
Success.
We’re all trendsetters now.

T-Com. Innovation paves the way for multimedia communication.

- 41 million residential and small business customers and 420,000 SMEs
- Aggressive T-DSL marketing strategy taps mass market for broadband communications
- Systematic upgrading of subscriber lines increases revenue and customer loyalty
- Sustained growth for T-ISDN

T-Com
(millions of €)

	2001	2000	Difference
Total revenue	26,085	27,611	(1,526)
Income before taxes	3,244	4,373	(1,129)
EBITDA (adjusted)*	8,026	8,528	(502)
Employees	117,655	121,514	(3,859)

*For important information about adjusted EBITDA see the section on "Reconciliation to pro forma figures" on pages 114 ff.

Focus on customers

Market development

The T-Com division serves the majority of Deutsche Telekom's customers. By the end of the 2001 financial year, a total of approximately 41 million residential and small business customers as well as approximately 420,000 small and medium-sized enterprises (SMEs) were using T-Com products and services. The tough battle for market share in the telecommunications business is generally waged on the price front. This has led to considerable price reductions for telecom services in recent years. As the market leader, Deutsche Telekom was again subject to asymmetric regulatory restrictions during the 2001 financial year. One of the consequences was that T-Com had to submit new rates to the Regulatory Authority for Telecommunications and Posts for approval.

Strategy

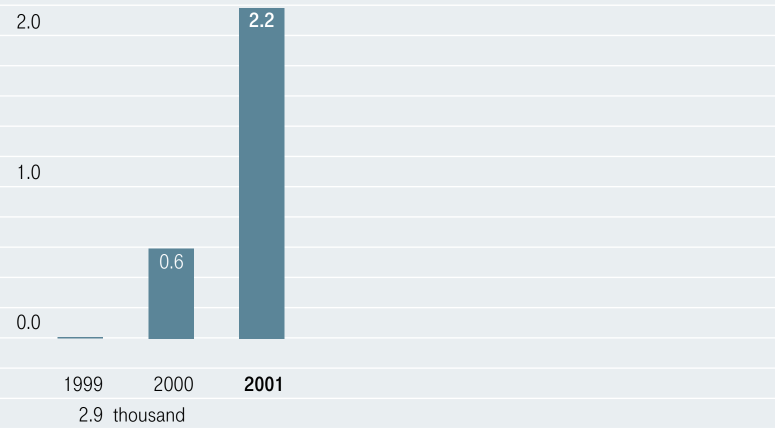
Setting the pace with customer-oriented innovation. With some 117,000 employees, T-Com set the pace of innovation in the highly competitive German telecommunications market through its customer-focused strategy. At the same time, this strategic pillar of the Deutsche Telekom Group used the expansion and customer-oriented bundling of its product range to further develop key market shares and promote long-term customer loyalty. Activities targeted at residential customers focused on marketing broadband T-DSL to upgrade conventional telephone connections into broadband gateways. In the business customer field, T-Com's activities were concentrated on developing the broadband market and providing segment-specific services and solutions.

Profitable operations despite fierce competition. In spite of stiff competition, T-Com managed to maintain profitable operations in its fixed-network activities during the year under review. This was achieved by concentrating on enlarging existing markets and developing new lines of business. The upgrading of subscriber lines was a key success factor. Nevertheless, sales dropped from EUR 27.6 billion in 2000 to EUR 26.1 billion in the year under review due to increased competition for national, regional and city/local calls and the partial sale of cable activities.

More competition in the field of subscriber lines

T-Com generated an EBITDA of EUR 8.8 billion in the 2001 financial year, down 23 percent on the previous year's figure. This drop is mainly attributable to the falling sales volumes and the sale of the North-Rhine Westphalia and Hesse cable companies.

Number of T-DSL contracts sold
(millions)



Unprecedented T-DSL broadband campaign paves the way for new Internet applications. We stepped up our marketing activities targeting broadband T-DSL connections for residential and small business customers through our MVC unit (Marketing and Sales to Consumers). We thus succeeded in increasing our marketed T-DSL base by 250 percent to 2.2 million lines by year end. As the figures indicate, Deutsche Telekom has successfully tapped the mass market for broadband communications and is now positioned as one of the world's leading providers of high-speed Internet access.

Success story

One of the biggest factors contributing to the success of T-DSL was the creation of all-inclusive offers for Deutsche Telekom customers, bundling the convenience of T-ISDN for telephony with the fast Internet access of T-DSL. T-DSL can also be used with analog T-Net subscriber lines.

All-inclusive T-ISDN and T-DSL offers

By capturing the broadband market, T-Com has further increased the appeal of its service portfolio. What is more, the successful T-DSL campaign has laid the groundwork for the profitable marketing of multimedia information and entertainment services on the Internet.

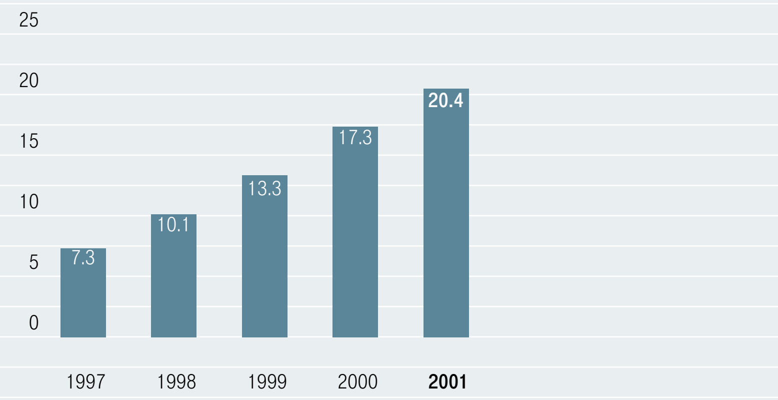
Outlook

In 2002, T-Com will further intensify its T-DSL marketing activities. Measures will include faster transmission speeds. T-Com will offer T-DSL via satellite from May 2002. This is aimed at customers who, for technical reasons, cannot be directly connected to T-DSL via the fixed network.

Among world leaders

T-ISDN – the boom continues. The rapid growth of T-ISDN was sustained during the period under review. The decision to bundle T-ISDN with T-DSL proved to be one of the main growth drivers. At the end of 2001, the number of T-ISDN channels used by Deutsche Telekom customers had risen to 20.4 million. Compared with the end of 2000, this represented an increase of 18 percent. This means that we remain firmly positioned as one of the world's leading ISDN providers.

Number of T-ISDN channels in operation
(millions)

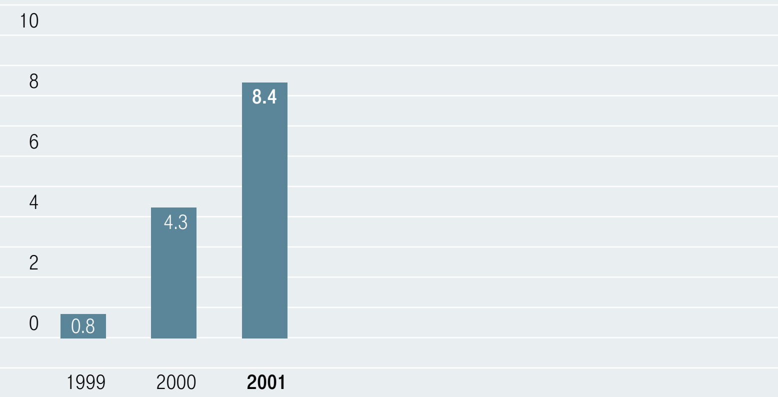


Innovative rate options gave added momentum to T-ISDN, helping also to lay a solid foundation for lasting customer relationships. More than 1.6 million customers were using the T-Com top product T-ISDN XXL by the end of 2001.

AktivPlus

Even more impressive, however, was the success of our AktivPlus marketing campaign. 8.4 million customers had subscribed to this calling plan by December 31, 2001.

Number of subscribers to the AktivPlus calling plan (in operation)
(millions)



During the year under review, AktivPlus was extended from competitive rates on local/city and national long-distance calls as well as on calls to mobile networks to include international calls to the CIS countries Belarus, Russia and Ukraine. This move underpins T-Com's ethnomarketing strategy, which also targets Turkish people living in Germany.

SMS (Short Message Service) – upswing also in the fixed network. Fixed and mobile communications networks are increasingly converging. In 2001, T-Com was among the main pioneers of this trend. With "SMS im Festnetz" (fixed-network SMS) available since mid 2001, we were the first fixed-network provider to offer our customers the option of sending short text messages within the fixed network and to T-Mobile users.

