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Ambition.

Our calculations are precise.



Consolidated statement of income.

	Notes	2001 millions of €	2000 millions of €	1999 millions of €
Net revenue	1	48,309	40,939	35,470
Change in inventories and other own capitalized costs	2	879	864	947
Total operating performance		49,188	41,803	36,417
Other operating income	3	6,619	11,002	1,871
Goods and services purchased	4	(13,477)	(11,950)	(7,667)
Personnel costs	5	(12,114)	(9,718)	(9,210)
Depreciation and amortization	6	(15,221)	(12,991)	(8,466)
Other operating expenses	7	(12,151)	(10,424)	(6,872)
Financial income (expense), net	8	(5,348)	(1,230)	(2,889)
Results from ordinary business activities		(2,504)	6,492	3,184
Extraordinary income/(losses)	9	-	(159)	(240)
Taxes	10	(808)	(318)	(1,420)
Income/(loss) after taxes		(3,312)	6,015	1,524
Income/(losses) applicable to minority shareholders	11	(142)	(89)	(271)
Net income/(loss)		(3,454)	5,926	1,253
Earnings per share in €		(0.93)	1.96	0.43

Consolidated balance sheet.

Assets	Notes	Dec. 31, 2001 millions of €	Dec. 31, 2000 millions of €
Noncurrent assets			
Intangible assets	12	80,051	35,754
Property, plant and equipment	13	58,708	54,137
Financial assets	14	7,957	16,715
		146,716	106,606
Current assets			
Inventories, materials and supplies	15	1,671	1,587
Receivables	16	6,826	7,159
Other assets	17	4,966	3,671
Marketable securities	18	702	2,370
Liquid assets	19	2,868	1,893
		17,033	16,680
Prepaid expenses, deferred charges and deferred taxation			
	20	813	956
		164,562	124,242
Shareholders' equity and liabilities			
Shareholders' equity			
Capital stock	21	10,746	7,756
Additional paid-in capital	22	49,994	24,290
Retained earnings	23	3,607	398
Unappropriated net income carried forward from previous year	24	101	44
Net income/(loss)		(3,454)	5,926
Minority interest	25	5,307	4,302
		66,301	42,716
Accruals			
Pensions and similar obligations	26	3,661	3,330
Other accruals	27	14,766	8,055
		18,427	11,385
Liabilities			
Debt	28	67,031	60,357
Other	29	12,020	9,130
		79,051	69,487
Deferred income			
		783	654
		164,562	124,242

Consolidated noncurrent assets.

millions of €	Acquisition or production cost						
	Jan. 1, 2001	Translation adjustment	Changes in the composition of the Deutsche Telekom Group	Additions	Disposals	Reclassi- fications	Dec. 31, 2001
Intangible assets							
Concessions, industrial and similar rights and assets, and licences in such rights and assets							
	18,791	314	23,554	1,178	814	145	43,168
Goodwill statements	20,957	485	(21)	24,683	399	370	46,075
Advance payments	85	1	8	198	3	(89)	200
	39,833	800	23,541	26,059	1,216	426	89,443
Property, plant and equipment							
Land and equivalent rights, and buildings including buildings on land owned by third parties							
	19,910	40	439	159	948	301	19,901
Technical equipment and machinery	73,313	397	4,588	5,523	3,854	1,938	81,905
Other equipment, plant and office equipment							
	5,534	69	392	1,221	529	268	6,955
Advance payments and construction in progress							
	2,073	29	1,096	2,950	105	(3,088)	2,955
	100,830	535	6,515	9,853	5,436	(581)	111,716
Financial assets							
Investments in unconsolidated subsidiaries	171	0	(6)	124	8	16	297
Loans to unconsolidated subsidiaries	57	0	0	130	105	0	82
Investments in associated companies	7,341	171	(384)	520	3,524	652	4,776
Other investments in related companies	7,540	0	(5,605)	457	73	(16)	2,303
Long-term loans to associated and related companies							
	803	1	213	398	1	(544)	870
Other investments in noncurrent securities	1,130	1	20	81	329	0	903
Other long-term loans	563	1	14	76	166	47	535
	17,605	174	(5,748)	1,786	4,206	155	9,766
	158,268	1,509	24,308	37,698	10,858	0	210,925

Depreciation, amortization and write-downs								Net carrying amount	
Jan. 1, 2001	Translation- adjustment	Changes in the composition of the Deutsche Telekom Group	Additions	Disposals	Reclassi- fications	Reinstated depreciation	Dec. 31, 2001	Dec. 31, 2001	Dec. 31, 2000
2,385	22	51	2,080	622	(2)	0	3,914	39,254	16,406
1,694	80	(20)	3,663	68	129	0	5,478	40,597	19,263
0	0	0	0	0	0	0	0	200	85
4,079	102	31	5,743	690	127	0	9,392	80,051	35,754
5,494	4	28	1,473	165	4	0	6,838	13,063	14,416
37,792	105	296	6,805	3,042	2	0	41,958	39,947	35,521
3,402	33	40	1,199	458	(4)	0	4,212	2,743	2,132
5	0	0	1	6	0	0	0	2,955	2,068
46,693	142	364	9,478	3,671	2	0	53,008	58,708	54,137
18	0	0	51	0	0	0	69	228	153
0	0	0	0	0	0	0	0	82	57
678	11	0	303	31	(129)	0	832	3,944	6,663
84	0	0	332	8	0	0	408	1,895	7,456
85	0	0	390	0	0	0	475	395	718
24	0	0	0	0	0	0	24	879	1,106
1	0	0	0	0	0	0	1	534	562
890	11	0	1,076	39	(129)	0	1,809	7,957	16,715
51,662	255	395	16,297	4,400	0	0	64,209	146,716	106,606

Consolidated statement of cash flows.

Notes	2001 millions of €	2000 millions of €	1999 millions of €
Net income (loss)	(3,454)	5,926	1,253
Income applicable to minority shareholders	142	89	271
Income (loss) after taxes	(3,312)	6,015	1,524
Depreciation and amortization	15,221	12,991	8,466
Income tax expense	751	194	1,380
Net interest expense	4,138	3,097	2,546
Net losses from the disposition of noncurrent assets	(1,106)	(4,796)	540
Results from associated companies	547	(1,890)	265
Other noncash transactions	(1,146)	(2,661)	28
(Increase)/decrease in capitalized working capital ¹	428	(1,791)	(1,399)
(Increase)/decrease in accruals	(136)	1,078	478
(Increase)/decrease in other working capital carried as liability ²	761	1,391	243
Income taxes (paid)/received	10	(871)	(2,040)
Dividends received	115	189	172
Cash generated from operations	16,271	12,946	12,203
Interest paid	(4,779)	(3,873)	(3,100)
Interest received	442	927	485
Net cash provided by operating activities	11,934	10,000	9,588
Cash outflows from investments in			
- intangible assets	(1,021)	(15,980)	(881)
- property, plant and equipment	(9,847)	(7,556)	(5,093)
- financial assets	(498)	(8,487)	(3,480)
- consolidated companies	(5,695)	(4,343)	(12,633)
Cash inflows from disposition of			
- intangible assets	208	10	14
- property, plant and equipment	1,146	655	171
- financial assets	3,514	4,474	888
- shareholdings in consolidated companies and business units	1,004	3,114	2
Net change in short-term investments and marketable securities	4,440	401	2,328
Other ³	1,384	6	-
Net cash used for investing activities	(5,365)	(27,706)	(18,684)
Issuance of short-term debt	(10,266)	(780)	(1,077)
Issuance of medium and long-term debt	13,949	19,708	1,833
Repayments of medium and long-term debt	(6,589)	(2,408)	(1,687)
Dividends	(1,905)	(1,914)	(1,718)
Proceeds from share offering	0	3,255	10,613
Change in minority interests	0	2	1
Net cash provided by (used for) financing activities	(4,811)	17,863	7,965
Effect of foreign exchange rate changes on cash and cash equivalents	(26)	(29)	(55)
Net increase/(decrease) in cash and cash equivalents	1,732	128	(1,186)
Cash and cash equivalents, at beginning of year	1,006	878	2,064
Cash and cash equivalents, at end of year	2,738	1,006	878

¹ Change in liabilities, other assets, inventories, materials and supplies and prepaid expenses and deferred charges.

