

Perspectives.

We're reaching higher.

We're looking far ahead but keeping our feet on the ground and our attention focused on the communications market. Core technologies have converged and Deutsche Telekom has assumed the role of innovation leader, pioneering key developments every day.

That calls for vision. All across the globe, Deutsche Telekom intelligently captures synergy effects to turn tomorrow's demands into today's solutions. And that calls for the seamless integration of different cultures and new employees. Gone are the days of solo players. Today's convergence market needs modern teams – teams that leverage expert know-how across all fields of core competence.

Deutsche Telekom epitomizes modern team spirit. A spirit that fosters visionary insights and ambitious goals. And teams that are successful in uncovering tomorrow's secrets, systematically and with passion and intuition: Teams that are reaching higher.



Quality.

We inspire each other.



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Style.

We're showing our true colors.



Dear Shareholders,

The year 2001, together with the previous year, was a period of intense investment in which we once again made considerable progress with the growth of the Deutsche Telekom Group and the market position of our Company at both the national and international level. In this way, our Group has created considerable new value, which shows in our impressive competitive position at the end of 2001:

- More than 100 million customer relationships in our four core divisions.
- One of the largest voice communication carriers in the global market.
- Among the largest mobile service providers in the world, with around 67 million customers served by companies in which we have a majority or a minority shareholding.
- An excellent position in the transatlantic mobile communications business.
- Including its points of presence in important European markets, T-Online is one of the largest Internet service providers in Europe in terms of customer base and revenue.
- T-Systems is the second-largest system solutions provider in Europe.

Difficult economic conditions worldwide. 2001 was not an easy year. For various reasons, industry and politics had to face major challenges. Worldwide economic decline and the horrific terrorist attacks on September 11 made consumers and investors far more reserved and many companies had to revise their plans. Although Deutsche Telekom was not immune to these difficult conditions, the Company was nevertheless able to continue with the growth course of the previous years.

Strategic realignment boosted dynamic growth. Important financial figures such as net revenue and income before interest, taxes, depreciation and amortization and special factors (adjusted EBITDA), as well as the development of our customer and traffic figures evidence our strong growth during 2001. The “young” elements of our core business divisions – for example, mobile communications and system solutions – in particular developed into important contributors to growth within the Group, as expected, and the realignment of the Company on the basis of our 4-pillar strategy, which is now almost complete, released the dynamism that we intended.

Considerable revenue increase in national and international business. We increased net revenue by 18 percent to a total of EUR 48.3 billion. This was the second double-digit revenue increase in a row. Our international activities made an above-average contribution to this development. With an increase of 70.1 percent (to EUR 13.2 billion), the share of international business in net revenue over the Group amounted to 27.3 percent, compared to 19 percent in the 2000 financial year. This indicates how successful we have been in implementing our internationalization strategy.



Moreover, we also increased revenue in the German market, by 5.7 percent to EUR 35.1 billion. This means that Deutsche Telekom's net revenue grew significantly faster than the average German economy.

Operative earning power increased again. EBITDA, adjusted for special factors, increased by 16.9 percent, to EUR 15.1 billion. Despite the difficult overall economic situation, we have been able to increase adjusted EBITDA for the first time since the liberalization of the German telecommunications market in 1998. This growth fulfilled another goal that we set ourselves; it was influenced in particular by the strong growth in the mobile communications sector. Adjusted EBITDA for this division more than doubled from EUR 1.4 billion in the previous year to EUR 3.1 billion in 2001.

Adjusted EBITDA is an important figure for us, since it serves as an indicator of the development of our operating activities, before the effect of start-up costs for the development of new units and markets (such as for the amortization of UMTS licenses or goodwill as in the case of VoiceStream) and before unusual or rarely occurring factors. Detailed information on this subject is included in this report on pp. 114 to 118.

Negative impact on Group results from investments in the Company's growth.

The increase in our operative earning power needs to be seen in light of the financial accounting effects of our considerable investments in the continued strategic development of the Deutsche Telekom Group. We had a net loss after taxes of EUR 3.5 billion in the 2001 financial year, compared with net income of EUR 5.9 billion in the previous year. In addition to the fact that the considerably higher level of positive special effects from the disposal of non-strategic assets in 2000 was not matched by similar contributions in 2001, this decline is also due in particular to negative effects from the expansion of our national and international business presence during the last few years. Our growth course is therefore also reflected here, albeit with contrary effects.

Strong increase in cash generated from operations. Another factor of decisive importance for the consideration of the financial strength of a company is its ability to finance itself – in other words, its cash flows. Net cash provided by operating activities increased by 19 percent compared with the previous year, to EUR 11.9 billion. Taking into account the increase of EUR 1.5 billion in net interest payments included in this figure, cash generated from operations rose by EUR 3.4 billion to EUR 16.3 billion. This positive development was mainly due to contributions from normal operating activities – and this is yet another indication of our growth.