Convergence

Focus on SMEs. T-Com's MVB unit (Marketing and Sales to Businesses) serves 420,000 small and medium-sized enterprises. The solution offering has been tailored to accommodate the four core processes of enterprises in this sector: generating new business through the Internet; increasing customer loyalty through the use of telecommunications technology; optimizing internal processes by improving the internal flow of information; and strengthening relationships with business partners through industry-specific telecommunications platforms and fast Internet access.

Portfolio

Customized broadband packages for SMEs. BusinessOnline, for example, has been tailored to the needs of SMEs. This is an Internet access package based on T-ISDN and T-DSL with a speed of 1.5 megabits per second downstream.

Business Online

With T-InterConnect dsl, T-Com offers SMEs Internet connections with access speeds of up to 6 megabits per second. In April 2001, T-Com introduced the T-InterConnect dsl flat-rate package for unlimited Internet usage.

T-InterConnect dsl

Pioneering solutions for SMEs. T-Com realized numerous customized telecommunications solutions in 2001. One of these was the creation of a vertical marketplace for utilities and waste management, www.utility-gate.de, for M-Exchange AG, a subsidiary of WV Energie AG. Ongoing expansion of T-Com's range of products and solutions focuses largely on the marketing of turn-key local area networks with T-LAN. By bundling this offering with desktop service solutions, our MVB unit is in a position to professionally manage customers' entire IT infrastructures. Another field rapidly gaining in importance is that of security solutions to protect sensitive information. Deutsche Telekom is already positioned as one of the leading providers in this area with its TeleSec offering.

T-LAN

TeleSec

SMEs go online. T-Com's SME major Internet initiative accelerated the deployment of Internet and telecommunications technologies among SMEs. As part of this campaign, T-Com initiated two competitions and awarded prizes for cutting-edge Internet concepts to companies from different industries.

Strong position in the global carrier market. T-Com's Carrier Services unit serves national and international network operators and licensed service providers. Despite ongoing consolidation in the telecommunications market and rate reductions in the interconnection segment and in the field of access to the subscriber line due to regulatory intervention, we managed to increase sales in the national carrier business. This was fuelled primarily by the sharp rise in Internet traffic minutes routed through Deutsche Telekom's network to the Internet gateways of our carrier customers and the increased demand among competitors for upstream services around the access network.

Telekom Global Net

In the international arena, T-Com managed to consolidate its market position through the expansion of Telekom Global Net (TGN), a global infrastructure set to evolve into a worldwide sales network, and by reinforcing existing bilateral relationships. This is reflected in an 8 percent increase in traffic volume compared with the previous year. In 2001, well over 400 carrier partners around the world were connected to the global Deutsche Telekom network, which currently serves customers in 40 countries.

The operating results of Carrier Services' international activities were consolidated in T-Com in the year under review. National and international activities were assigned to T-Com and T-Systems respectively at the beginning of 2002.

T-Sinus-Pad

T-Sinus 710K

T-Octopus Open

Innovative terminals for new applications. T-Com's innovative strategy extended also to terminal equipment. The T-Sinus-Pad, a mobile surfing station with a large color monitor for rapid, wireless Internet access via T-ISDN or T-DSL, went on sale in June of the year under review. In July 2001, Deutsche Telekom presented the T-Sinus 710K – the first telephone in Germany that can send, receive and save SMS text messages. In the fall, a new generation of communications systems for professional users was introduced with the T-Octopus Open. These systems link voice and data communications using voice-over-IP technology. Equally innovative is the range of wireless LAN devices for mobile networking.

T-Punkt shops

Megastores

T-Punkt Business

T-Punkt thrives. T-Punkt shops are assuming an increasingly strategic role in driving sales of Deutsche Telekom products and services to the mass market and small business customers. For example, up to 30 percent of all fixed-network services are sold through these Telekom stores. In 2001, we reorganized T-Punkt shops to further increase their sales efficiency. By the end of the year, more than 300 T-Punkt shops sporting the new design had opened their doors to the public. We also raised the number of megastores in prominent inner-city locations to 16. T-Punkt Business shops are targeted at small business customers, offering an extensive consulting service in particular. Of the approximately 130 business outlets planned, we had opened 68 by the end of 2001. Reorganization of the T-Punkt retail network will be largely completed in 2002. With over 500 outlets, it will then be positioned as one of the largest branch-office organizations in the German telecommunications market.

In addition to our own retail organization, we also distribute products through our sales partners.

Expanding for future markets. T-Com is systematically expanding its network infrastructure to meet the complex multimedia demands of today's communication society. In order to perfectly harmonize sales activities and network expansion, responsibility for the national network infrastructure was assigned to Deutsche Telekom's CS (T-Com/T-Systems) management board department. The merger of network infrastructure and service within T-Com paves the way for even greater synergies in the future.

Innovative infrastructure

In 2001, the number of installed T-DSL lines was raised to three million, thus meeting increasing demands for high-speed Internet access. As many as 400,000 lines were installed every month, a figure that is superior in comparsion to similar figures for providers in other countries.

Deutsche Telekom also continued to increase capacity in its transport network, both for optical-fiber and electronic communications. In 2001 for example, the flexible, highly available backbone network (WDM and SDH) was further extended and modernized. Deutsche Telekom leverages this network to offer high-performance services.

Transport network expansion

In order to keep up with the sharp rise in Internet traffic, Deutsche Telekom completed its IP2 (next-generation Internet) platform in 2001. This function-rich, high-performance Internet platform is designed to meet the throughput needs of T-DSL products and those of demanding, Internet-enabled customer network solutions.

High-performance Internet platform

Security is key. In our Network Security Center in Darmstadt, our security experts investigate network components and technologies for susceptibility to unauthorized use, develop and implement concepts to protect networks against unauthorized external access, and coordinate security activities in Deutsche Telekom's local offices. The center also holds security training sessions and seminars. It installed a manipulation detection facility based on an extended monitoring system. This facility enables the early implementation of countermeasures.

Comprehensive security meansures

Harmonizing service delivery. T-Service is positioned as a telecommunications and IT service provider. With a broad portfolio including installation, (remote) maintenance, repair, hotline support, software installation, training and network management, it offers a one-stop service point for its customers. T-Service has created a mutually complementary service range by harmonizing the service levels for subscriber lines, terminals, PABXs and data communications products. With Compact Service and Comfort Service, customers can thus rely on uniform service parameters.

Compact Service and Comfort Service

Full-line support for SMEs. Customized service and support is one of the core components of Deutsche Telekom's offering. This is especially true for our business customers. In the year under review, T-Service laid the groundwork for full-line support of SMEs by integrating the customer service for telecommunications and information technologies. Our goal is to offer these customers a comprehensive service extending from project planning through to the operation of complex telecommunications solutions.

Integrated service strategy

HappyDigits means happy customers. Since October 2001, customers have been able to collect bonus points when buying and using any Deutsche Telekom products or services and then exchange these for attractive gifts. More partner companies will join the program in the near future.


Know-how.
We take it to the limit.

T-Systems. Joining forces for sustained growth in the convergence market.

- Second-largest system solutions provider in Europe
- Marked revenue increase among named accounts
- Extended worldwide presence for global corporate customers
- Pioneering e-business customer projects

T-Systems
(millions of €)

	2001	2000	Difference
Total revenue	13,788	10,686	3,102
Income before taxes	(289)	2,498	(2,787)
EBITDA (adjusted)*	1,024	520	504
Employees	41,528	23,695	17,833

*For important information about adjusted EBITDA see the section on "Reconciliation to pro forma figures" on pages 114 ff.

Market development

The market is characterized by increasing convergence across information and telecommunications technologies and the globalization of IT applications. These trends are driven in particular by large corporate customers. Studies conducted by market research companies predict that the demand for e-business and convergence solutions will increase significantly over the coming years. During the 2001 financial year, EUR 80 billion was invested in these types of solutions worldwide and this market is expected to grow to some EUR 250 billion by 2004. Based on growth predictions of between 40 and 60 percent, the convergence business in particular is set to evolve into a strategic revenue engine on the IT and telecommunications markets over the coming years.

Integrated solutions for the corporate segment. In February 2001, T-Systems International GmbH started marketing its services. The company offers single-source traditional IT and telecom services as well as integrated IT and telecom solutions to large corporate customers worldwide. T-Systems' strategy focuses on the convergence of technologies, products, services and networks, thus driving the evolution of e-business system solutions.

Strategy

T-Systems caters to national and international Deutsche Telekom named accounts. During the period under review, the company served around 1,400 named accounts from different branches of trade and industry and various public institutions, plus approximately 730 customers from media and broadcasting.