² Change in other liabilities (which do not relate to financing activities) and deferred income.

³ Sale of receivables in 2001 (asset-backed securities transaction)

Statement of shareholders' equity.

	Capital stock nominal value Shares issued and outstanding millions of € (in thousands)	Ad- ditional paid-in capital	Difference from currency translation	Retained earnings		Unappro- priated net income/ (loss) carried forward from pre- vious year	Net income/ (loss)	Minority interest	Total		
				Treasury stock	Other retained earnings/ (deficit)						
Balance at Jan. 1, 1999	2,743,700	7,014	14,250	(503)	1	1,288	786	6	2,243	765	25,064
Changes in the composition of the Deutsche Telekom Group										(1)	(1)
Dividends for 1998									(1,683)	(41)	(1,724)
Unappropriated net income carried forward from previous year								7	(7)		-
Transfer to retained earnings						553	553		(553)		-
Increase in nominal value of capital stock		10	(10)								
Proceeds from share offerings	285,904	732	9,881								10,613
Transfer to reserve for treasury stock					13	(13)	-				-
Net income									1,253	271	1,524
Difference from currency translation				219			219			(6)	213
Balance at Dec. 31, 1999	3,029,604	7,756	24,121	(284)	14	1,828	1,558	13	1,253	988	35,689
Changes in the composition of the Deutsche Telekom Group						(31)	(31)			3,259	3,228
Dividends for 1999						(621)	(621)		(1,253)	(25)	(1,899)
Unappropriated net income carried forward from previous year						(31)	(31)	31			-
Increase in nominal value of capital stock			169								169
Transfer from reserve for treasury stock					(7)	7					-
Net income									5,926	89	6,015
Difference from currency translation				(477)			(477)			(9)	(486)
Balance at Dec. 31, 2000	3,029,604	7,756	24,290	(761)	7	1,152	398	44	5,926	4,302	42,716
Changes in the composition of the Deutsche Telekom Group										808	808
Dividends for 2000								(1,877)		(33)	(1,910)
Unappropriated net income carried forward from previous year						3,992	3,992	1,934	5,926		-
Proceeds from VoiceStream/ Powertel stock swap	1,168,148	2,990	25,704								28,694
Net loss after taxes									(3,454)	142	(3,312)
Difference from currency translation				(811)		28	(783)			88	(695)
Balance at Dec. 31, 2001	4,197,752	10,746	49,994	(1,572)	7	5,172	3,607	101	(3,454)	5,307	66,301

Notes to the consolidated financial statements.

Summary of accounting policies.

Description of business and relationship with the Federal Republic of Germany.

Since January 1, 2001 the Deutsche Telekom Group's (referred to as Deutsche Telekom below) business has been structured in four divisions: T-Com, T-Systems, T-Mobile and T-Online. "Other" contains not only Group headquarters and central service areas, but also certain foreign subsidiaries.

T-Com is responsible for serving the 41 million residential customers and approximately 420,000 small and medium-sized business customers in Germany. Furthermore, the entire international interconnection business, the remaining broadband cable business, a major portion of the value-added services and the entire terminal equipment business are assigned to T-Com.

T-Systems is responsible for serving domestic and international named accounts. T-Systems offers comprehensive services in the convergence field of information technology (IT) and telecommunications (TC). The acquisition of T-Systems ITS GmbH, Leinfelden-Echterdingen (formerly debis Systemhaus GmbH, Leinfelden-Echterdingen, referred to as T-Systems ITS below) made Deutsche Telekom the second largest systems house in Europe, in a position to provide its customers with IT/TC packages and e-business systems solutions all from under one roof.

T-Mobile is Deutsche Telekom's mobile communications division. It combines the Group's main mobile communications activities. T-Mobile currently offers mobile communications services via subsidiaries in Germany, the United Kingdom, the USA, Austria and the Czech Republic and has holdings in mobile communications companies in Poland, the Netherlands and Russia. T-Mobile will be able to offer the new mobile communications standard UMTS in many countries via its subsidiaries.

T-Online is the business segment for the Internet mass market. Measured by subscriber numbers and revenue, T-Online is one of the largest Internet service providers with offers in Germany, France, Spain, Portugal and Austria. T-Online concentrates on the growth areas of access and portals (advertising/e-commerce). For this reason, Deutsche Telekom includes in the T-Online division not only the business of T-Online International AG, but also the business of DeTeMedien.

"**Other**" combines a variety of Group units whose activities cannot be allocated to an individual division. These include Deutsche Telekom Group headquarters, competence centers, such as customer billing, and real estate. This segment also includes those foreign subsidiaries and shareholdings which cannot be clearly assigned to another segment as a result of their activities or customer structure. The most significant of these are the foreign companies MATÁV, Slovenské Telekomu-

nikácie (referred to as Slovenské below) and HT-Hrvatske telekomunikacije d.d. (referred to as Croatian Telecom below).

The Company, Deutsche Telekom AG, was registered with the Commercial Registry of the Bonn District Court (Amtsgericht – HRB 6794) on January 2, 1995.

The capital stock was increased on May 31, 2001 as a result of the acquisition of VoiceStream and Powertel in the form of a share swap and a cash payment. The number of Deutsche Telekom shares increased consequently to 4.2 billion. The Federal Republic's direct and indirect shareholding in Deutsche Telekom as of December 31, 2001 amounts to 43.05%. The direct shareholding amounts to 30.92%; a further 12.13% of the shares are held by a federal corporation, the Kreditanstalt für Wiederaufbau (KfW). The Federal Republic administers its shareholding and exercises its rights as a shareholder through a public law entity, the Bundesanstalt für Post und Telekommunikation Deutsche Bundespost (the Federal Agency), which, following the dissolution of the Federal Ministry of Posts and Telecommunications (BMPT) on December 31, 1997, is subject to supervision by the Federal Ministry of Finance (BMF).

In accordance with § 21 paragraph 1 of the Security Trading Act (WpHG), the Federal Agency informed Deutsche Telekom in its letter of June 5, 2001 that its share of the voting rights in Deutsche Telekom had fallen below the 50% threshold on May 31, 2001 to 43.05%. According to a letter of February 13, 2002, the Federal Agency held 1,297,896,644 shares in Deutsche Telekom as at December 31, 2001, a shareholding of 30.92%. In accordance with § 21 paragraph 1 of the WpHG, the KfW informed Deutsche Telekom in its letter of December 22, 1997 that its share of the voting rights in Deutsche Telekom had exceeded the 10% threshold to 13.47%. As reported in a letter of January 22, 2002, the KfW held 509,164,599 shares in Deutsche Telekom as at December 31, 2001, a shareholding of 12.13%.

The Regulatory Authority for Telecommunications and Posts (the Regulatory Authority) commenced its activities on January 1, 1998. The Regulatory Authority, which is under the authority of the Federal Ministry of Economics, has thus taken the place of the dissolved Federal Ministry of Posts and Telecommunications in supervising the telecommunications sector in Germany, and in this capacity regulates the business activities of Deutsche Telekom.

The Federal Republic and various government departments and agencies are collectively Deutsche Telekom's largest customer. Charges for services provided to the Federal Republic and such departments and agencies are based on Deutsche Telekom's commercial pricing policies. Services provided to any one department or agency do not represent a significant component of Deutsche Telekom's net revenues.