First steps taken towards reduction of net financial liabilities. Through measures that have already been launched, the increase in the net financial liabilities resulting from the VoiceStream transaction was mitigated in the first half of 2001, and the level was reduced by 12.5 percent in the second half year, from a level of EUR 71 billion to EUR 62.1 billion, as previously announced.

Proposed dividend of EUR 0.37. The Board of Management and the Supervisory Board of Deutsche Telekom will propose to the Shareholders' Meeting to pay shareholders a dividend of EUR 0.37 per share for the 2001 business year. Although this means an approximately 40 percent lower dividend compared to the prior year, the dividend yield of Deutsche Telekom remains among the leaders of European and American telecommunications companies, as well as among DAX companies.

This step is part of a package of measures agreed on by the Board of Management after consultation with the relevant Supervisory Board committees in response to the prohibition of the planned sale of the Company's cable assets and the general situation on the stock markets. As is generally known, the Federal Cartel Office in Germany prohibited the sale of six regional cable TV companies to the American company Liberty Media for around EUR 5.5 billion in February 2001.

The above-mentioned package of measures also includes considerable reductions in investments in property, plant and equipment (EUR 9.9 billion in the previous year) and in costs. Over and above this, we are again confirming our intention to actively dispose of non-strategic activities. We will continue with the process of selling our cable TV assets. In light of the negative stock market climate worldwide, it was decided not to proceed with a stock exchange listing for T-Mobile in the first half of 2002. Going forward, we expect to adapt flexibly to the market situation.

On the basis of these measures, our goal is to reduce net financial liabilities to around EUR 50 billion by the end of 2003.

Successful business development in all divisions. Along with the Deutsche Telekom Group as a whole, the individual divisions also developed very successfully in the 2001 financial year – both in terms of building upon their market position and with regard to their strategic positioning and orientation towards new markets, sectors and business potential.

T-Mobile: the first transatlantic GSM provider. The acquisition of VoiceStream and thus the successful entry into the U.S. market – the largest individual market worldwide for mobile communications – was without doubt the outstanding event for us in 2001. This move has given T-Mobile International a leading market position as the first transatlantic GSM mobile communications provider.

The mobile subscriber base across all companies in which Deutsche Telekom holds either a majority or minority shareholding increased by around 20 million, to almost 67 million – i.e., by more than 40 percent compared to the prior year. In the German market, the number of T-Mobile customers increased by around 4 million. With more than 23 million customers at the end of 2001, the company is thus the market leader in Germany.

In the course of 2001, VoiceStream was able to increase its number of customers by more than 45 percent, closing the year with a record quarter. In addition to the seasonal Christmas business, effective customer loyalty measures also took effect, with the result that VoiceStream was able to clearly rise above the generally weak trend on the mobile communications market.

T-Com: future-oriented expansion of fixed-network activities. Our T-Com division too can look back on a success story in 2001. With T-DSL, we have developed fast Internet access into a new mass market. Demand for T-DSL boomed throughout the year and beyond. We more than trebled the number of T-DSL connections sold, from 0.6 million at the end of 2000 to 2.2 million at the end of the year under review.

Through the market-oriented realignment of our sales and service structure and the integration of the network sector into this division, T-Com is in an excellent position to seize the business opportunities offered by some 41 million consumers and around 420,000 medium-sized enterprises in the fixed-network market for further growth in this business area.

T-Systems: successful market launch of Europe's No. 2 systems house. Following the debis Systemhaus transaction in February 2001, T-Systems was launched as the second-largest system solutions provider in Europe. Some of the planned targets were already clearly exceeded in the 2001 financial year, and the company gained a large number of new customers and attractive orders and made a good name for itself in the market.

Revenue increased by around 29 percent over the previous year, mainly due to the consolidation of debis Systemhaus in the Group accounts for the first time in 2001. The operational business with system solutions and with national carriers also developed positively.

System solutions integrating telecommunications and information technologies are a core convergence field with high potential for growth, to which great importance is attached in Deutsche Telekom's strategic planning. With T-Systems, the Deutsche Telekom Group is excellently positioned to profit from this potential, in particular since the path to the complete integration of the debis Systemhaus Group in 2002 has now been cleared.

T-Online: transition to the profitable Internet media network. In the T-Online Group, with its new management, the 2001 financial year was marked by the consistent realignment towards profitability. The measures implemented included a new customer and earnings-oriented rate structure and the accelerated development of new, high quality chargeable content offers. The development of the T-Online Group into a leading Internet media network is being driven forward apace through a number of cooperation projects with well-known partners, such as ZDF (a major German TV network) or BILD (national newspaper).

In its operations, T-Online increased its customer base by 35 percent while revenue in this segment rose by 28.5 percent, to EUR 1,449 million. Particularly pleasing was the 57.5 percent increase in revenue from the portal business, which is continually growing in importance relative to the access business. The measures that have been taken to increase profitability are working - and we have achieved a very important objective: in terms of T-Online's EBITDA in Germany, the break-even point was achieved in the third quarter - two quarters earlier than expected.