Focus on customers

T-Systems International was established by merging various Deutsche Telekom subsidiaries and group business units (such as DeTeSystem, DeTeCSM, T-Nova, Data Communications and MediaBroadcast) with T-Systems ITS GmbH (Information Technology Services), formerly debis Systemhaus (dSH). Both T-Systems International (50.1 percent) and DaimlerChrysler Services AG (49.9 percent) had shareholdings in T-Systems ITS during the year under review. On January 1, 2002 DaimlerChrysler Services exercised its sales option on its T-Systems ITS shares. At the end of the first quarter of 2002, T-Systems had acquired all shares in T-Systems ITS.

Shareholdings in T-Systems

Leveraging its comprehensive portfolio, T-Systems' solutions extend across the entire value chain. The company is thus ideally positioned to capitalize on the above-average growth in the system solutions sector. The merger process has also paved the way for significant synergy effects in areas such as procurement or IT services. Efficiencies have also been realized through consolidation of data processing centers.

Synergy

In addition to large corporate customers, T-Systems also addresses small and medium-sized enterprises (SMEs) on both domestic and foreign markets. Services and solutions targeted at this group are generally sold through T-Com. T-Systems checks the potential of solutions created for named accounts on the SME market, developing standard offers for targeted sales via T-Com if appropriate. The synergy effects of this collaboration work consistently to the benefit of both divisions.

Cooperation with T-Com

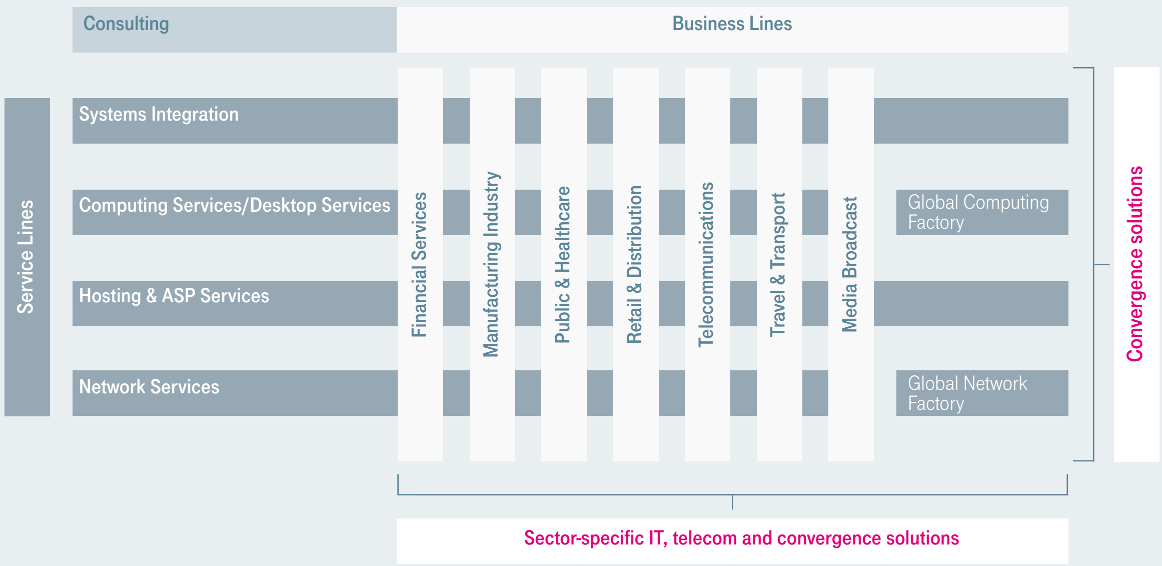
Revenue up for second-largest systems house in Europe. With around 41,000 employees (as of December 31, 2001) and total revenue of EUR 13.8 billion in 2001, T-Systems is positioned as the second-largest system solutions provider in Europe. Revenue was up EUR 3.1 billion in comparison with the previous year. EBIDTA for 2001 was recorded at EUR 1.0 billion. EBITDA for the 2000 financial year included the earnings that accrued to Deutsche Telekom from the sale of its shareholding in Global One. If this is discounted as a one-off item, EBITDA in 2001 improved 97 percent compared with the previous year's figure.

Increase in revenue

New organizational structure

Customer-focused reorganization. T-Systems' strategy focuses on convergence solutions that integrate information and telecom technologies. In addition to standardized and customized solutions, T-Systems specializes in outsourced Internet and IT services as well as mobile business applications. To optimize service delivery, T-Systems restructured its organization during the year under review according to business and service lines.

T-Systems business model



Customized end-to-end solutions

Business lines – industry know-how combined with solution expertise. The main function of these industry-oriented business lines is to develop end-to-end solutions to support customer business processes. Employees are thoroughly familiar with the requirements and processes of the individual industry and bring valuable experience to the table to help ensure the success of convergence projects. T-Systems has established seven different business lines: Financial Services, Manufacturing Industry, Public & Healthcare, Retail & Distribution, Telecommunications, Travel & Transport, Media Broadcast. With customers such as DaimlerChrysler and Deutsche Telekom, Manufacturing Industry and Telecommunications are the business lines generating the highest revenue levels within T-Systems.

The Manufacturing Industry business line serves prominent industrial conglomerates with a global operating base. For example, T-Systems implemented an innovative simultaneous engineering application for DaimlerChrysler AG during 2001. This solution enables engineers at 22 different locations in six countries to collaboratively design vehicles and vehicle parts.

Manufacturing industry

The Telecommunications business line has a global customer base. On behalf of customers in this sector, for example, T-Systems manages the billing processes for 32 million mobile subscribers in six countries.

Telecommunications

Service lines – innovation combined with technical expertise. T-Systems' service lines are responsible for product innovation, as well as for the production and distribution of solution modules. The business lines then bundle these modules into project-specific applications. While business and service lines cooperate closely in planning and implementing customer projects, each line is responsible for its own operating results.

Responsibility

The service lines are managed by two different T-Systems board departments, IT Services and TC (telecom) Services. IT Services include the service lines Systems Integration and Computing & Desktop Services, as well as the Global Computing Factory, Europe's largest data center network. Services provided by T-Systems' 37 data processing centers included systems operation and user support for some 211,000 internal and external SAP workstations in the year under review. The Global Network Factory, a unit within TC Services, runs an efficient international infrastructure. This provides an ideal platform for customer applications and is constantly being enhanced by T-Systems.

Global Computing Factory

Global Network Factory

Worldwide service for international customers. Most of T-Systems' customers are active in international markets. These customers demand standardized products and services worldwide. In order to meet these needs, T-Systems launched major initiatives to strengthen its global presence in 2001. During the course of the year, the brand name T-Systems was gradually introduced in foreign markets. With more than 10,000 employees in 23 countries other than Germany, T-Systems successfully consolidated its international presence in the year under review.

Given its economic importance and market potential, Europe is positioned as a key region for T-Systems. Accordingly, T-Systems has established a strong presence in France, Italy, Spain, Austria and Switzerland, in particular. The company is committed to systematically expanding its position in these core countries. Building on these established markets, T-Systems prepares to further extend its international reach. Concrete measures include the launch of T-Systems in Japan and Hong Kong in 2002. Activities on strategic markets such as the UK and USA will also be stepped up. In 2001, the company already opened a high-performance data processing center in Chicago, for example.

International strategy

Outlook

Global networks. During the year under review, Deutsche Telekom entrusted international networks and services (Telekom Global Services, TGS) to T-Systems. The Board of Management at Deutsche Telekom also decided to transfer the international carrier services business to T-Systems by early 2002.

Leveraging global network infrastructures, the company is in a position to offer corporate customers end-to-end voice and data solutions across national borders. A global infrastructure also means that T-Systems has the opportunity to direct telecommunications traffic from other network operators and service providers through T-Systems' own networks, thus generating additional value in the carrier services business.

Worldwide network rollout

In the 2001 financial year, the rollout of Deutsche Telekom's worldwide network made further progress, thus laying the groundwork for a truly global network infrastructure. The worldwide network currently serves customers in 40 countries.

Pioneering convergence solutions. The Deutsche Telekom Group division T-Systems established itself as a high-caliber provider of convergence solutions in 2001. Numerous projects for major customers bear testimony to the company's success in this area. For example, T-Systems built an information network which integrates 351 partner companies in North America for the American truck manufacturer Freightliner. All dealers connected to the system have online access to the latest product and service information for every truck model. T-Systems not only operates the Freightliner dealer network, it also looks after the customer's existing IT infrastructure and PC network.

Customer projects

In 2001, T-Systems completed a high-performance administration network for the state of Baden-Württemberg in Germany. More than 65,000 users in over 1,400 regional government offices are connected to the state-wide communications infrastructure. T-Systems also operates the network. The Baden-Württemberg administration network supports e-services for citizens such as online tax returns and information services (e.g. an electronic land register).