Summary of significant accounting principles.

The annual financial statements and the management report of Deutsche Telekom have been prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB) and German Stock Corporation Law (Aktiengesetz – AktG).

In addition to Frankfurt and other German stock exchanges, Deutsche Telekom shares are also traded in the form of American Depositary Shares (ADS) on the New York Stock Exchange (NYSE). As a result of special reporting requirements, in particular to the U.S. Securities and Exchange Commission (SEC), the Company uses, to a considerable extent, accounting and valuation principles in line with those of U.S. GAAP (generally accepted accounting principles – GAAP) applicable at the balance sheet date. Deviations between the accounting principles in Deutsche Telekom's consolidated financial statements and those of U.S. GAAP are, in most cases, the result of binding rules of German GAAP which contradict those of U.S. GAAP. As far as possible, Deutsche Telekom's aim is to publish its financial statements in accordance with the principles of both German and U.S. GAAP so that the reconciliation positions shown in addition to the notes to the financial statements are kept to a minimum.

These consolidated financial statements differ from financial statements prepared in accordance with U.S. GAAP only in those instances where the disclosure and classification requirements of the HGB cannot be conformed to U.S. GAAP. Differences in accounting and valuation principles applied in Deutsche Telekom's financial statements and those of U.S. GAAP are shown in a separate reconciliation in addition to the consolidated financial statements and explained in detail in the "Annual Report on Form 20-F".

Whereas the HGB requires only one year of comparative figures for the statement of income, the SEC requires the two previous years. The SEC also requires three years of cash flow statements and statements of shareholders' equity.

The consolidated balance sheet and the consolidated statement of income are prepared in accordance with the classification requirements of § 298 HGB, in combination with § 266 and § 275 HGB. The income statement is prepared using the total cost method. All amounts shown are in millions of euros (€/EUR). Certain items have been combined in order to enhance the informative value and understanding of the financial statements. These items are shown separately in the notes. In case of changes in presentation, prior-year amounts are reclassified to conform with the current-year presentation. In accordance with § 297 paragraph 1 sentence 2 HGB, the consolidated accounts also include a consolidated statement of cash flows and a segment report; in addition, the consolidated accounts also include a consolidated statement of shareholders' equity. In conformity with inter-

national practice, reporting begins with the income statement, and the statement of cash flows and the statement of shareholders' equity precede the notes to the consolidated financial statements.

The consolidated financial statements are prepared in accordance with uniform accounting and valuation principles. The accounting policies used in the consolidated financial statements differ from those used in the unconsolidated financial statements of the parent company. Such differences, mostly applied to conform with U.S. GAAP, include the following:

- Property, plant and equipment leased under contracts for which the risks and rewards of ownership have been assumed are capitalized. Scheduled depreciation is recorded over the useful economic life of the asset or over the term of the lease. The present value of payment obligations resulting from future lease payments is included as liabilities.
- Interest incurred while items included in property, plant and equipment were under construction has been added to construction costs.
- Direct pension obligations are measured in accordance with Statement of Financial Accounting Standards (SFAS) No. 87, using valuation methods consistent with those used for indirect pension obligations in the unconsolidated financial statements of Deutsche Telekom AG. The increase in the average life expectancy is taken into account in the measurement of all pension obligations in the consolidated financial statements.
- In the measurement of the compensation obligations to the Civil Service Health Insurance Fund (Postbeamtenkrankenkasse), the additional accruals required according to the new 1998 life expectancy tables by Prof. Dr. Klaus Heubeck ("Richttafeln 1998") were fully recognized as income in the 1998 financial year. In contrast to the unconsolidated financial statements of Deutsche Telekom AG, where the accruals are spread over four financial years, this accrual was made in full in the consolidated financial statements.
- Accruals for the internal costs of preparing the annual financial statements are not recorded.
- Investment grants received are recorded as reductions of the acquisition costs of assets.

The financial statements of Deutsche Telekom AG as well as the financial statements of the Deutsche Telekom Group, which have an unqualified audit opinion from Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Stuttgart, and PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, are published in the Federal Gazette (Bundesanzeiger) and filed under HRB 6794 with the Commercial Registry of the Bonn District Court. This annual report and the Annual Report on Form 20-F, filed with the SEC due to Deutsche Telekom's listing on the NYSE, are available upon request from Deutsche Telekom AG, Bonn, Investor Relations.

Consolidated group.

The consolidated financial statements are comprised of the accounts of Deutsche Telekom AG and its subsidiaries.

The subsidiaries, associated companies and other related companies have been included in the consolidated financial statements in accordance with the following criteria:

- Subsidiaries are companies in which Deutsche Telekom directly or indirectly has majority voting rights or management control.
- Associated companies are companies in which Deutsche Telekom directly or indirectly holds between 20% and 50% of the voting rights and exercises a significant influence. Such companies are generally included in the consolidated financial statements using the equity method.
- Companies in which Deutsche Telekom holds less than 20% of the voting rights are carried in the consolidated financial statements at the lower of acquisition cost or market value and classified as other investments in related companies.

The changes in the composition of the Deutsche Telekom Group in 2001 are presented in the following table:

	Domestic	International	Total
Consolidated subsidiaries			
Jan. 1, 2001	80	129	209
Additions	16	129	145
Disposals	(10)	(12)	(22)
Reclassifications	18	7	25
Dec. 31, 2001	104	253	357
Associated companies included at equity			
Jan. 1, 2001	24	28	52
Additions	2	10	12
Disposals	(1)	(4)	(5)
Reclassifications	(4)	(5)	(9)
Dec. 31, 2001	21	29	50
Other unconsolidated subsidiaries and other investments in related companies (greater than 5%)			
Jan. 1, 2001	90	54	144
Additions	27	13	40
Disposals	(12)	(17)	(29)
Reclassifications	(14)	(2)	(16)
Dec. 31, 2001	91	48	139
Total			
Jan. 1, 2001	194	211	405
Additions	45	152	197
Disposals	(23)	(33)	(56)
Reclassifications	0	0	0
Dec. 31, 2001	216	330	546

The consolidated financial statements include the individual company financial statements of the parent company, Deutsche Telekom AG, as well as 104 (Dec. 31, 2000: 80) domestic and 253 (Dec. 31, 2000: 129) foreign subsidiaries in which Deutsche Telekom AG has a direct or indirect controlling interest.

The most significant subsidiaries consolidated for the first time in 2001 are VoiceStream/Powertel including their subgroup financial statements. The changes in the composition of the Deutsche Telekom Group had the following effects on the consolidated financial statements:

Effects on the consolidated statement of income (millions of €):	
Revenue	6,248
Goods and services purchased	(2,156)
Personnel costs	(1,782)
Depreciation and amortization	(3,056)
Other income/(expenses)	(2,395)
Net loss	(3,141)
Effects on the consolidated balance sheet (millions of €)	
Assets	
Noncurrent assets	54,621
Current assets, prepaid expenses, deferred charges and deferred taxation	2,461
	57,082
Shareholders' equity and liabilities	
Shareholders' equity	26,032
Accruals	7,019
Liabilities and deferred income	24,031
	57,082

On January 15, 2001 Deutsche Telekom acquired 51 % of the shares in the Macedonian telecommunications company Makedonski Telekomunikacii A.D., Skopje (referred to as Maktel below) via a subsidiary of MATÁV. The acquisition costs amounted to EUR 301.5 million. Maktel was included in the subgroup financial statements of MATÁV for the first time in the first quarter of 2001. The goodwill generated, EUR 180.3 million, will be amortized over a period of 20 years.