Reassignment of responsibilities in the Group's Board of Management. In line with the future-oriented strategic and structural reorganization of the Deutsche Telekom Group to target the central growth markets in our industry, we also redistributed the responsibilities within the Group's Board of Management with effect from May 1, 2001. Two board members are now responsible for the management of the T-Com/T-Systems and of the T-Mobile/T-Online divisions, respectively. In this way, we have optimally matched the operational management of the Group to the new Group structure and the changed requirements of the market. This construction ensures that the four core divisions of our Group, which are aligned to the individual sub-markets, work closely together in order to take advantage of synergies and to jointly develop convergent products and services.

Our 5-point program for increased profitability and growth. The Board of Management laid out a 5-point program in 2001 in order to further promote profitability and earning power within the Deutsche Telekom Group. This program already produced tangible effects in the course of the year. It program includes:

- a Group-wide program for systematic quality improvement;
- a program for improving our operating results;
- a debt reduction program;
- an integration offensive;
- the consistent continuation of our product and innovation campaign.

Group-wide program for systematic quality improvement. Internally, we declared the year 2001 to be the "Year of Quality". A series of quality targets were defined and broken down to the individual divisions. We already achieved significant progress in important areas by the end of 2001. The constant improvement of quality also represents an important factor for success in the future.

Program for the improvement of the operating results. This includes, for example, the optimization of business procedures by means of e-business processes, or also continued personnel restructuring within the Group. Active debt management also makes an important contribution, for instance through reduced financing costs. An optimization of this kind was, for example, the issuance of Euro-bonds worth more than eight billion euros in July 2001 in order to cover loans that were nearing maturity, thus improving, in the final analysis, the interest and maturity structure of our liabilities.

Program for the reduction of liabilities. The successfully initiated reduction of financial liabilities will be continued consistently in 2002. This will be achieved through the sale of non-strategic assets, such as those in the real estate or cable network areas. A possible stock exchange listing for our mobile communications subsidiary will also play an important role here. It must, however, be stressed again that the most important precondition for going ahead with a listing is an appropriate market environment.

Revaluation of land completed. The revaluation of Deutsche Telekom's portfolio of land holdings was completed within the framework of the realignment of our real estate strategy towards value-oriented utilization and capitalization. Write-downs of EUR 0.5 billion were required for the year 2001, through the application of the legally prescribed lower-of-cost-or-market-value principle, while, at the same time, upward adjustments of EUR 1.4 billion that could not be recognized for accounting purposes were identified. Numerous external experts supported and provided specialist advice for the implementation of the revaluation. The results now available confirm our view that the opening balance for 1995 and the annual reports in the subsequent years were in order. The new valuation approach was made necessary by the changeover to the new strategy aimed at capitalizing real estate assets.

Optimum integration of all companies into the Group structure. After the strong growth phase as a result of the new acquisitions, the companies that have been acquired are now being integrated into the Group structure so that they will seamlessly complement the other units. The integration of our U.S. subsidiary and the international positioning of T-Systems is well underway. The Eastern European subsidiaries and shareholdings will also be integrated into the four-pillar structure. As an additional measure, we have bundled the responsibility for the global network business with corporate customers within T-Systems from January 1, 2002.

Consistent continuation of our product and innovation campaign. Our broadband offerings are particularly important in this respect. Successful T-DSL marketing has opened up the path to the mass market and other innovations will result from convergence – the merging of the technologies. We worked on this at full stretch throughout 2001, and we presented a wide range of new products and applications at the CeBIT 2002 trade fair in Hanover.

Unsatisfactory price development of the T-Share. The positive development of our operational business was unfortunately not reflected in our Company's valuation by the capital markets in the year under review. It goes without saying, of course, that we cannot be satisfied with the development of our share price during the year. The main reasons for this development are known: these were above all the poor stock market environment and the caution being shown towards technology shares in particular. We are, however, firmly convinced that the current share price does not reflect the substance and quality of the T-Share, and we will make every effort to underpin a positive price development.

Effective competition established in the German telecommunications market. A further strain on our share price is caused by the regulation of the German market. Even in the fourth year after the extremely effective market liberalization, we are still faced with undiminished asymmetrical regulation, which is one-sided and to the disadvantage of Deutsche Telekom. This has continued regardless of the fact that an extraordinarily high level of competition has been reached in Germany, far above the levels in other European countries.

The success of the liberalization of the German telecommunications market is clearly indicated by the following facts:

- The prices of long-distance and international calls have decreased by 90 percent.
- Our competitors have acquired a market share of around 40 percent for long-distance calls, and over 50 percent for international calls. Competition has also significantly increased in the local network area. In more than 60 percent of all local networks, customers can now choose between several providers.

We will make every effort to ensure that regulatory policy in Germany takes more account of these facts than has previously been the case, and that the reduction of the intensity of regulation as laid down in the Telecommunications Act really takes place.