During the 2001 financial year, T-Systems built an international communications platform for BP, a major petroleum and petrochemicals group. This platform uses Internet Protocol (IP) technology to network BP gas stations with company headquarters. More than 1,400 gas stations in Germany and Austria already use this platform to access BP's central merchandise information system over the Internet. Internet-enabled communication supports large-scale automation of ordering, logistics, inventory management and invoicing processes. BP is thus in a position to greatly improve the quality of shopping services in its gas stations.

Security in focus. T-Systems' customers increasingly use information and telecommunications technologies to support their business processes. Due to the strategic importance of these technologies, security has evolved into a crucial success factor in the deployment of IT and telecom solutions in both private industry and public administration. Security solutions are an integral part of the T-Systems range of services. During the year under review, the company bundled the collective competence and technical know-how of its relevant business units (T-TeleSec, debis IT Security Services and T-Systems Nova) to offer customers an extensive security portfolio. T-Systems advises customers on security measures, evaluates and certifies existing systems, and offers data authentication and encryption as well as electronic signatures. The company also offers business continuance services to ensure uninterrupted availability in the event of a disaster. In the 2001 financial year for example, T-Systems provided an innovative security solution for British American Tobacco (Hamburg International) GmbH that guarantees reliable operation of data processing centers and secure data access for BAT employees.

Comprehensive security portfolio


Future.
We're tuned in to it.

T-Mobile. Global player in tomorrow's mobile communications market.

- Revenue increased by 41 percent to EUR 14.6 billion in 2001
- Brand migration of fully owned T-Mobile subsidiaries launched
- Internationalization of mobile communications holding continues
- Cooperation agreements to build and operate UMTS networks

T-Mobile
(millions of €)

	2001	2000	Difference
Total revenue	14,637	10,356	4,281
Income before taxes	(6,399)	(2,350)	(4,049)
EBITDA (adjusted)*	3,137	1,406	1,731
Employees	30,124	16,757	13,367

*For important information about adjusted EBITDA see the section on "Reconciliation to pro forma figures" on pages 114 ff.

Bundling of mobile communications activities

The T-Mobile segment integrates Deutsche Telekom's core mobile communications activities in Europe and the USA. T-Mobile International is the sole shareholder of network operators in Germany (T-Mobile Deutschland), the United Kingdom (One 2 One, soon to become T-Mobile UK), Austria (T-Mobile Austria, formerly max.mobil.) and the USA (VoiceStream, soon to become T-Mobile USA). Deutsche Telekom's mobile communications holding also has a majority stake in the Czech mobile communications company, RadioMobil. In addition, T-Mobile International has investments in mobile operators in the Netherlands, Russia, Canada and Poland as well as in Hungary, Slovakia, Croatia, the Ukraine and Southeast Asia, to name the most important. Thanks to this portfolio of direct and indirect shareholdings, Deutsche Telekom is active in a total of 19 mobile communications markets.

Market development

UMTS

In the more saturated markets of Europe, activities focus on building loyalty and acquiring new customers. Cost management and efficiency are also becoming increasingly important in these markets. This applies in particular, for example, to activities aimed at building and operating UMTS (Universal Mobile Telecommunications System), the third-generation mobile communications network. A different scenario is evident in the USA, however, where we have yet to experience a surge in growth in the digital mobile communications market. Thanks to the acquisition of VoiceStream/Powertel, Deutsche Telekom now has a strong foothold in the US market.

In the 2001 financial year, T-Mobile International AG focused on expanding its organizational structure, developing its first international products and stepping up the internationalization strategy of the holding company. In June 2001, the Supervisory Board of the holding company approved a new organizational structure and appointed additional board members. A brand migration initiative was launched with the objective of establishing T-Mobile as a global brand for mobile communications. The German subsidiary T-Mobil was the first to change its name on February 1, 2002 (to T-Mobile Deutschland GmbH), followed by max.mobil. which was renamed in the same month (to T-Mobile Austria).

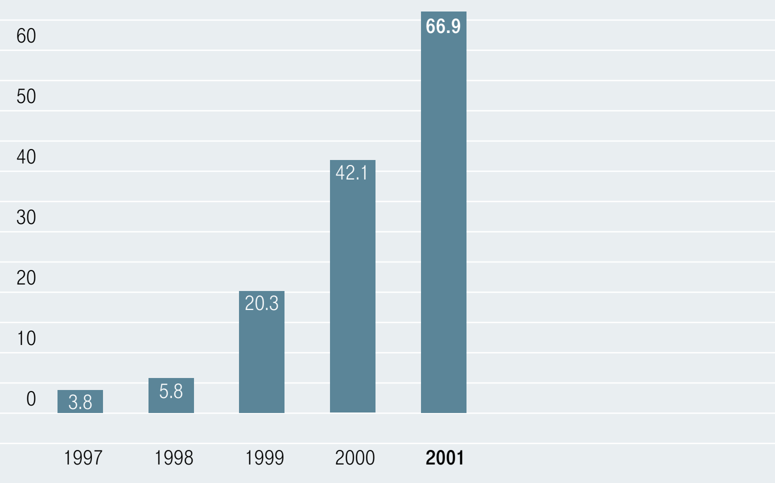
Strategy

Global brand

At the end of the year under review, Deutsche Telekom's mobile subsidiaries (both minority and majority shareholdings) served some 66.9 million customers worldwide (compared with around 42.1 million at the end of 2000). The mobile communications segment of the Deutsche Telekom Group posted revenue of approximately EUR 13 billion, representing around 27 percent of total group revenue. In 2000, mobile communications revenue totaled EUR 9 billion (approximately 22 percent of total group revenue).

Growth

Total subscribers of fully consolidated mobile communications subsidaries and total subsribers of other mobile communications subsidaries
(millions)



International mobility. In August 2001, T-Mobile International launched WorldClass, their first international product. This transatlantic roaming service enables customers of T-Mobile Deutschland, for example, to make calls to over 20 European countries and the USA at transparent, cost-effective rates. Calls routed through more than 20 T-Mobile partner networks in WorldClass countries (all major European countries and the USA) are charged at the same rate per minute.

Transatlantic roaming rates

Mobile online services

What is more, the company provides T-Mobile online services in a number of different countries. T-Motion plc, a joint venture between T-Mobile International (60 percent) and T-Online International (40 percent), provides these services to the consumer market. T-Mobile online services are delivered to WAP-enabled devices in three European countries (Germany, United Kingdom and Austria), thus reaching approximately 36 million T-Mobile customers in Europe at year-end 2001. Generic online content is supplied free of charge. The user simply pays the standard call charges levied by the network operator. Since August 2001, financial information, sports news, games and entertainment content have been available through the Maxi packet offer. A monthly fee is charged for this premium service.

Mobile Business Solutions

Our Mobile Business Solutions unit offers a range of global business solutions for efficient voice and data communications. Leveraging new mobile communications technologies, such as GPRS (General Packet Radio Service) and WAP (Wireless Application Protocol), these innovative services enable business travelers to access important data on their corporate network, for example.

T-Mobile subsidiaries are working closely together in the development of further international products and services.

Growth

Leadership position reclaimed. T-Mobile Deutschland reclaimed leadership of the German mobile communications market in 2001. At the end of 2001, T-Mobile Deutschland, the largest of the T-Mobile International subsidiaries, boasted a market share of over 41 percent and a subscriber base of around 23.1 million (compared with 19.1 million the previous year).

Paving the way

GPRS

UMTS

Field trials

In 2001, T-Mobile Deutschland (then still T-Mobil) paved the way for the mobile multimedia landscape of the future. In the spring, the company was one of the first global network operators to start marketing GPRS. In June, T-Mobile and max.mobil., in collaboration with Siemens, pioneered voice communication between third-generation UMTS cellphones in Munich and Vienna. The first packet-switched transmissions were sent in late November via the test network in Munich. In this trial, a transmission rate of 384 kilobits per second was achieved, six times the speed of ISDN. These successful field trials are an important milestone in the roadmap for building and operating a high-performance UMTS infrastructure. This infrastructure will ultimately be the spring-board for innovative, customer-oriented voice and data services in the mobile communications market of tomorrow.

Strong foothold in US market. On May 31, 2001, Deutsche Telekom completed its acquisition of the US mobile communications companies Powertel Inc. and VoiceStream Wireless. Deutsche Telekom then transferred its shares in these companies to T-Mobile International and offers mobile services under the VoiceStream brand. The acquisition made T-Mobile International the first transatlantic GSM mobile communications operator in the world. By the end of 2001, licenses held by T-Mobile and its associated companies covered a population of some 270 million in the USA alone. VoiceStream boasted a subscriber base of 7 million at the end of the year under review, representing an increase of 2.2 million on the previous year.