In April 2001 Deutsche Telekom acquired a further shareholding in the Czech mobile communications company RadioMobil a.s., Prague (referred to as RadioMobil below) via Cmobil B.V., Amsterdam, a subsidiary of T-Mobile International AG, Bonn (referred to as T-Mobile International below). The acquisition costs for this additional 11.77 % stake amounted to EUR 598 million.

This increased CMobil's stake to 60.77 %. The additional goodwill generated, EUR 444 million, will be amortized over a period of 12 years. RadioMobil was consolidated in full for the first time on April 1, 2001.

On May 31, 2001 Deutsche Telekom acquired 100% of the shares in VoiceStream Wireless Corporation, Bellevue and Powertel Inc., Bellevue for a total purchase price of EUR 39.4 billion including a cash component of EUR 4.9 billion and the initial investment in VoiceStream preferred stock amounting to EUR 5.6 billion, which Deutsche Telekom had made in September 2000. VoiceStream Wireless Corporation provides communications services for private households in urban areas of the United States on the basis of GSM (Global System for Mobile Communications) technology. Powertel Inc. provides communications services for private households, mainly in urban areas in the South-East of the United States on the basis of GSM technology. VoiceStream shareholders received for each share of VoiceStream common stock either 3.6693 Deutsche Telekom shares and US\$ 15.7262 in cash, 3.6683 Deutsche Telekom shares and US\$ 15.9062 in cash or 3.7647 Deutsche Telekom shares. Each Powertel shareholder received 2.6353 Deutsche Telekom shares for each Powertel share. The consolidation of VoiceStream and Powertel generated goodwill totaling EUR 23.6 billion. This will be amortized over a period of up to 20 years. VoiceStream and Powertel were consolidated in full for the first time on May 31, 2001. In conjunction with the acquisition of VoiceStream and Powertel as described above, Deutsche Telekom granted rights for the acquisition of a total of 43,619,261 individual no par value Deutsche Telekom shares for options and bonds relating to the shares of these two companies (exchange rights of Cook Inlet and Eliska Wireless) on the basis of existing agreements concerning the exchange of warrants.

Deutsche Telekom AG acquired an additional 16 % stake in the capital of the Croatian telecommunications company HT-Hrvatske telekomunikacije d.d., Zagreb, on October 25, 2001 for a purchase price of EUR 507 million. Deutsche Telekom AG is therefore now the majority shareholder with a stake of 51 % and includes the company in full in its consolidated financial statements from November 1, 2001. The goodwill generated, a total of EUR 240 million, will be amortized over a period of up to 20 years.

In the first quarter of 2000, as a result of the acquisition of the Netherlands-based Mediaone holding company increases in shareholdings consisted of 49 % of the shares in the Hungarian mobile communications company Westel 900 and a further 22.5 % of the shares in the Polish mobile communications company Polska Telefonia Cyfrowa (PTC) for a total purchase price of EUR 2.1 billion. The resulting goodwill amounts to EUR 0.9 billion for Westel 900 and EUR 1.1 billion for PTC, which will be amortized over a period of 15

years. At the same time, MATÁV was granted an option to acquire the remaining 49 % in Westel 900.

In April 2000, the subsidiary T-Online International AG acquired as part of a capital increase against noncash contributions 99.9 % of the shares in the French Internet service provider Grolier Interactive Europe Online Groupe S.A. (renamed T-Online France SAS) from the Lagadère group. This resulted in goodwill in Deutsche Telekom's consolidated financial statements of EUR 0.5 billion, which will be amortized over a period of 7 years. T-Online France was consolidated for the first time in the second quarter of 2000.

Ameritech exercised its right effective June 30, 2000 to offer and transfer its 50 % stake in MagyarCom to Deutsche Telekom. Consequently, Deutsche Telekom is now the sole shareholder in the holding company. The purchase price was EUR 2.3 billion; this resulted in further goodwill of EUR 1.9 billion, which will be amortized over a period of 15 years. MagyarCom only holds shares (59.52 %) in the publicly traded company MATÁV.

In October 2000, Deutsche Telekom acquired a shareholding through T-Systems GmbH of 50.1 % in debis Systemhaus GmbH (now T-Systems ITS GmbH), including its subsidiaries, for a cash contribution of EUR 4.6 billion. The group operates in the field of information technology. The consolidation of debis Systemhaus in the fourth quarter of 2000 generated goodwill of EUR 2.6 billion, for scheduled amortization over a period of between 3 and 12 years. Deutsche Telekom AG has granted DaimlerChrysler Services AG, Berlin, an option valid until January 1, 2005, under which DaimlerChrysler Services AG has the right to sell its shares in debis Systemhaus GmbH (49.9 %) to Deutsche Telekom AG. In addition, Deutsche Telekom AG has an option valid from January 1, 2002 to January 1, 2005 to acquire debis Systemhaus in full.

At the end of the third quarter 2000, Deutsche Telekom AG acquired a total of 51 % of the shares in the Slovakian telecommunications company Slovenské for EUR 1.0 billion through the purchase and take-over of the shares from the subsequent capital increase. The resulting goodwill of EUR 0.5 billion will be amortized over a period of 15 years. The company was consolidated for the first time on September 30, 2000.

The following pro forma information shows Deutsche Telekom's most important financial data, including the major subsidiaries acquired in 2000 and 2001, as if they had been consolidated at January 1, 2000.

Unaudited pro forma information	2001	2000
Net revenue (billions of €)		
Shown	48.3	40.9
Pro forma (in accordance with APB 16)	51.1	47.9
Net income/(loss)		
under German GAAP (billions of €)		
Shown	(3.5)	5.9
Pro forma (in accordance with APB 16)	(6.0)	(1.4)
Earnings/(loss)		
per share under German GAAP (€)		
Shown	(0.93)	1.96
Pro forma (in accordance with APB 16)	(1.61)	(0.47)

83 subsidiaries (Dec. 31, 2000: 84) were not included because they were not material to the net worth, financial position and results of the Deutsche Telekom Group. These subsidiaries accounted for less than 1 % of consolidated revenue, results and balance sheet total of the Deutsche Telekom Group.

In accordance with § 311 paragraph 1 HGB, 50 (Dec. 31, 2000: 52) companies over which Deutsche Telekom exercises significant influence have been classified as associated companies and are accounted for using the equity method. The remaining 56 (Dec, 31, 2000: 60) associated companies which have little or no effect on the net worth, financial position and results of the T-Mobile International Group were classified as other investments in related companies at acquisition cost less applicable write-downs.

The full list of investment holdings is filed with the Commercial Registry of the Bonn District Court (HRB 6794). It is available upon request from Deutsche Telekom AG, Bonn, Investor Relations. Furthermore, the list of investment holdings includes a full list of all subsidiaries which exercise the disclosure simplification option in accordance with § 264 paragraph 3 HGB.