Continued growth through consistent exploitation of all advantages of size and structure. Despite the tough competitive environment on the German market resulting from the regulation mentioned above, Deutsche Telekom has succeeded in achieving exceptionally positive corporate development and in creating considerable added value through the far-reaching changes over the last few years. We have opened up excellent prospects for the future for our Group and have safeguarded future-oriented and challenging workplaces for our employees. Today, our situation is better than that of other companies in our sector with whom we share a comparable history as a public authority and monopolist.

Synergy and convergence will determine the future development of the Group. Following the phase of basic strategic and structural realignment, we will now be focusing on the optimum exploitation of the growth platform we have established, targeting the profitable economic and corporate development of the Deutsche Telekom Group.

This is above all a matter of utilizing all the advantages of size and structure offered by the strong growth of the Group. Convergence, synergy and integration are our central watchwords here. In this way, we will open up new markets, sectors and business fields with considerable potential for revenue and at the same time be able to realize significant cost reductions.

We will also continue to take on the great challenges in our dynamically developing markets, to make use of all attractive market opportunities creatively and proactively, and to promote profitable growth throughout the Group.

I would like to take this opportunity to thank all the employees of Deutsche Telekom in the name of the entire Board of Management for the dedication with which you all, throughout the world, have supported and promoted the dynamic change within our Company.

I would also like to thank you, our shareholders, for the trust that you have shown the Group and its potential in the year under review. The management and employees of Deutsche Telekom will continue to put all their energy, dedication and all their strength to justifying and confirming your trust again. We are determined to make the T-Share an asset that offers you the best prospects for the future.

Bonn, March 2002
The Board of Management



Dr. Ron Sommer
Chairman

Our strategy. Four-pillar strategy targets high-growth areas.

Since the mid-90s, Deutsche Telekom has been progressively evolving from its status as a traditional telephone company into an international T.I.M.E.S. provider. The abbreviation stands for the convergence of the Telecommunications, IT, Multimedia, Entertainment and Security service markets. Thanks to its orientation in accordance with the four-pillar strategy, the Deutsche Telekom Group is ideally positioned to capitalize on the opportunities presented by growth drivers in these markets.

T-Com	Building on Deutsche Telekom's successful ISDN marketing strategy, a major DSL broadband marketing campaign has placed T-Com at the head of the European market. In addition, it has enabled the Group to tap the enormous demand for telecommunications and IT services among small and medium-sized companies.
T-Mobile	Following the successful acquisition of VoiceStream, T-Mobile became the first transatlantic wireless communications operator utilizing the world-leading GSM digital wireless technology standard. Whereas activities in the US focus on stepping up market penetration, our strategy in Western Europe concentrates on the introduction of innovative GPRS and UMTS-based mobile data services.
T-Online	Harnessing the benefits of ultra-rapid broadband market penetration and the steady improvement of interactive mobile services, T-Online is evolving into a multi-access portal, with a clear focus on value-add content and transactions.
T-Systems	With T-Systems (a joint venture stemming from the merger of debis Systemhaus with units of the Deutsche Telekom Group), Deutsche Telekom is now positioned at the forefront of the IT/telecom system solutions market. T-Systems provides global named accounts with the full range of IT and telecom products and services. Our efforts in this area are increasingly centered around network-based e-business solutions.
Differentiation	The depth and breadth of our offering is unmatched in the telecommunications and any related industry. This diversity clearly differentiates Deutsche Telekom from competitors who restrict themselves to a single market segment. The divisionalization strategy also gives Deutsche Telekom the flexibility and agility it needs to accelerate its internationalization drive.

Convergence and synergy across all pillars. The recent buoyancy of the telecommunications markets is expected to continue over the next few years. Rapid technological advances are set to step up the pace of convergence across the telecommunications, media and IT sectors. Having established a strong foothold in these markets, Deutsche Telekom is now entering the second phase of its four-pillar growth strategy. In addition, the Group intends to capitalize on the enormous opportunities and scope for added efficiencies arising from Deutsche Telekom's increase in size and its realigned structure. The main emphasis is on cost savings through cross-division use of processes and platforms.

Convergence

Synergy

Rapid emergence of new lucrative segments. Increasing technology convergence and new customer demands are creating new markets and business segments that are developing at lightning speed. Deutsche Telekom has identified the following three key convergence areas, on which the Group intends to focus:

Three convergence
areas

- Content/media and telecommunications in the mass market
- Telecommunications and IT in the corporate customer segment
- Fixed-network and mobile communications.

It is estimated that the first convergence area, i.e. content/media and telecommunications, will be worth approximately EUR 20 billion in Germany by 2004. Deutsche Telekom is working intensively on the development of new products for this area to ensure a first-mover advantage. Key developments include multi-access messaging services, the T-Mobile Online Start Center and the T-Vision broadband portal. With its innovative content offering, "t-zones" has established T-Online as a multi-access portal for mobile and fixed-network terminals. Some of these solutions were unveiled at CeBIT 2002.

Content/media and
telecommunications

The value of the converging telecommunications and IT markets in Germany has been estimated at EUR 13 billion by 2004. In the short term, the Group will concentrate on application hosting and mobile business solutions. Several products in these areas are already at the introductory phase.

