.

A merger between Islacom and Globe Telecom, market leader in the Philippines, was initiated in 2000. It is expected that the merger will be completed during the second quarter of 2001.

Our three shareholdings in Southeast Asia correspond to a consolidated subscriber base of 5.1 million. TRI/Celcom is the leading mobile network operator in Malaysia, while Satelindo is the second-largest GSM carrier in Indonesia. The latter also holds licenses for satellite communications and for switching international telephone traffic. Islacom and Globe Telecom are authorized to operate mobile networks. In addition, they hold a variety of voice and data communication licenses.



Enlightening **T·I·M·E·S**

Network infrastructure. Solid foundation to build our strategic lines of business.

Deutsche Telekom AG made major advances in expanding and modernizing its network infrastructure in the year under review. We are now even better equipped to meet the rapidly growing need for high-speed communication networks. Our network topology provides a solid foundation to build the Group's four strategic lines of business.

Investing in our future. During the period under review, we invested some EUR 2.2 billion in our high-performance telecommunications networks. (This figure does not include investments in areas such as broadband cable, mobile communications and broadcasting networks.) Once again, these investments - which represent an increase of 12 percent over the previous year - focused primarily on access networks and data communication network platforms. Network investments are expected to rise even further during 2001. One of our primary objectives is to continue to improve network capacity - for Internet traffic in particular - and to ensure quality of service for both domestic and international traffic.

Broadband multimedia pipeline for Internet. The future German market for broadband data communication infrastructures was shaped by two significant developments in 2000. On the one hand, competition intensified dramatically. Our competitors are now also building modern high-speed networks between all major cities. This places increased pressure on both prices and providers to differentiate their respective offerings. On the other hand, use of our networks for Internet access is on the rise. The volume of data transmitted over our networks increased by some 300 percent in 2000.

Ongoing expansion of our high-performance Internet backbone network means that we are well positioned to accommodate the high level of demand for capacity. During 2000, we successfully introduced an IP2 platform. IP2 increases bandwidth in the core network by 400 percent to over 80 Gbit/s. Bandwidth capacity at the 64 regional points of presence was increased as needed to levels as high as 16 times the previous capacity in some areas.

And we are already working on our next-generation Internet platform, IP3. This evolution focuses not only on an increase in bandwidth, but also on improvements to the access network and service features. IP3 is designed to meet the dramatic upsurge predicted in the volumes of data flowing over communication networks as new, multimedia services such as videostreaming gain in popularity.

Intelligent technologies. As part of our strategy to steadily grow network capacity, we completed a new fiber-optic backbone network in 2000. Leveraging Wavelength Division Multiplex (WDM) technology, this backbone links 13 points of presence in the core network, ensuring a high degree of failure safety through multipath routing. Bandwidth can be adapted to meet individual requirements – each optical fiber can carry data in multiples of 10 Gbit/s. In 2001 we plan to create a nationwide WDM platform by adding over 30 regional ring networks.

During 2000, we also focused on enhancing manageability. We equipped many locations with the very latest network management and monitoring technologies. This gives us much greater flexibility in managing our entire network infrastructure as many maintenance tasks can now be carried out from our central office. It also enables us to closely monitor system performance and security. Our security experts, such as those who staff our newly-created Network Security Competence Center, are among the leading professionals in the world in this increasingly important area.

Bringing broadband to the access network. Under the umbrella brand T-DSL, we started marketing ADSL (Asymmetrical Digital Subscriber Line) technology in 1999. This service converts standard telephone lines into high-speed broadband connections for data transfer. During the year under review, we placed substantial emphasis on extending T-DSL technology in our access network. By the end of the year, we were able to offer T-DSL to over 50 percent of German households. Coverage should be almost nationwide by the end of 2001.

Looking towards a global backbone. As part of our drive to become a leading international backbone provider, we are expanding the reach of our global network infrastructures. Through this concerted internationalization strategy we hope to achieve our goal of offering seamless services to customers across all group business units worldwide. We are also in a good position to leverage our state-of-the-art network platform to offer premium voice and data transport services in the global carrier market.

We launched the Telekom Global Net (TGN) project in 2000. This project targets primarily the European and American markets. We have already connected 40 cities spanning 16 countries. And we plan to connect more cities to our global network in 2001. We streamlined and improved management and monitoring of our global network mid 2000. This is now handled by our dedicated International Net Management Center in Frankfurt am Main.

Another key milestone was reached towards the end of 2000. We succeeded in obtaining a long-term contractual commitment for network capacity and services on the North American market. We have now secured two-digit gigabit transmission capacity for both transatlantic and transpacific traffic. Mainly based on maritime cable systems, this bandwidth will primarily carry Internet services and voice communications.

Raising the bar for quality. The demand for infrastructure services – and more bandwidth in particular – is rising rapidly. This challenges providers to improve quality of service and accelerate delivery times. During 2000, we bundled existing and new initiatives to enable fast, lasting enhancements to the quality of our service. Significant initiatives included improved service delivery, demand-driven adaptation of network resources and enhanced quality parameter monitoring. Early paybacks were already visible by the end of the year. We will continue to emphasize the drive for quality throughout 2001.

Leaner organization. We successfully completed our reorganization project during the year under review. We now have a leaner field organization with 13 networks branch offices nationwide. In line with group restructuring, the Networks central unit and parts of other corporate units will be integrated into the new T-Networks group unit. T-Networks will provide the companies and business units in Deutsche Telekom Group's four strategic pillars with infrastructure platforms tailored to the dynamics of their individual products and services. T-Networks will enable us to capture the national and international synergy effects and added efficiencies offered by a uniform telecommunications infrastructure.