Principal subsidiaries and associated companies.
The principal subsidiaries and associated companies whose revenues and results, together with Deutsche

Telekom AG, account for more than 90 % of the Group are shown in the table below:

Name and registered office	Deutsche Telekom share Dec. 31, 2001 %	Shareholders' equity Dec. 31, 2001 millions of €	Revenue 2001 millions of €	Income after taxes 2001 millions of €	Employees 2001 annual average
Subsidiaries					
DeTeMobil Deutsche Telekom					
MobilNet GmbH, Bonn ⁵	100.00	1,447	7,076	1,123	9,488
Deutsche Telekom Mobile Holdings Ltd.,					
London, United Kingdom ^{1,5}	100.00	13,989	3,279	(1,587)	6,784
max.mobil. Telekommunikation					
Service GmbH , Vienna, Austria ^{1,5}	100.00	367	1,052	1	2,858
VoiceStream Wireless Corporation, Bellevue, Washington, USA/					
Powertel Inc. , Bellevue, Washington, USA ^{1,2,5}	100.00	36,795	2,798	(2,795)	9,098
RadioMobil a.s., Prague, Czech Republic ^{2,7}	60.77	298	487	48	1,755
T-Online International AG , Darmstadt ¹	81.71	5,814	1,140	(804)	1,810
T-Systems ITS GmbH,					
Leinfelden-Echterdingen ^{1,6}	50.10	4,559	996	(147)	20,967
T-Systems CSM GmbH , Darmstadt ⁶	100.00	243	1,969	189	6,766
T-Systems Nova GmbH , Bonn ⁶	100.00	70	830	46	5,083
T-Systems SIRIS S.A.S. , Paris, France ⁶	100.00	82	241	(155)	594
GMG Generalmietgesellschaft mbH,					
Münster	100.00	153	3,764	(48)	7,828
T-Data, Gesellschaft					
für Datenkommunikation mbH, Bonn ¹	100.00	502	573	15	1,248
Kabel Deutschland GmbH , Bonn ¹	100.00	3,801	1,095	508	2,461
MATÁV Magyar , Távközlési Rt., Budapest, Hungary ^{1,4}	59.52	2,074	2,138	438	16,819
Slovenské Telekomunikácie,					
a.s., Bratislava, Slovakia	51.00	1,053	462	94	12,089
HT-Hrvatske telekomunikacije d.d.,					
Zagreb, Croatia ^{1,2}	51.00	1,546	154	5	1,871
Associated companies					
MTS, OJSC Mobile TeleSystems,					
Moscow, Russia ^{3,8}	36.20	661	604	191	2,340
Other companies					
France Télécom S.A. , Paris, France ^{1,3}	1.78	33,157	33,674	3,660	188,866

¹ Consolidated subgroup financial statements

² Revenue and net income since being included in the Deutsche Telekom Group

³ 2000 financial year

⁴ Held via MagyarCom Holding GmbH, Bonn (Deutsche Telekom AG share: 100%)

⁵ Indirect shareholding via T-Mobile International AG, Bonn (Deutsche Telekom share: 100%)

⁶ Indirect shareholding via T-Systems International GmbH, Bonn (Deutsche Telekom share: 100%)

⁷ Indirect shareholding via Cmobil B.V., Amsterdam (Deutsche Telekom indirect share: 92.14%)

⁸ Indirect shareholding via DeTeMobil Deutsche Telekom Mobil Net GmbH, Bonn, (Deutsche Telekom share: 100%)

Consolidation principles.

Capital consolidation is performed following the book value method under German GAAP. Under this method, the purchase consideration for an acquisition is allocated to the assets and liabilities acquired based on their fair values. Any resulting excess of the purchase consideration over the parent's interest in the fair value of net assets acquired is capitalized as goodwill and amortized over its useful life. Negative goodwill from capital consolidation is included under other accruals.

Profits or losses generated by subsidiaries during their period of affiliation with the Group are included in retained earnings (deficit); furthermore, they include the effects of consolidation and the net income (loss) of subsidiaries.

If, in the course of capital increases of subsidiaries and associated and related companies, shares are issued to third-party shareholders, without the involvement of Deutsche Telekom, the resulting added value for Deutsche Telekom is shown, in cases of cash capital increases, as income in the income statement; in cases of capital increases for noncash contributions, it is only shown as such if the added value exceeds a given level of goodwill acquired by the subsidiary or associated or related company in the course of the capital increase.

Revenue, income and expenses as well as receivables and liabilities between the consolidated companies are eliminated. **Intercompany profits and losses** and income effects from the **consolidation of intercompany debt** are eliminated in the consolidated financial statements.

The consolidated balance sheets include deferred taxes resulting from the effects of consolidation, provided the tax expense is expected to reverse in later years except where the effects of consolidation relate to the parent company during the periods prior to the end of 1995, when it was essentially exempt from taxation.

The investments in associated companies included **at equity** are accounted for using the book value method by applying Deutsche Telekom's uniform principles of valuation. This method is similar to the method described above for consolidated subsidiaries. The principles used for full consolidation are also applied in treating the differences resulting from the initial consolidation.

Joint ventures are included in the consolidated financial statements using the equity method.

Foreign currency translation.

In the individual company financial statements, foreign currency receivables, cash in banks and liabilities are translated at the exchange rate applicable on the transaction date. Unrealized foreign currency losses due to exchange rate fluctuations through the balance sheet date are recognized in the income statement while unrealized foreign currency gains are not recognized. Where foreign currency items have been hedged by forward exchange contracts, they are valued at the corresponding hedge rate.

Currency translation of foreign subsidiaries is made in accordance with the functional currency method. Thus, the functional currency is the currency in which the foreign subsidiary performs its principal operations. The activities and financial structure as reported in this currency should be reflected in the group accounts. Generally, the functional currency of dependent subsidiaries is identical with that of the parent company. Dependent subsidiaries are translated according to the temporal method. On the other hand, the functional currency of independent subsidiaries is the local currency. Currently all consolidated foreign subsidiaries of Deutsche Telekom conduct their operations independently of the parent company; the currencies are therefore translated according to the modified current rate method. Therefore, in the consolidated financial statements, the translation of all items shown in balance sheets of foreign subsidiaries from foreign currencies into euros is performed using middle rates on the balance sheet date and, for Member States of the European Monetary Union, the official euro conversion rates. Gains and losses resulting from translation are recorded, without affecting net income, in retained earnings (deficit). The income statements of foreign subsidiaries are translated at the average annual exchange rates.

The exchange rates of certain significant currencies are as follows:

	Annual average rate			Rate at balance sheet date	
	2001	2000	1999	Dec. 31, 2001	Dec. 31, 2000
	€	€	€	€	€
100 Swiss Francs (CHF)	66.2063	64.2701	62.5317	67.5494	65.6859
100 Czech Koruna (CZK)	2.9092	2.8011	2.7133	3.1309	2.8547
1 Pound Sterling (GBP)	1.6076	1.6423	1.5181	1.6418	1.6044
100 Croatian Kuna (HRK)	13.3685	13.0896	13.0640	13.6055	13.1924
100 Hungarian Forints (HUF)	0.3904	0.3850	0.3958	0.4079	0.3775
100 Indonesian Rupiah (IDR)	0.0109	0.0130	0.0121	0.0109	0.0111
100 Japanese Yen (JPY)	0.9170	1.0050	0.8292	0.8644	0.9361
100 Malaysian Ringgit (MYR)	29.3934	28.5882	24.7594	29.8263	28.2907
100 Philippine Pesos (PHP)	2.1913	2.4585	2.4049	2.1973	2.1521
100 Polish Zloty (PLN)	27.2201	24.9595	23.7013	28.6050	25.9876
1 Russian Ruble (RUB)	0.0383	0.0386	0.0378	0.0372	0.0376
100 Singapore Dollars (SGD)	62.5594	62.9966	55.4866	61.2145	66.0721
100 Slovak Koruna (SKK)	2.3099	2.1282	2.2700	2.3377	2.2773
1 U.S. Dollar (USD)	1.1168	1.0863	0.9388	1.1334	1.0750

Accounting and valuation.

Net revenues consist of goods and services sold in connection with the ordinary business activities of Deutsche Telekom. Net revenues are recorded net of VAT and sales-related reductions and in accordance with the realization principle in the period in which they occur. Revenues due from foreign carriers for international incoming calls are included in revenues in the period in which the calls occur. Revenues from other operating activities are recognized in the period when earned by the delivery of goods or the rendering of services.

Research and development costs are expensed as incurred.