Telecommunications
and IT

The development of bundled solutions for corporate customers and the mass market is positioned as the main vehicle to capitalize on converging fixed-network and communications markets. We also intend to make use of cross-selling opportunities between T-Com and T-Mobile. Deutsche Telekom anticipates that this market will be worth EUR 5 billion in Germany by 2004.

Fixed-networks
and mobile
communications

Capitalizing on international convergence potential. As each of the four core divisions enjoys a strong market presence in Germany, our convergence strategy focuses predominantly on the German market. Looking beyond national borders, however, we see the Group's specific range of core competencies as the perfect vehicle to differentiate ourselves from competitors on the international market as well. For example, T-Mobile was able to target mobile solutions more effectively at the business segment in the US, the UK and Austria by cooperating with T-Systems. Similarly, subsidiaries in Hungary, Croatia and Slovakia can prepare for imminent or increasing market liberalization by leveraging the Group's broad spectrum of core competencies to enter the emerging convergence markets.

Differentiation
in international
competition

<p>Synergy effects add value</p>	<p>Capturing synergy effects to save billions. Deutsche Telekom is also increasingly leveraging its specific strategic structure to create synergy effects. This involves improving profitability through economies of scale, know-how transfer and process optimization. Ten-figure savings can be realized through division-wide collaboration. Deutsche Telekom has prioritized the following five key synergy areas:</p> <ul style="list-style-type: none"> – Procurement: Consolidated supplier pool, aggregated purchasing demand, improved terms with key suppliers, increased use of e-procurement. – Production: Coordinated construction and expansion of network and IT platforms, greatest possible standardization as well as improved capacity utilization.
<p>Five synergy areas</p>	<ul style="list-style-type: none"> – Cross-border collaboration: Economies of scale through Group-wide exploitation of the Company's position as the third largest purchaser of call termination minutes in international voice traffic worldwide. – Order processing: Simplification and further development of the existing process and system landscape through implementation of e-business procedures. – Billing: Broadest possible unification of previously separate process chains in the mass market. Realization of efficiencies through internal and cross-division best-practice sharing. <p>We measure our goals and progress in these five synergy areas on the basis of world-class standards that draw on relevant international benchmarks.</p> <p>Aggressive integration strategy. Integrating new subsidiaries in the Deutsche Telekom Group involves more than simply capitalizing on cross-division synergy effects. By integrating newly acquired companies in the management structure of the four divisions and in the relevant competence network, we envisage the exposure of additional division-internal opportunities.</p>
<p>Know-how and expertise</p> <p>Added value</p>	<p>Thanks to their leading market positions, each division has accumulated extensive know-how and expertise, which can empower new Group members to optimize their process landscapes and production platforms. Significant value can be added by improving the subsidiaries' market profile. Products only need to be developed once and can then be implemented by all units in the division. Customer-facing processes are being increasingly standardized. Within T-Com, subsidiaries in Eastern Europe can actively benefit from the experience gained in Germany when the German market was liberalized, thus ensuring they are optimally prepared for future developments and liberalization challenges on their own markets. In order to exploit synergy and convergence opportunities to the full extent, Deutsche Telekom must ensure that all Group members are optimally integrated within the four-pillar structure. We will therefore continue the aggressive integration strategy we launched in 2001.</p>

Roadmap for success. To ensure that corporate goals are achieved across all divisions and to guarantee the best possible cooperation among the divisions and between the divisions and our headquarters, we launched the Telekom Success project in 2001. The initiative plots a roadmap for the successful transition to and integration within the four-pillar structure. The most important outcome of Telekom Success to date is the drawing up of ten principles for creating added value within the Group. The principles give the divisions general guidelines on collaboration and describe the new Group structures and business models. These structures and models were implemented during the 2001 financial year and the transition to the four-pillar structure was thus complete for day-to-day business operations by the start of 2002.

Transition and
integration

Raising the bar for quality. Quality was an issue of central importance during 2001. We launched a Group-wide strategy aimed at further improving quality standards and turning quality of service into a key differentiator.

Quality strategy

Important quality benchmarks include installation and fault repair times as well as contactability – all of which we significantly improved in 2001. Our goal for 2002 is to ensure that our customers receive the same high standard of service across all Group divisions and in all countries. For this purpose, we will standardize Group-wide quality benchmarks and regularly check that these benchmarks are being met.

Quality benchmarks

Global provider in the convergence age. The goal of our internationalization strategy is to create lasting shareholder value for all Company stakeholders (shareholders, customers and employees). In recent years, we have sought to capture growth opportunities in other countries. This diversification serves two purposes: it helps us to better meet customer needs and taps new revenue streams.