First transatlantic GSM operator

Increase in subscriber base

With its nationwide presence, VoiceStream is the leading GSM operator in the USA. Through iStream, the company offers a nationwide service based on the GPRS standard.

Nationwide GPRS service

New goals in the UK. In 2001, our British subsidiary One 2 One (to become T-Mobile UK) launched an initiative to reorganize its business activities. The objective of this initiative is to strengthen and expand the company's presence in the highly competitive British telecommunications market.

Reorientation

As part of this initiative, One 2 One Retail Ltd. was established in October 2001. This company controls all sales activities. All of One 2 One's fully owned retail outlets, including the company's PocketPhone Shop chain, were renamed One 2 One when the company was founded.

Sales activities

The subscriber base rose by 2.1 million new customers to 10.4 million at the end of 2001 (8.3 million at the end of 2000). In the fourth quarter, a net increase of 493,000 customers and a market share of 21 percent were recorded.

Increase in subscriber base

Capitalizing on group synergies in Austria. With a customer base of 2.1 million and a market share of 34 percent at the end of 2001, T-Mobile Austria (formerly max.mobil.) maintained its strong position on the Austrian market.

Strong market position

2001 was a year of close collaboration with other T-Mobile group companies for T-Mobile Austria. A handover agreement with T-Mobile Deutschland, for example, has offered customers along the entire German/Austrian border the option of seamless cross-border calls since July 2001.

T-Mobile Future House

UMTS showcase

T-Mobile Austria also established an international product development center in Vienna for mobile data services in July 2001. The center focuses on developing PDA-compatible (Personal Digital Assistant) services and applications for T-Mobile online. T-Mobile Austria developed and implemented the T-Mobile Future House in Vienna on behalf of the Deutsche Telekom mobile communications holding company in June 2001. Europe's first UMTS showcase, the Mobile Future House provides insights into the mobile applications of the future.

Increase in subscriber base

UMTS license

Explosive growth in the Czech Republic. In April 2001, Deutsche Telekom acquired a majority shareholding in RadioMobil a.s.. With a total of around 2.9 million customers (compared with approximately 1.9 million at the end of 2000) and a market share of some 41 percent at the end of 2001, RadioMobil is the second-largest mobile communications provider in the Czech Republic. The T-Mobile subsidiary recorded particularly strong growth in its subscriber base in the fourth quarter of 2001, with around 400,000 new customers opting for its services. In December, RadioMobil was awarded one of the two UMTS licenses for the Czech Republic. The company is now ideally positioned for the mobile communications market of the future.

Increase in subscriber base

Market leader in Moscow and beyond. 2001 was a year of regional expansion for Mobile Telesystems (MTS), Russia's largest GSM900/1800 mobile communications provider. In August, MTS acquired the East Russian company Telecom-900. Thanks to this acquisition, MTS licenses now span 46 regions in Russia, reaching a population of 84 million (56 percent of the total population). At year-end, the MTS subscriber base had increased to over 2 million, compared with 1.2 million at the end of December 2000.

Increase in subscriber base

BEN tops the million mark. In July 2001, the customer base of the Dutch mobile communications provider BEN exceeded one million, increasing the company's market share to over 9 percent. The increase in postpay subscribers was particularly welcome (approximately 47 percent).

Increase in subscriber base

Maintaining the lead in Poland. With a market share of around 39 percent, Polska Telefonia Cyfrowa (PTC) maintained its position as Poland's leading operator of mobile communications networks. At the end of 2001, approximately 3.8 million (end of 2000: 2.8 million) customers were using the PTC network in Poland. The subscription business accounted for around 62 percent of all customers.

All other Deutsche Telekom mobile communications subsidiaries or affilates with mobile business activities, i. e. Westel (Hungary), Slovenské Telekomunikácie (Slovakia), Hrvatske telekomunikacije (Croatia), UMC (Ukraine), Satelindo (Indonesia), TRI/Celcom (Malaysia) and Globe Tel (Philippines), boasted a joint customer base of around 13 million at year-end (see the chapter on "Other units" on page 110).

Plans for mobile multimedia. In addition to extending its current business activities, integrating the mobile subsidiaries newly consolidated during 2001 and building lasting customer relationships, the T-Mobile Group focused on preparing for UMTS, the third-generation mobile communications network. T-Mobile subsidiaries are working closely with each other and with partner companies to achieve maximum synergy effects. This collaboration focuses on early delivery of high-performance mobile multimedia products and services. As early as 2001, T-Mobile Deutschland, max.mobil., One 2 One and BEN agreed to interconnect their networks and jointly invest in the UMTS network infrastructure. In June 2001, T-Mobile International and BT Wireless announced a substantial joint venture coordinating the building and operation of UMTS networks in Germany and the UK. Both companies anticipate a reduction of up to 30 percent on the estimated investment costs for the UMTS networks as a result of this cooperation.

Outlook
Integration

UMTS

Synergy effects

T-Mobile's US subsidiary VoiceStream will continue to expand this year. To accelerate developments in this area, VoiceStream formed a joint venture with Cingular Wireless in October 2001. The objective is to jointly use the GSM network infrastructure in New York (used only by VoiceStream in the past), California and Nevada (used only by Cingular in the past). Both companies anticipate savings in the range of several hundred million dollars on investments and operating costs through joint access to the existing network infrastructures in these regions. The bundled networks will serve a population of over 55 million, including three of the ten most densely populated areas in the USA.

VoiceStream


Passion.
We like to share our enthusiasm.

T-Online. Charting a clear course for success.

- Losses markedly reduced
- A leading Internet provider with around 11 million customers
- Considerable growth and efficiency gains in the 2001 financial year
- T-Online makes its mark as an Internet media network

T-Online
(millions of €)

	2001	2000	Difference
Total revenue	1,449	1,128	321
Income before taxes	(233)	2,628	(2,861)
EBITDA (adjusted)*	(78)	(23)	(55)
Employees	3,008	2,162	846

In addition to T-Online International AG's business, Deutsche Telekom also shows the results of DeTeMedien activities in its T-Online segment.
*For important information about adjusted EBITDA see the section on "Reconciliation to pro forma figures" on pages 114 ff.

Market position

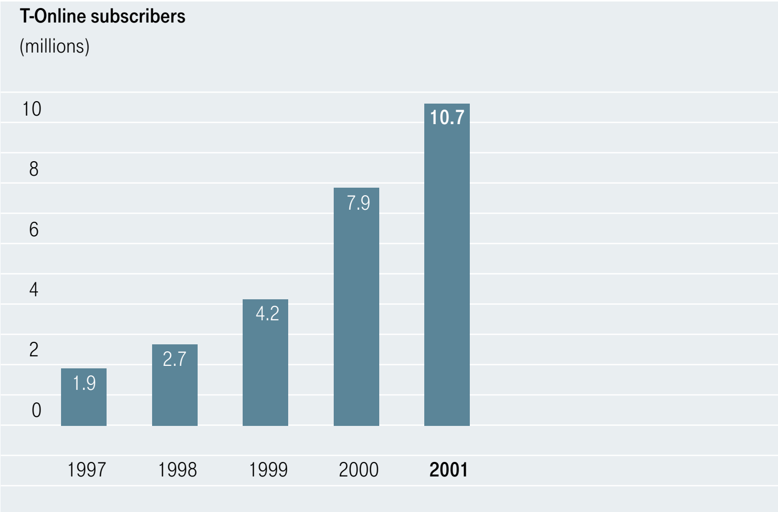
Strong position on the European Internet market consolidated. In terms of revenue and customer base, T-Online International AG ranks as one of Europe's largest Internet service providers. In the fall of 2001, the T-Online group's customer base hit the 10 million mark for the first time. With 10.7 million customers at year-end, T-Online leads the German market for Internet access. T-Online.at (Austria), Ya.com (Spain), T-Online France (Club-Internet) and T-Online.ch (Switzerland) are firmly established in their respective markets. In addition to high-performance and inexpensive Internet access, the group offers a wide range of value-added services that include Web hosting, e-mail and instant messaging. Working in collaboration with its cooperation partners, T-Online further strengthened its prime position in the portals market.

Individual financial statements

Upward trend. Competition remained intense on the German market in the year under review. And T-Online International AG remained committed to its profitability goals. The individual financial statements for the AG revealed a positive EBITDA at the end of the third quarter of 2001. The turnaround was achieved two quarters earlier than expected. The flat rate for narrowband T-Online access, which had impacted negatively on results, expired in December 2001. This led to a considerable reduction in losses generated from international activities.

T-Online International AG again succeeded in increasing its customer base in 2001. The total number of T-Online customers rose sharply from 7.9 million on December 31, 2000 to around 10.7 million by the end of 2001. In Germany, the number of T-Online customers grew from 6.5 million to a total of 8.8 million.