Pension costs for defined benefit plans are actuarially computed and shown using the Projected Unit Credit Method, which is consistent with SFAS No. 87. This method presupposes the total present value of the benefit obligations accumulated during the reporting period and takes into consideration the expected increases in wages and salaries and in retirement benefits. By contrast, the minimum accrual method in accordance with § 6a of the German Income Tax Act (Einkommensteuergesetz – EStG) is aimed at the recognition of the expense over the employees' entire working lives and does not take the expected increases in wages and salaries and retirement benefits into account (cf. (27) accruals for pensions and similar obligations).

Pension costs include current service cost, interest cost, return on plan assets and amortization of actuarial gains/losses.

Calculation of pension obligations according to SFAS 87 may result in an additional minimum liability. This special item and changes to it do not affect net income under U.S. GAAP, but are recorded as an expense in the consolidated financial statements under HGB.

The pension costs are accrued in the balance sheet consistent with SFAS No. 87, whereby the accrual is increased by the expense recognized and decreased by payments made during the year.

Deutsche Telekom is required to make contributions to a pension fund for current and former civil servant employees in annual amounts established by Postreform II, which came into force in 1995, rather than by annual actuarial valuations. The amounts currently due in each period are recognized as an expense in that period.

Advertising costs are charged to expenses as incurred.

Income tax expense includes current payable taxes on income as well as deferred income taxes. Deferred income taxes are recorded for the expected future tax effects attributable to temporary differences in the balance sheets prepared for tax reporting and for financial reporting purposes, except for the effects of those differences that are not expected to reverse in the foreseeable future. Such differences may arise at the individual taxable entity level as well as in consolidation. Deferred taxes on temporary differences relating to Deutsche Telekom AG have not been included in

the consolidated financial statements for periods prior to January 1, 1996 as Deutsche Telekom AG was not taxable prior to January 1, 1995 and benefited from an essentially complete exemption from tax in 1995.

Earnings per share for each period are calculated by dividing net income/loss by the weighted average number of ordinary bearer shares outstanding during that period. The weighted average number of ordinary bearer shares in 2001 was ascertained after giving effect to the issuance of shares as part of the acquisition of VoiceStream/Powertel and the start of trading on June 4, 2001 in Frankfurt am Main.

Purchased **intangible assets** are valued at acquisition cost and are amortized on a straight-line basis over their estimated useful lives, except for UMTS licenses which are amortized over the terms of the licenses. Acquired goodwill, including goodwill resulting from capital consolidation, is amortized on a straight-line basis over its useful life.

As permitted by Postreform II, **property, plant and equipment** transferred to Deutsche Telekom AG on January 1, 1995 was recorded in the opening balance sheet of Deutsche Telekom AG at fair market values at that date. However, due to the short period of time between the acquisition dates and January 1, 1995, property, plant and equipment acquired during 1993 and 1994 was valued at its remaining book value. The remaining useful lives and the depreciation methods applicable to these assets were not changed. The fair market values shown in the opening balance sheet have been carried forward as the acquisition costs.

Other property, plant and equipment is valued at acquisition or construction cost, less scheduled depreciation. Construction costs include directly allocable costs, an appropriate allocation of material and production overhead and interest accruing during construction. General administration expenses are not capitalized.

Property, plant and equipment includes nondeductible capitalized German VAT amounts at the level of expected refunds from VAT adjustments pursuant to § 15a of the German Value-Added Tax Act (Umsatzsteuergesetz – UStG) resulting from Deutsche Telekom's full liability for VAT as of 1996. Capitalized VAT was depreciated over a period of four years, starting in 1996 and for the last time in 1999.

Nonscheduled write-downs are provided when an impairment in the value of assets occurs. In order to increase the informative value of the financial statements, accelerated depreciation recorded in the individual company financial statements for tax purposes has not been recognized in the consolidated financial statements.

Depreciation of noncurrent assets is carried out using the straight-line method over the following useful lives:

	Years
Intangible assets	3 to 22
Goodwill	3 to 20
Buildings	25 to 30
Shop improvements and window displays	8
Telephone facilities and terminal equipment	3 to 10
Data communications equipment, telephone network and ISDN switching equipment, transmission equipment, radio transmission equipment and technical equipment for broadband distribution networks	4 to 10
Broadband distribution networks, outside plant networks and cable conduit lines	15 to 35
Telecommunications power facilities and other	3 to 10
Other equipment, plant and office equipment	3 to 20

Additions to real estate property are depreciated beginning in the month the building is placed into service. For assets other than buildings acquired in the first half of a year, a full year of depreciation is provided in the year of acquisition and, for those assets acquired in the second half of the year, a half year of depreciation is provided.

Items with a low acquisition cost are expensed in the year of purchase.

Maintenance and repairs are charged to expenses when incurred.

Upon sale or disposal of noncurrent assets, the related cost and accumulated depreciation are removed from the balance sheet, and a gain or loss is recognized for the difference between the proceeds from the sale and the net carrying amount of the assets.

Financial assets are valued at the lower of cost or market value. Low-interest or non-interest bearing loan receivables are recorded at net present value. Nonscheduled write-downs are provided only if impairment of financial assets is assumed to be permanent.

Raw materials and supplies, and **merchandise** purchased and held for resale are valued at acquisition cost, while **work in process and finished goods** are stated at production cost. Based on normal capacity utilization, production cost includes directly allocable costs such as material and labor costs as well as special production costs plus an appropriate allocation of material and production overhead and straight-line depreciation. General administration and selling costs, social amenities expenses as well as voluntary benefits to personnel including pensions are not included in production cost. The carrying amount of inventories is reduced to the lower of cost or market value at the balance sheet date. To the extent that inventory values are impaired, obsolescence provisions are made.

Receivables and other assets are shown at their nominal value. Known individual risks are accounted for through appropriate individual valuation allowances, and general credit risks through general valuation adjustments of receivables. Low-interest and non-interest bearing items with more than one year remaining to maturity are discounted.

Marketable securities are stated at the lower of cost or market value at the balance sheet date.

Stock options granted in the course of a contingent capital increase are shown in the balance sheet at the date the options are exercised, not at the date they are granted. At the time the options are exercised, the amount received by the company is recorded at the value of the corresponding nominal capital increase in the capital stock and at the value of an additional amount in additional paid-in capital, in accordance with § 272 paragraph 2 No. 1 HGB.

Pension obligations are calculated using actuarial methods in accordance with the internationally accepted Projected Unit Credit Method, which is consistent with U.S. GAAP (SFAS No. 87), and are shown in accordance with SFAS No. 132.

Provisions for taxes and other accruals, including those for loss contingencies and environmental liabilities are recorded using best estimates. Sufficient allowance was made for all perceivable risks when assessing these provisions and accruals.

Deferred taxes are calculated for the expected tax effects of temporary differences between the balance sheets prepared for financial reporting and tax reporting purposes, as well as for the temporary differences arising from consolidation entries. Deferred taxes are netted and either a net deferred tax asset or net deferred tax liability is recorded separately under tax accruals. For purposes of computing deferred taxes, Deutsche Telekom uses a combined tax rate covering German corporate income taxes, trade taxes (at an average German national rate), and the solidarity surcharge (Solidaritätszuschlag). For domestic companies, the German income tax rate for undistributed earnings was used until and including 1999 – and from 2000 the uniform corporate income tax rate – and the respective local tax rate for foreign companies.

Cost accruals are only made by Deutsche Telekom when there is an obligation to carry such liabilities on the balance sheet pursuant to § 249 paragraph 1 HGB. This refers mainly to accruals for costs of maintenance related to the financial year, but only incurred within the first three months of the following year.

Major accruals, with the exception of pensions and similar obligations as well as Civil Service Health Insurance Fund accruals for future shortfalls, are not discounted.

Liabilities are recorded at their repayment amount. In instances where the repayment amount of a liability is greater than the principal amount, the difference is recorded as an asset and recognized as an adjustment to interest expense over the term of the liability.