Shareholder value

Deutsche Telekom has significantly enlarged its footprint in key high-growth markets through T-Mobile shareholdings in Western Europe and the US and its T-Com subsidiaries in Eastern Europe. Through T-Systems, the Group is now active in 23 countries. More than a quarter of total revenue for 2001 was generated from international activities (compared with 11 percent in 1999). One in three Group employees are currently working abroad. Internationalization of the Deutsche Telekom Group and strategic management of our offering go hand in hand. In addition to consolidating our market position, we continue to streamline our activities. Business units that do not complement our core range of competencies are identified on the basis of clear criteria and either discontinued or sold. As part of this streamlining process, we will be discontinuing our involvement in broadband cable and gradually reducing our real estate portfolio. Minority shareholdings in regions that do not belong to our target markets will also continually be evaluated.

International
revenueStrategic portfolio
management

At present, integrating newly acquired companies in the Group is our main priority. However, we will continue to carefully evaluate all opportunities that may complement the Group's offering and add value to our current range of business activities.

The Board of Management of Deutsche Telekom AG in 2001.

Chairman of the Board of Management responsible for Group Communications, Government Relations, Competition Policy, Regulatory Affairs.

Dr. Ron Sommer. Born in 1949. He received a doctorate in mathematics and began his career with the Nixdorf group, first in New York and then in Paderborn and Paris. In 1986, he became chairman of the managing board of Sony Deutschland. In 1990, Dr. Sommer became President and Chief Operating Officer of Sony USA, and in 1993, he took over the management of Sony Europe in the same function. Since May 16, 1995, he has been Chairman of the Board of Management of Deutsche Telekom. Dr. Sommer now concentrates on the strategic management and development of the Deutsche Telekom Group, group communications and regulatory matters.

Member of the Board of Management responsible for T-Com and T-Systems.

Josef Brauner. Born in 1950. After having started his sales career with Avery as the US company's branch manager for Germany, Austria and Switzerland, Mr. Brauner joined Sony Deutschland where he was appointed member of the managing board in 1988 and chairman of the board in 1993. In June 1997, Mr. Brauner joined Deutsche Telekom as Head of Sales and Distribution and was appointed to the Company's Board of Management in October 1988. Since May 1, 2001, Josef Brauner has been responsible for Deutsche Telekom's board of management department CS which includes the strategic divisions T-Com and T-Systems and the operational management of the networks infrastructure and its field organization.

Member of the Board of Management responsible for Finance and Controlling.

Dr. Karl-Gerhard Eick. Born in 1954. After studying business administration and gaining his doctorate, Dr. Eick worked in various positions for BMW AG between 1982 and 1988. From 1989 to 1991 he was responsible for controlling at WMF AG in Geislingen. In 1991, he became head of the controlling, planning and IT division at Carl Zeiss Group. From 1993 to 1999, Dr. Eick held top management positions at the Haniel Group where he was responsible for the controlling, business administration and IT areas of the Group's strategic management holding company, Franz Haniel & Cie GmbH. Since January 2000, Dr. Eick has been a Member of Deutsche Telekom's Board of Management.

Member of the Board of Management responsible for International Affairs.

Jeffrey A. Hedberg. Born in 1961 in the USA. Mr. Hedberg joined the TVM/Matuschka Group in Munich, where he was primarily involved in analyzing venture capital projects for companies with international operations. Later, he worked in the International division of US West, the US carrier, and then as an associate for Coopers & Lybrand, where he provided support for international projects of globally operating telecommunications groups. In 1994, Mr. Hedberg joined Swisscom, where he was last in charge of the Swiss company's international investments as Executive Vice President and member of the company's senior management. Mr. Hedberg joined the Deutsche Telekom Board of Management on January 1, 1999.

Member of the Board of Management responsible for Corporate Affairs (Corporate Strategy, Auditing, Information and Process Organization, Legal Affairs, and Shareholdings, Partnerships).

Dr. Max Hirschberger. Born in 1957. After studying law in Regensburg and Lausanne and obtaining a Master's Degree at the University of Michigan, Dr. Hirschberger joined the Legal Affairs department at BMW AG, Munich in 1987. In 1994, he became head of the department for Corporate and International Law, which involved a number of international and business development activities. In 1997 he became head of the new Group Office of the Chairman of Deutsche Telekom. Dr. Hirschberger has been a member of the Board of Management since May 1, 2001.

Member of the Board of Management responsible for Human Resources.

Dr. Heinz Klinkhammer. Born in 1946. He received a doctorate in law and began his career at the Institute for German and European Labor, Social and Business Law before becoming a Labor Court judge. From 1979 to 1990, he worked at the Ministry of Labor, Health and Social Affairs of the regional state of North-Rhine/West-



Kai-Uwe Ricke
T-Mobile and
T-Online

Dr. Max Hirschberger
Corporate Affairs

Dr. Karl-Gerhard Eick
Finance and Controlling

Dr. Ron Sommer
Chairman,
Group Communications,
Gov. Relations, Competition
Policy, Regulatory Affairs

Jeffrey A. Hedberg
International

Josef Brauner
T-Com and
T-Systems

Dr. Heinz Klinkhammer
Human Resources

Dipl.-Ing. Gerd Tenzer
Production and
Technology

phalia. In 1991, Dr. Klinkhammer was appointed Labor Director at Hüttenwerke Krupp Mannesmann GmbH; in 1992 he joined the board of Mannesmannröhren-Werke AG. Dr. Klinkhammer was appointed to Deutsche Telekom's Board of Management in April 1996. He has been responsible for Deutsche Telekom's Human Resources plus the new department for Top Management Staff since May 1, 2001.