Increase in subscriber base



Not only did the number of T-Online customers rise, so too did the length of time users spent online. The total number of minutes spent online increased by 84 percent on last year's figure. Whereas T-Online customers used the Internet for an average of 580 minutes every month in 2000, this figure had risen to 1,071 minutes a year later. The access business remains the biggest revenue engine. Revenue generated by this sector was up 42 percent to EUR 947 million. This was fuelled by the increase in customer numbers and the length of time spent online. This trend was apparent across all rates.

Increase in online minutes

More and more customers are accessing T-Online through broadband T-DSL. By the third quarter of 2001, T-DSL accounted for more online minutes in Germany than traditional access technologies (modem and ISDN). This trend impacts positively on cost efficiency - the minutes spent online via modern T-DSL connections are less expensive for T-Online since the call originating costs are already covered by the T-DSL line. This trend also helps T-Online create an excellent basis for future broadband applications, such as T-Online Vision.

Cost efficiency thanks to T-DSL

In the year under review, T-Online significantly increased the revenue generated through advertising and e-commerce in its portal business. At EUR 173 million, this figure was up 58 percent on last year (EUR 110 million), driven by T-Online's focused portal policy.

Revenue from portal business

Revenue increase

The upward trend over the past year is reflected in a significant increase in the consolidated sales of the T-Online group to EUR 1,449 million – up 28.5 percent compared with the previous year.

Total EBITDA was posted at minus EUR 78 million in the year under review.

Downward trend on stock market

Annual performance

Share trends. T-Online stock was unable to escape the overriding downward trend on the stock market in 2001. The stock market was depressed in particular by the worldwide economic downturn and the downward slide on the NASDAQ. T-Online stock bottomed out at EUR 4.85 on September 21, 2001. It had made a good recovery by the end of the year, however. Indeed, viewed over the year as a whole, T-Online stock fared much better than the NEMAX 50 index.

Strategy

Strategic reorientation. Tomorrow's Internet market will be about a lot more than customer figures and minutes spent online. Premium content and services are set to shape future developments and are assuming an increasingly central position in providers' efforts to tap new revenue streams.

Marketing Internet content

T-Online has assumed a pioneering role in driving the content business. As one of the leading Internet providers in Europe with a comparatively low level of customer turnover, T-Online leverages the synergy effects of combined access/portal offerings and the benefits of large-scale direct customer billing to drive a focused marketing strategy for premium Internet content.

Internet media network

Internet-specific development

T-DSL

This strategy concentrates on the creation of Internet content and services for specific target groups. T-Online has not entered into an exclusive agreement with a single content producer. It works with a variety of content providers to accommodate future needs as it evolves into an Internet media network. Through strategic cooperation agreements and shareholdings, T-Online is building its own Internet-specific content competence across a broad range of fields. This results in numerous new and attractive services for T-Online customers. In the year under review, T-Online was busy preparing for chargeable online content services. T-DSL provides the perfect broadband platform for these new information and entertainment services.

New pricing structure

T-DSL flat rate

Finding the right rate. In 2001, T-Online adjusted its pricing structure for the German online market to reflect the different usage patterns of individual target groups. In the spring of 2001, T-Online introduced a new Internet pricing structure enabling customers to choose the rate best suited to their needs. The new pricing structure offers standard rates along with seven other rate options. T-Online surftime 30 and T- Online surftime 90, where 30 or 90 online hours are included in the monthly rental fee, proved particularly popular. A large percentage of former flat-rate customers with narrowband connections opted for one of these new rate options. During the 2001 financial year, almost 1 million T-Online customers used the broadband T-DSL flat rate introduced in September 2000.

Innovative software. At the end of August 2001, T-Online launched the largest ever software initiative in the company's history. Easy to use, T-Online software 4.0 offers direct access to portal content and e-commerce services. It is thus the perfect platform to distribute T-Online content and services. This version of T-Online greatly enhances customer loyalty by offering a whole range of innovative functions. One example of this is T-Online Messenger, which enables users to look for friends and check which friends are currently online. In addition, T-Online introduced its first premium services package in mid-August. At the beginning of November, www.t-online.de was given a facelift. The redesign extended far beyond the site's look and feel, however. The new structure of www.t-online.de highlights the depth of choice within the T-Online offering.

Largest-ever software launch

Enhancing customer loyalty

Strategic partnerships drive portal strategy. During the 2001 financial year, T-Online systematically expanded its up-to-the-minute German-language Internet content. In August 2001, as part of a strategic alliance with the national German television channel ZDF, the website heute.t-online.de (home of the "heute" prime-time news show), was integrated into T-Online's portal network.

Portal strategy

Since March 2001, T-Online's independent subsidiary T-Info has been offering an extensive portal service based on Deutsche Telekom's telephone directory listings. The objective is to position t-info.de as the central information hub on the German-language Web in this segment.

T-Info

August 2001 saw the launch of Mercedes-benz.t-online.de. Operated jointly with DaimlerChrysler, this portal offers a broad range of target-group-specific mobility services. T-Online also formed a joint venture with Motor-Presse Stuttgart, with the goal of bundling the general, automobile-related Internet activities of both partners. The new portal auto.t-online.de joined T-Online's portal network at the start of September 2001.

Turning to e-commerce, T-Online's shopping portal features by far the widest reach on the Web. With around 250 renowned retailers, this major "shopping mall" offers a wide range of products and services. In the near future, more products will be available exclusively through our portal.

Shopping portal

In 2001, T-Online increased its shareholding in Atrada AG from 51 to 100 percent. Atrada is a leading developer and operator of electronic marketplaces with innovative trading tools.

T-Online Travel AG was founded in the year under review in partnership with Preussag AG and Thomas Cook AG. T-Online holds a 75.1 percent stake in the company, which is set to play a decisive role in shaping the high-volume market for online travel bookings. The new portal offers a vast selection of travel services and various user-friendly features. In the travel business, like in various other segments, the combination of content and e-commerce services offers T-Online the benefit of far-reaching synergies.

Synergies

Business website

T-Online secure

Premium services for business customers. Almost 60 percent of SMEs in Germany access the Internet via T-Online. In the year under review, around 33,000 companies used T-Online's business website for their Internet presence. T-Online introduced the T-Online secureMail service for corporate customers in early 2001. This service safeguards e-mail communication through digital signatures and data encryption. T-Online secure VPN offers the additional option of closed Internet user groups.

Business customer strategy

T-Online will continue to expand its offering for corporate customers in the future. For smaller businesses in particular, who tend to prefer one-stop shopping, end-to-end solutions will be developed to cover areas such as hosting and security. T-Online also plans to introduce special customer care services to ensure optimum support for corporate customers.

International strategy

Consolidation of European market position. In the 2001 financial year, T-Online's international strategy focused primarily on integration of the T-Online group. The objective is to improve the profitability of individual group members.

T-Online France

T-Online.at

The T-Online France (Club-Internet) subsidiary succeeded in strengthening its position on the French Internet market in the year under review. Activities concentrated on marketing broadband services. Measured in terms of the number of ADSL customers, Club-Internet was number two in France in the year under review. T-Online.at also raised its customer base in 2001, to more than 200,000 subscribers. It plans to attract new customers and increase customer loyalty through a range of attractive and exclusive offers.

Ya.com

T-Online.ch

Since June 2001, T-Online is the sole owner of Ya.com Internet Factory, one of the largest Internet enterprises on the Iberian Peninsula. The Swiss subsidiary T-Online.ch vigorously pursued its goal of establishing itself as a leading platform for finance, travel, leisure and lifestyle services on the established Swiss market. In November 2001, a new portal was launched that differentiates itself clearly from much of the competition by offering target-specific content.

WAP portal

Mobile content and services with T-Motion. T-Motion, a joint venture between T-Online International (40 percent) and T-Mobile International (60 percent), develops and markets content and service offerings for WAP-enabled mobile communications devices. T-Motion's WAP portal was further optimized in 2001. Users can now directly access local information (on restaurants and gas stations, for example) from their cellphone. T-Online customers can easily send and receive e-mails with their cellphones. The premium-rate T-Motion Plus service introduced in 2001 offers exclusive information and services.

The way forward. Since October 2001, T-Online has its own corporate venture capital fund, T-Online Venture Fund GmbH & Co. By founding this company with headquarters in Bonn, T-Online adapted the successful T-Venture model of Deutsche Telekom. The capital fund has assets valued at EUR 100 million. As well as identifying and deploying innovative technologies and business concepts, the company is committed to achieving above-average earnings.