Unrealized losses relating to **derivative financial instruments** which do not qualify for hedge accounting are recognized when incurred, whereas unrealized gains are deferred until realized.

The preparation of consolidated financial statements in accordance with German GAAP requires the Company to make estimates and assumptions that affect the reported carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Notes to the consolidated statement of income.

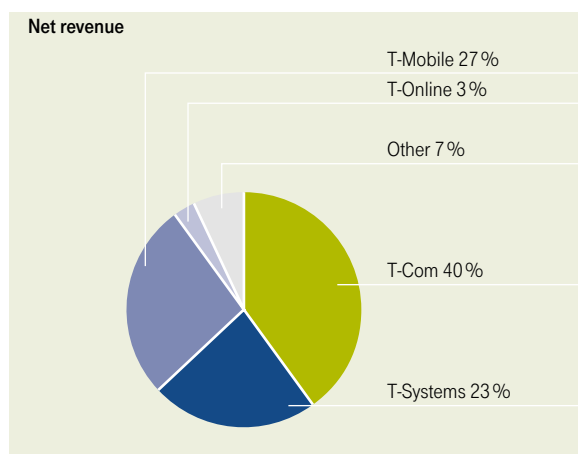
1 Net revenue.¹

	2001 millions of €	2000 millions of €	1999 millions of €
T-Com	19,362	20,170	21,606
T-Systems	11,211	8,460	6,018
T-Mobile	12,994	8,994	5,153
T-Online	1,338	1,038	813
Other	3,404	2,277	1,880
	48,309	40,939	35,470

¹ Deutsche Telekom focused its business activities on its four-pillar strategy in the 2001 financial year and has managed its activities since then in four divisions. "Other" contains not only Group headquarters and central service areas, but also certain foreign subsidiaries (MATÁV, Slovenské, Croatian Telecom). The figures for previous years have been adjusted accordingly.

	2001 millions of €	2000 millions of €	1999 millions of €
Revenue by geographic area			
Domestic	35,107	33,178	31,411
International	13,202	7,761	4,059
	48,309	40,939	35,470
Breakdown of net revenue			
European Union (excluding Germany)	6,088	5,023	1,906
Rest of Europe	3,787	2,266	1,817
North America	3,066	231	161
Latin America	85	43	17
Other	176	198	158
	13,202	7,761	4,059

The percentage of the individual revenue segments in relation to net revenue is as follows:



Net revenue increased by EUR 7,370 million or 18 % over the previous year. The changes in the composition of the Deutsche Telekom Group resulted in a revenue increase of EUR 6,248 million or 15.3 %.

The increase in revenue at T-Systems was attributable in particular to the consolidation for the full year of T-Systems ITS and business with national carriers.

T-Mobile generated increased revenue, in particular as a result of the consolidation of VoiceStream/Powertel since June 1, 2001 and the increased mobile communications subscriber numbers at T-Mobile Deutschland and DT Mobile Holdings (referred to as One 2 One below).

The increase at T-Online in the access area is attributable to the strong customer growth and the increased usage across all the main tariffs. The increased roll-out of the portal business also had a positive effect.

The main causes for the revenue decrease at T-Com, besides price changes, were the substitution in the fixed network of long-distance calls by mobile calls in the City region and the influence of competition.

The increase in revenue in the segment "Other" is mainly due to the fact that Maktel, Croatian Telecom and Slovenské were not consolidated in the previous year, or not consoli-

dated for the full financial year. Furthermore, the increased revenue from MATÁV's mobile communications activities due to growth in subscriber numbers also contributed to the revenue growth.

2 Changes in inventories and other own capitalized costs.

	2001 millions of €	2000 millions of €	1999 millions of €
Change in inventories of			
work in process	(7)	161	216
Own capitalized costs	886	703	731
	879	864	947

Own capitalized costs relate primarily to planning and construction services.

They include interest incurred during the construction period in the amount of EUR 65 million (2000: EUR 64 million; 1999: EUR 63 million).

3 Other operating income.

	2001 millions of €	2000 millions of €	1999 millions of €
Income from disposition of marketable securities	1,967	-	-
Income from the disposition of noncurrent assets (including sale of investments)	1,584	5,928	89
Reversal of accruals	1,139	386	506
Foreign currency transaction gains	533	309	89
Income from reversal of valuation adjustments	288	125	106
Cost reimbursements	255	305	248
Refund of value-added tax (§ 15a UStG)	85	169	379
Insurance compensation	46	51	55
Income from the national roaming agreement	5	95	154
Income from capital increases of subsidiaries and associated companies	-	2,887	-
Other income	717	747	245
	6,619	11,002	1,871

Of the income from the disposition of marketable securities, EUR 1,967 million, EUR 1,954 million relates to income from the sale of shares in Sprint Corporation, Kansas City, USA (referred to as Sprint below).

Income from the disposition of noncurrent assets amounted to EUR 1,584 million. Of this amount, EUR 912 million relate to the sale of the regional cable company in Baden-Württem-

berg. A further EUR 75 million was generated by the sale of Isla Communications Co., Inc. shares. The decrease in comparison with the previous year is attributable to the non-recurrence of the proceeds from the sale in 2000 of Global One and the cable companies in North-Rhine Westphalia and Hesse. Of the increase in the proceeds from the reversal of accruals for vacancy risks, EUR 350 million relates to the reversal of accruals for real estate risks which were previously

calculated as lump sums. This risk is now taken into account in a nonscheduled write-down on real estate to the same value.

Of the total amount of other operating income, EUR 1,897 million (2000: EUR 611 million; 1999: EUR 701 million) relates to other financial years.

4 Goods and services purchased.¹

	2001 millions of €	2000 millions of €	1999 millions of €
Goods purchased	4,397	4,075	2,625
Services purchased	9,080	7,875	5,042
of which: network access charges, Germany	2,174	1,985	1,585
of which: international network access charges	3,268	2,819	1,626
of which: other services	3,638	3,071	1,831
	13,477	11,950	7,667

¹ Since the beginning of the 2000 financial year, certain expenses (mainly relating to maintenance) have been shown as other operating expenses, rather than other services purchased. EUR 737 million was reclassified for the 1999 financial year.

The level of goods and services purchased increased by EUR 1,527 million compared to 2000. Of this increase, EUR 2,156 million is attributable to changes in the composition of the Deutsche Telekom Group. Without taking into consi-

deration the changes in the composition of the Deutsche Telekom Group, this results in a decrease which is mainly attributable to the lower level of terminal equipment purchased and the considerable decrease in network access charges in the international carrier sector.

5 Personnel costs/Average number of employees.

	2001 millions of €	2000 millions of €	1999 millions of €
Wages and salaries:			
Civil servants	1,874	2,287	2,535
Salaried employees (excl. civil servants) ¹	7,439	5,183	3,985
	9,313	7,470	6,520
Social security contributions and expenses for pension plans and benefits:			
Social security costs	1,147	861	730
Expenses for pension plans for civil servants	845	895	1,483
Expenses for pension plans for salaried employees ²	607	310	265
Pension costs	1,452	1,205	1,748
Active civil servant healthcare costs	151	164	193
Other employee benefits	51	18	19
	2,801	2,248	2,690
	12,114	9,718	9,210

¹ Since the new Deutsche Telekom AG collective agreement came into force on July 1, 2001, there is no longer any differentiation between salaried employees and wage earners; a single figure is shown for employees.

² Expenses are incurred from net periodic pension cost to which an additional minimum liability amounting to EUR 259 million is added in 2001 and recorded as an expense.