Kai-Uwe Ricke. Born in 1961. Following bank training and studies at the European Business School, Reichartshausen, Mr. Ricke joined the Bertelsmann subsidiary Scandinavian Music Club AG in Malmö as Head of Sales and Marketing. Between 1990 and 1995 he was Managing Director of Talkline Verwaltungsgesellschaft mbH and Talkline PS Phone Service GmbH in Elmshorn. From July 1995 to December 1997 he was Chairman and Managing Director of Talkline GmbH. In January 1998, Kai-Uwe Ricke took over as Chairman of the Managing Board of T-Mobil (Deutsche Telekom MobilNet GmbH) and in February 2000 he was appointed Chairman of T-Mobile International AG (TMO). Since May 1, 2001, Mr. Ricke has been responsible for the mobile communications and consumer Internet activities of Deutsche Telekom AG. He is head of Deutsche Telekom's strategic divisions T-Mobile and T-Online.

Member of the Board of Management
responsible for T-Mobile and T-Online.

Gerd Tenzer. Born in 1943. As a communications engineer, Mr. Tenzer worked in the telecommunications research department of AEG-Telefunken from 1968 to 1970. In 1970, he joined what was then the Deutsche Bundespost. In 1975, Gerd Tenzer moved to the Federal Ministry of Posts and Telecommunications where he became head of the Telecommunications Policy section in 1980. From 1990 to 1994, he was Member of the Board of Management of Deutsche Bundespost Telekom, and since January 1995 of Deutsche Telekom's Board of Management. Since May 1, 2001, Mr. Tenzer has been responsible for Deutsche Telekom's Production and Technology board department that also includes Group-wide and inter-pillar coordination of the network infrastructure and the strategic planning and further development of networks.

Member of the Board of Management
responsible for Production and Technology
(Networks, IT, Innovation, Purchasing, and
Environmental Protection).

Supervisory Board's report to the shareholders' meeting.

The 2001 financial year was marked by continued global expansion and the consistent refocusing and consolidation of the Deutsche Telekom Group on the basis of its four strategic pillars - mobile communications (T-Mobile International AG), Internet activities (T-Online International AG), systems solutions (T-Systems International GmbH) and fixed-network activities (T-Com) – in a difficult competitive and regulatory environment on the German market.

The Supervisory Board advised and supported the Board of Management on all major decisions. The issues jointly discussed between the two boards during six regular and two extraordinary Supervisory Board meetings included in particular:

- Development of the Group's business
- Improvement of its competitiveness despite the continued existence of asymmetrical regulation in Germany
- Conclusion of the VoiceStream and Powertel acquisitions and integration of both companies into the Deutsche Telekom Group
- Restructuring and consolidation of the Deutsche Telekom Group in its four growth divisions
- The related restructuring of the Group's Board of Management
- Expansion of shareholdings in affiliated companies in Eastern Europe
- The development of the T-Share price
- The key elements of our human resources policy and the impact that developments in our society have on our employees.

The Supervisory Board's activities were supported by the General Committee (seven meetings), the Staff Committee (one meeting) and the Special Matters Committee (four meetings). The Mediation Committee did not meet during the 2001 financial year.

The following changes occurred in the composition of the Board of Management during the 2001 financial year:

Detlev Buchal and Dr. Hagen Hultzsich stepped down from the Board of Management on April 30, 2001. The Supervisory Board would like to thank Mr. Buchal and Dr. Hultzsich for their commitment. Dr. Max Hirschberger and Kai-Uwe Ricke were newly appointed to the Board of Management with effect from May 1, 2001.

There have been no changes on the Supervisory Board since 2000. All shareholders' representatives were reelected at the 2001 shareholders' meeting.

In the financial year under review, the Supervisory Board determined to its satisfaction that the Board of Management had allowed the Federal Audit Office to inspect the Company's operations, books and documents in accordance with the provisions of the Federal Budget Law.

The annual financial statements, the consolidated financial statements, the Group's management report and the Board of Management's proposal for appropriation of net income, which were prepared and duly submitted by the Board of Management, and the related auditors' reports were presented to all members of the Supervisory Board.

The audit firms, PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (Frankfurt/Main) and Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft (Stuttgart), audited the annual financial statements of Deutsche Telekom AG, the consolidated financial statements and the



combined management report of the parent company and the Group as of December 31, 2001, including the accounting reports, in accordance with statutory provisions, and issued unrestricted audit certificates. The auditors reported on this personally at the Supervisory Board meeting held on April 11, 2002, and at the preparatory meeting of the relevant committee.