T-Online Venture Fund

More than just a vision. During the year under review, T-Online laid the foundation for continued profitable growth and consolidation of its leadership position in Germany and Europe through its attractive and innovative offerings. This year, T-Online will continue its strategy of qualitative and quantitative growth. Concrete measures include expansion of the Internet access business and added momentum for the portal business through new functionality and content.

Outlook

The broadband portal T-Online Vision is one of the cornerstones of T-Online's aggressive content strategy. The portal went live as scheduled in the first quarter of 2002. It delivers multimedia content (such as films and music in CD quality, multiplayer online games and live transmissions of concerts and shows with high picture and sound quality) to broadband customers with T-DSL, for example.

Content initiative

T-Online International AG publishes its own annual report. It is available for download at www. t-online.de.


Experience.
Every day, we get better.

Other units.

This section deals with all those Deutsche Telekom Group units whose operations cannot be assigned clearly to one of the strategic divisions. These include Deutsche Telekom Group Headquarters and a number of competence centers such as Billing Services and the real estate companies. Some of Deutsche Telekom's foreign subsidiaries and related companies have also been included.

Other units
(millions of €)

	2001	2000	Difference
Total revenue	7,987	7,111	876
Income before taxes	1,629	1,154	475
EBITDA (adjusted)*	3,079	2,553	526
Employees	49,345	40,904	8,441

*For important information about adjusted EBITDA see the section on "Reconciliation to pro forma figures" on pages 114 ff.

Integration into strategic pillars

Deutsche Telekom's internationalization strategy focuses on promoting the Group's strategic divisions in foreign markets. Depending on their core competence, the foreign subsidiaries and associated companies were thus assigned to one of Deutsche Telekom's strategic pillars (T-Mobile, T-Systems, T-Online or T-Com) during the period under review. For organizational and legal reasons, Deutsche Telekom subsidiaries in Eastern Europe and Southeast Asia were not assigned to one of the pillars during the 2001 financial year. Pending assignment, these subsidiaries remain under the management of Deutsche Telekom's International board department. MATÁV, Hrvatske Telecomunikacije and Slovenské Telekomunikácie were consolidated within the T-Com division as of January 1, 2002.

Revenue increase

Increased revenue in Hungary. In July 2000, Deutsche Telekom increased its share in MATÁV, Hungary's largest telecommunications service provider, to 59.49 percent. MATÁV leads the Hungarian fixed-network, mobile communications and private Internet access markets. In 2001, the Deutsche Telekom shareholding generated revenue of EUR 2.1 billion, an increase of around 25 percent compared with the previous year's figure. Net income for MATÁV for the 2001 financial year amounted to approximately EUR 439 million.

Competition

MATÁV strengthened its position in the fixed-network market during the period under review. In June 2001, the company acquired further shares in the local telephone company Emitel, increasing its stake to 100 percent. Thanks to its Emitel shareholding, MATÁV now covers 39 domestic license areas, reaching 72 percent of the Hungarian population. MATÁV's fixed-network subscriber base rose to three million. On December 23, 2001, the Hungarian telecommunications market was fully liberalized. During the course of 2001, MATÁV systematically prepared itself for stiff competition in the fixed-network sector. Concrete measures included realignment of telephone rates, introduction of new products and various efficiency-focused initiatives. MATÁV also stepped up its activities in the fast-growing data communications, Internet and mobile services markets.

In conjunction with its subsidiaries Westel Rt. and Westel 0660, MATÁV operates both a digital (GSM) and analog mobile communications infrastructure. Despite strong competition, Westel managed to increase its subscriber base from 1.7 million at the end of 2000 to over 2.5 million by the end of the year under review. In January 2001, a consortium headed by MATÁV acquired a 51 percent share in MakTel, the leading telecommunications provider in Macedonia.

Westel

Stronger foothold on Croatian market. In October 2001, Deutsche Telekom acquired a further 16 percent share in Hrvatske telekomunikacije (HT), the leading telecommunications provider in Croatia. The purchase gives Deutsche Telekom a majority shareholding of 51 percent in the company. The move underpins the Group's focus on the acquisition of majority shareholdings as the primary vehicle of its ongoing internationalization strategy. Deutsche Telekom can now fully consolidate HT. The company generated revenue of EUR 907.4 million during the period under review. Net income for 2001 was posted at EUR 41.4 million. HT's fixed-network subscriber base exceeded 1.7 million during the year under review. The company also served some 900,000 mobile users.

Further shares acquired

Full consolidation

Number 1 in Slovakia. Deutsche Telekom currently holds 51 percent of Slovenské Telekomunikácie (ST), the largest telecommunications provider in Slovakia. In 2001, ST generated revenue of EUR 462 million and a net income of EUR 94 million. Slovenské Telekomunikácie boasted a fixed-network subscriber base of 1.6 million by the end of 2001. With a customer base of 900,000, EuroTel Bratislava (the mobile communications subsidiary of ST) was the second largest mobile communications provider in Slovakia.

From strength to strength in Southeast Asia. During the year under review, Deutsche Telekom's joint ventures (Satelindo in Indonesia, TRI/Celcom in Malaysia and Globe Telecom in the Philippines) continued to develop positively. The companies posted positive operating results and managed to consolidate their market positions. Deutsche Telekom held the following shares at December 31, 2001: 25 percent in Satelindo; 20.99 percent in TRI/Celcom and 22.1 percent in Globe Telecom. The merger between Islacom, a Deutsche Telekom subsidiary, and Globe Telecom, the second largest mobile operator in the Philippines, was completed in June 2001. During the year under review, Globe Telecom recorded a mobile subscriber base of 4.7 million. Satelindo's mobile subscriber base increased by some 67 percent to 1.8 million in 2001 (compared with 1.1 million in 2000), making it the second largest mobile communications provider in Indonesia. In the year under review, TRI/Celcom increased its subscriber base by 27 percent to 2 million (2000: 1.6 million). It is thus the leading mobile network operator in Malaysia.

Globe Telecom

Satelindo

TRI/Celcom

In 2001, we expanded our worldwide network of country and regional offices. With offices in Beijing, Bonn, Kiev, London, Madrid, Milan, Moscow, New York, Paris, Singapore and Tokyo, Country and Regional Management coordinates and supports all country- and region-specific activities for the Group. It also looks after public relations.


Intuition.
Following instincts is a part of the game.

Reconciliation to pro forma figures.

EBITDA and cash earnings after adjustment for special factors. EBITDA and cash earnings after adjustment for special factors are pro forma figures that are not covered by the provisions of the German Commercial Code (Handelsgesetzbuch – HGB).

The acquisition of the UMTS licenses in 2000 and the implementation of Deutsche Telekom's internationalization strategy had a clear negative impact on the Group's result in the year under review. The revenue generated from these investments was not enough to offset the amortization and interest expense related to the acquisition of the UMTS licenses and the goodwill amortization resulting from the consolidation of VoiceStream/Powertel in particular. In addition, the Group's result in the years 2000 and 2001 was influenced by a series of unusual or infrequent factors (special factors), which we shall describe in more detail below.

EBITDA after adjustment for special factors. EBITDA is the abbreviation for "earnings before interest, taxes, depreciation and amortization". Deutsche Telekom defines EBITDA as the results from ordinary business activities plus the financial income (expense) net and amortization on intangible assets and depreciation on property, plant and equipment.

Deutsche Telekom discloses EBITDA after adjustment for special factors as an indicator of the development of its operating activities before the effect of start-up costs for the development of new units and markets that are not matched by any relevant income, plus the special factors described below.

EBITDA after adjustment for special factors should not be regarded in isolation as an alternative to net income, operating income, net cash provided by operating activities or other German GAAP (HGB) or U.S. GAAP indicators. Since other companies may not calculate adjusted EBITDA and other pro forma financial indicators in the same way, these pro forma figures from Deutsche Telekom are not necessarily comparable with similar figures published by other companies.

The following tables show how Deutsche Telekom derives EBITDA adjusted for special factors for the Group and for its four divisions from the consolidated statement of income prepared in accordance with German GAAP. The special factors have been defined and quantified both for the year under review and for the previous year. At Group level, we have provided a multi-year review for the period 1995 to 2001.

In addition to EBITDA, we have also disclosed the EBITDA margin (EBITDA return on sales). The EBITDA margin represents the ratio of EBITDA to net revenue (EBITDA divided by net revenue).

When analyzing EBITDA adjusted for special factors, it should be borne in mind that the acquisition of the UMTS licenses and the takeover of VoiceStream/Powertel in the period under review affected depreciation and amortization and interest expense, and will continue to do so in the future, whereas the corresponding positive effects on sales are only expected to be recorded in future financial statements.

Reconciliation of EBITDA in the Group, 1995–2001 (billions of €)	2001	2000	Change	%[1]	1999	1998	1997	1996	1995
Revenue	**48.3**	**40.9**	**7.4**	**18.0**	**35.5**	**35.1**	**34.5**	**32.3**	**33.8**
Results from ordinary business activities	(2.5)	6.5	(9.0)	(138.6)	3.2	5.1	3.7	3.4	5.3
Financial income (expense), net	(5.3)	(1.2)	(4.1)	(334.8)	(2.9)	(3.3)	(4.0)	(3.9)	(4.2)
Depreciation and amortization	(15.2)	(13.0)	2.2	17.2	(8.4)	(9.0)	(9.5)	(9.0)	(7.9)
EBITDA[1]	**18.1**	**20.7**	**(2.6)**	**(12.8)**	**14.5**	**17.4**	**17.2**	**16.3**	**17.3**
EBITDA margin (%)[1]	**37.4**	**50.6**			**41.0**	**49.6**	**49.8**	**50.7**	**51.3**
Special factors affecting EBITDA:	**3.0**	**7.8**			**–**	**0.1**	**0.2**	**0.3**	**–**
EBITDA after adjustment for special factors[1]	**15.1**	**12.9**	**2.2**	**16.9**	**14.5**	**17.3**	**17.0**	**16.0**	**17.3**
EBITDA margin after adjustment for special factors (%)[1]	**31.3**	**31.6**			**41.0**	**49.2**	**49.3**	**49.6**	**51.3**

[1] Calculated on the basis of more precise million figures.

Special factors affecting EBITDA in the year under review mainly included proceeds from the sale of our interests in Sprint-FON and Sprint-PCS (including selling costs) in the total amount of EUR 1.9 billion in the second and third quarters, the book profit from the sale of our Baden-Württemberg cable TV company (EUR 0.9 billion) in the third quarter, and proceeds from the sale of regional cable service companies (EUR 0.1 billion) and from the reversal of accruals (EUR 0.3 billion) in the fourth quarter. The disclosure of an additional minimum liability under personnel costs had the effect of reducing EBITDA (EUR -0.2 billion).

The following special factors influenced EBITDA in the 2000 financial year: The sale of Atlas/Global One (EUR 2.8 billion) and of the North Rhine-Westphalia and Hesse cable TV companies (EUR 3.0 billion), as well as the IPO of T-Online (EUR 2.7 billion) and the dilutive effect of the IPOs of the Russian MTS (Mobile TeleSystems) and of comdirect bank (EUR 0.2 billion), in which T-Online International AG holds an interest. Furthermore, additions to accruals, losses from dispositions and losses on receivables had an effect totaling EUR -0.9 billion.

In the previous years (1995 to 1999), the following special factors impacted EBITDA: 1996: one-time VAT refunds in the amount of EUR 0.3 billion Euro; 1997: income from the reversal of accruals (EUR 0.2 billion); 1998: income from assets disposals following the sale of SES (Société Européenne des Satellites) shares (EUR 0.1 billion).

Reconciliation of EBITDA in the core divisions in 2001 and 2000
(billions of €)

	T-Com		T-Systems		T-Mobile		T-Online		Other	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
Net revenue	**26.1**	**27.6**	**13.8**	**10.7**	**14.6**	**10,4**	**1.4**	**1.1**	**8.0**	**7.1**
Results from ordinary business activities	3.2	4.4	(0.3)	2.5	(6.4)	(2.3)	(0.2)	2.8	1.6	1.2
Financial income (expense), net	(0.8)	(1.0)	0	(0.1)	(3.2)	(1.5)	0	0.1	(1.4)	1.1
Depreciation and amortization	(4.8)	(6.0)	(1.3)	(0.8)	(6.3)	(2.3)	(0.2)	(0.1)	(2.2)	(1.7)
EBITDA[1]	**8.8**	**11.4**	**1.0**	**3.4**	**3.1**	**1.5**	**(0.1)**	**2.8**	**5.2**	**1.8**
EBITDA margin (%)[1]	**33.8**	**41.2**	**7.3**	**31.4**	**21.4**	**14.5**	**(5.4)**	**243.7**	**65.6**	**24.9**
Special factors affecting EBITDA:	**0.8[a]**	**2.9[b]**	**–**	**2.8[c]**	**–**	**0.1[d]**	**–**	**2,8[e]**	**2,2[f]**	**(0,8) [g]**
EBITDA after adjustment for special factors[1]	**8.0**	**8.5**	**1.0**	**0.5**	**3.1**	**1.4**	**(0.1)**	**0**	**3.1**	**2.6**
EBITDA margin after adjustment for special factors (%)[1]	**30.8**	**30.9**	**7.3**	**4.9**	**21.4**	**13.6**	**(5.4)**	**(2.0)**	**38.6**	**35.9**

[1] Calculated on the basis of more precise million figures.

[a] Sale of our Baden-Württemberg cable TV company (EUR 0.9 billion) and of regional cable service companies (EUR 0.1 billion); additional minimum liability (EUR -0.2 billion).
[b] Sale of the North Rhine-Westphalia and Hesse cable TV companies (EUR 3.0 billion); losses on receivables (EUR -0.1 billion).
[c] Sale of Atlas/Global One.
[d] Dilutive effect of MTS.
[e] Dilutive effect of the IPOs of T-Online (EUR 2.7 billion) and comdirect bank (EUR 0.1 billion).
[f] Sale of Sprint-FON and Sprint-PCS (EUR 1.9 billion, including selling costs); reversal of accruals (EUR 0.3 billion).
[g] Additions to accruals and losses from asset dispositions

In addition to the special factors mentioned up to now, the following special factors not affecting EBITDA also influenced the Group's result:

Write-downs on property, plant and equipment and intangible assets

Year	Items involved
2001	Land and buildings (EUR 0.8 billion); Goodwill write-down on brand names as part of the rebranding of our majority-owned mobile phone subsidiaries (EUR 1.0 billion)
2000	Land (EUR 2.0 billion); Parts of the long-distance copper cable network and telecommunications equipment (EUR 1.0 billion)

Financial income (expense), net

Year	Items involved
2001	Price-related write-down on the net carrying amount of investment in France Telecom (EUR 0.3 billion) and other write-downs of financial investments (EUR 0.6 billion)
2000	Proceeds from the sale of WIND (EUR 2.3 billion)
1998	Write-downs on East Asian investments (EUR 0.1 billion)
1997	Write-downs on East Asian investments (EUR 0.2 billion)

Extraordinary income/loss (German GAAP):

Year	Items involved
1996	Expense recognized in respect of staff restructuring measures (EUR 0.9 billion)
1995	Expense recognized in respect of staff restructuring measures (EUR 0.6 billion)

The tax effects on the various special factors were calculated on the basis of the corporation tax rate. In addition, in 2001 in particular, the offsetting of a loss from the write-down on the book value of the investment in NAB/Sprint was a separate special factor influencing the Group's result.

Cash earnings. Deutsche Telekom uses the cash earnings after adjustment for special factors indicator as a simplified means of estimating the net cash provided by operating activities. Cash earnings after adjustment for special factors should not be regarded in isolation as an alternative to the net cash provided by operating activities or other German GAAP or U.S. GAAP indicators. Since other companies may not calculate cash earnings and other pro forma financial indicators in the same way, these pro forma figures from Deutsche Telekom are not necessarily comparable with similar figures published by other companies.

Deutsche Telekom defines cash earnings as net income/(loss) after taxes plus depreciation and amortization. The following table shows the reconciliation of the cash earnings after adjustment for special factors from net income/(loss) after taxes according to German GAAP.

Reconciliation of cash earnings in the Group
(billions of €)

	2001	2000	Change	%[1]	1999	1998	1997	1996	1995
Income/(loss) after taxes	(3.5)	5.9	(9.4)	(158.3)	1.3	2.2	1.7	0.9	2.7
Depreciation and amortization	(15.2)	(13.0)	2.2	17.2	(8.4)	(9.0)	(9.5)	(9.0)	(7.9)
Cash earnings[1]	**11.8**	**18.9**	**(7.1)**	**(37.8)**	**9.7**	**11.3**	**11.2**	**9.9**	**10.6**
Cumulative special factors recognized as income[2]	**1.2**	**7.4**			**0**	**0**	**0**	**(0.3)**	**(0.6)**
Less factors relevant to depreciation and amortization[2]	**(1.8)**	**(3.0)**			**–**	**–**	**–**	**–**	**–**
Cash earnings after adjustment for special factors[2]	**8.7**	**8.5**	**0.2**	**1.9**	**9.7**	**11.3**	**11.2**	**10.2**	**11.2**

1 Calculated on the basis of more precise million figures.
2 Including tax effects.