At the same meeting, the Supervisory Board was informed about the results of the audit and raised no objections. In compliance with § 171 of the German Stock Corporation Act, the Supervisory Board examined the annual financial statements of the parent company and of the Group, the management report of Deutsche Telekom, and the risk report, and approved the annual financial statements of the parent company. The annual financial statements are thereby approved. The Supervisory Board has examined and agrees to the Board of Management's proposal on the appropriation of net income.

PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft also audited the report disclosing relations with affiliated companies ("Dependent Company Report") that was prepared by the Board of Management in compliance with § 312 of the German Stock Corporation Act. The auditors reported on the results of their audit and issued the following audit certificate:

"Based on the results of our statutory audit and our judgement we confirm that:

1. the actual information included in the report is correct;
2. the Company's compensation with respect to the transactions listed in the report was not inappropriately high."

The Supervisory Board examined the Board of Management's report disclosing relations with affiliated companies. It did not raise any objections to the Board of Management's final statement contained in the report or to the results of the audits conducted by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft.

The Supervisory Board would like to thank the members of the Board of Management and all the men and women who work for Deutsche Telekom for their successful commitment to the good of the Company, its customers and its shareholders.

Bonn, April 11, 2002
The Supervisory Board

A handwritten signature in blue ink, appearing to read "H.-D. Winkhaus". The signature is fluid and cursive.

Dr. Hans-Dietrich Winkhaus
Chairman

Members of the Supervisory Board of Deutsche Telekom AG in 2001.

Dr. Hans-Dietrich Winkhaus

Member of the Supervisory Board since May 27, 1999
Chairman of the of Supervisory Board of Deutsche Telekom AG since May 25, 2000
Member of the Shareholders' Committee of Henkel KgaA, Düsseldorf

Rüdiger Schulze

Member of the Supervisory Board since March 29, 1999
Vice Chairman of the Supervisory Board of Deutsche Telekom AG ver.di trade union, Head of Federal Department 9, Berlin

Gert Becker

Member of the Supervisory Board since January 1, 1995
Former Chairman of the Board of Management of Degussa AG

Josef Falbisoner

Member of the Supervisory Board since October 2, 1997
ver.di trade union, Head of ver.di District of Bavaria

Dr. Hubertus von Grünberg

Member of the Supervisory Board since May 25, 2000
Member of the Supervisory Board at Continental Aktiengesellschaft, Hannover, et al.

Dr. sc. techn. Dieter Hundt

Member of the Supervisory Board since January 1, 1995
Managing Shareholder of Allgaier Werke GmbH
President of the National Union of German Employer Associations

Rainer Koch

Member of the Supervisory Board since April 12, 2000
Chairman of the Central Works Council at DeTe Immobilien, Deutsche Telekom Immobilien und Service GmbH, Münster

Dr. h.c. André Leysen

Member of the Supervisory Board since January 1, 1995
Chairman of the Board of Directors of Gevaert N.V., Mortsel/Antwerp

Waltraud Litzenberger

Member of the Supervisory Board since June 1, 1999
Member of the Works Council at Deutsche Telekom AG's Eschborn Networks Branch Office

Michael Löffler

Member of the Supervisory Board since January 1, 1995
Member of the Works Council at Deutsche Telekom AG's Dresden Networks Branch Office

Hans-W. Reich

Member of the Supervisory Board since May 27, 1999
Chairman of the Board of Managing Directors, Kreditanstalt für Wiederaufbau (KfW), Frankfurt am Main

Rainer Röll

Member of the Supervisory Board since November 6, 1998
Vice Chairman of the Central Works Council at Deutsche Telekom AG, Bonn

Wolfgang Schmitt

Member of the Supervisory Board since October 2, 1997
Head of Deutsche Telekom AG's Regional Directorate, South-Western District, Freiburg/Breisgau

Prof. Dr. Helmut Sihler

Member of the Supervisory Board since July 1, 1996
Chairman of the Supervisory Board of Deutsche Telekom AG until May 25, 2000
Vice Chairman of the Board of Directors of Novartis AG, Basle

Michael Sommer

Member of the Supervisory Board since April 15, 2000
Vice Chairman of ver.di trade union, Berlin

Ursula Steinke

Member of the Supervisory Board since January 1, 1995
Chairwoman of the Works Council at DeTeCSM's Northern District Service and Computer Center in Kiel

Prof. Dr. h.c. Dieter Stolte

Member of the Supervisory Board since January 1, 1995
Director General of ZDF (Zweites Deutsches Fernsehen) TV broadcasting organization, Mainz (until March 15, 2002), Editor of the Welt and Berliner Morgenpost daily newspapers (since April 1, 2002)

Bernhard Walter

Member of the Supervisory Board since May 27, 1999
Former Chairman of the Board of Managing Directors of Dresdner Bank AG, Frankfurt

Wilhelm Wegner

Member of the Supervisory Board since July 1, 1996
Chairman of the Central Works Council at Deutsche Telekom AG

Prof. Dr. Heribert Zitzelsberger

Member of the Supervisory Board since May 27, 1999
State Secretary, Federal Ministry of Finance, Berlin