Number of employees (average for the year)	2001	2000	1999
	Number	Number	Number
Civil servants	56,707	65,217	76,223
Salaried employees (excl. civil servants) ¹	184,953	139,815	121,783
Total Deutsche Telekom Group	241,660	205,032	198,006
Trainees/student interns	8,147	6,826	6,354

¹ Since the new Deutsche Telekom AG collective agreement came into force on July 1, 2001, there is no longer any differentiation between salaried employees and wage earners; a single figure is shown for employees.

Personnel costs increased by EUR 2,396 million or 24.7 % in the year under review to EUR 12,114 million. EUR 1,782 million relates to newly consolidated companies. Furthermore, collectively agreed adjustments of wages and salaries to bring them in line with market conditions and to promote performance, and the structural change with the assignment of personnel in higher value positions contributed to the increase in personnel costs. In addition, U.S. GAAP provisions required an additional minimum liability of EUR 259 million which had the effect of increasing expense in the consolidated financial statements under German GAAP.

The average number of employees increased by 36,628 or 17.9 % to 241,660. Changes in the composition of the Deutsche Telekom Group in the course of the year led to an increase of 15,327 in the average number of employees (mainly attributable to the new acquisitions, VoiceStream/ Powertel and Maktel). The remainder of the increase is mainly attributable to the acquisitions made in the course of the previous year, in particular T-Systems ITS and Slovenské, which in 2000 were only included in the calculation of the average for the period they belonged to the Group and are included in full in the year under review.

6 Depreciation and amortization.

	2001	2000	1999
	millions of €	millions of €	millions of €
Amortization of intangible assets	5,743	2,233	801
of which: amortization of goodwill	3,663	1,247	300
of which: amortization of UMTS licenses	724	381	-
Depreciation of property, plant and equipment	9,478	10,758	7,665
	15,221	12,991	8,466

Depreciation and amortization increased during the year under review by EUR 2,230 million or 17.2 % to EUR 15,221 million.

Besides the amortization of UMTS licenses, included for the full year for the first time, the inclusion of companies consolidated for the first time had a considerable impact of EUR 3,056 million on this development. This figure includes EUR 1.4 billion of amortization of goodwill, relating in particular to VoiceStream/Powertel with approximately EUR 0.9 billion and T-Systems ITS with EUR 0.2 billion.

On the basis of the measures approved in December to internationalize the T-Mobile company name, nonscheduled write-downs of EUR 1,040 million were made on the

goodwill of One 2 One and max.mobil., which includes the existing old company names as components.

Further nonscheduled write-downs of intangible assets amounted to around EUR 63 million.

The nonscheduled write-downs for real estate in the form of a valuation adjustment amounting to EUR 2,018 million made in the previous year were allocated to individual items of real estate, based on a detailed survey, as part of Deutsche Telekom's changed real estate strategy. This survey resulted in further nonscheduled write-downs of EUR 466 million. A nonscheduled write-down was made in the form of a lumped valuation adjustment amounting to EUR 350 million for buildings for which business use is no longer planned.

This write-down corresponds to proceeds in the same amount from the reversal of accruals for risks previously calculated as a lump sum.

Furthermore, nonscheduled write-downs of EUR 159 million were made on property, plant and equipment, in particular EUR 104 million for technical equipment of mobile communications networks of One 2 One.

7 Other operating expenses.

	2001	2000	1999 ¹
	millions of €	millions of €	millions of €
Marketing expenses	1,896	1,967	1,148
Advertising gifts and commissions	1,329	794	381
Losses on accounts receivable and provision for doubtful accounts	1,225	723	514
Rental and leasing expenses	1,213	766	513
Maintenance, repairs and damage reparation	1,133	843	730
Legal and consulting fees	695	591	499
Other employee-related costs	598	493	349
Postal charges	486	481	438
Losses on disposition of noncurrent assets (including sale of investments)	478	1,132	629
Provisions	391	611	238
Foreign currency transaction losses	333	241	275
Administrative expenses	314	217	184
Travel and transport expenses	290	241	192
License and concession expenses	197	116	85
Loan employment and temporary employment expenses	145	122	50
Utilities	129	77	34
Telephone charges	94	15	7
Losses relating to derivative financial instruments	73	194	134
Other expenses	1,132	800	472
	12,151	10,424	6,872

¹ Prior-year figures have been adjusted to reflect the changed reporting structure in the 2001 financial year. Various expenses (mainly relating to maintenance) were shown under goods and services purchased until 1999. A total of EUR 737 million has been reclassified for the 1999 financial year.

Other operating expense decreased by EUR 561 million before the effects of the changes in the composition of the Deutsche Telekom Group (EUR 2,288 million) are taken into account.

The increase in advertising gifts and commissions relates mainly to the inclusion of VoiceStream/Powertel in 2001. The losses on accounts receivable and provisions for doubtful accounts relate mainly to the parent company and are mostly attributable to bad debt losses with carriers. The increase in rental and leasing expenses results mainly from the changes in the composition of the Deutsche Telekom Group, in particular the consolidation of VoiceStream/

Powertel and T-Systems ITS GmbH. Maintenance, repairs and damage reparation expenses increased at Deutsche Telekom AG in particular as a result of more extensive modernization measures.

This was offset by a decrease in losses from dispositions. The losses on disposition of noncurrent assets in the previous year mainly related to the scrapping of outside plant equipment and the sale of Eurobell (Holdings) Plc, Crawley.

Of the total amount of other operating expenses, EUR 534 million (2000: EUR 1,208 million, 1999: EUR 687 million) relates to other accounting periods.

8 Financial income (expense), net.

	2001 millions of €	2000 millions of €	1999 millions of €
Dividend income from investments	107	147	166
Results related to companies accounted for under the equity method (including amortization of goodwill)	(547)	1,890	(265)
Income/(loss) related to associated and related companies	(440)	2,037	(99)
Income from debt securities and long-term loan receivables	152	487	83
Other interest and similar income	408	511	420
Interest and similar expense	(4,698)	(4,095)	(3,049)
Net interest expense	(4,138)	(3,097)	(2,546)
Write-downs on financial assets and marketable securities	(770)	(170)	(244)
	(5,348)	(1,230)	(2,889)

The increase in the net financial expense in the 2001 financial year is a consequence of several similar effects. The income (loss) related to subsidiaries, associated and related companies decreased by EUR 2,477 million compared with the high positive level of the previous year at EUR 2,037 million, mainly as a consequence of the non-recurrence of a one-time effect relating to the associated company DT FT Italian Holding GmbH which, in the previous year, showed proceeds of EUR 2,358 million from the sale of WIND. Net interest expense was increased partly by the growth in interest expenditure (EUR 603 million), which is mainly attribut-

able to the newly issued bonds for financing the UMTS licenses, and partly by the reduced income from debt securities and long-term loan receivables (EUR -335 million) due to the sale of specialized security funds in the first half of 2000. The increase in write-downs on financial assets and marketable securities by EUR 600 million to EUR 770 million is a result of the valuation adjustment of the net carrying amount of Deutsche Telekom's shareholding in France Télécom (EUR 312 million) and increased valuation adjustments for loans to subsidiaries of Kabel Deutschland GmbH (EUR 317 million).

9 Extraordinary income (losses).

In the previous year this item related to the share offering costs for the initial public offering of T-Online International AG and expenses for the planned initial public offering of

T-Mobile International AG. In 1999 this item showed exclusively the costs from Deutsche Telekom AG's second share offering.

10 Taxes.

Breakdown of income before taxes:

	2001 millions of €	2000 millions of €	1999 millions of €
Germany	2,953	8,291	2,910
International	(5,457)	(1,958)	34
	(2,504)	6,333	2,944

Breakdown of tax expense:

	2001 millions of €	2000 millions of €	1999 millions of €
Income taxes	751	194	1,380
Other taxes	57	124	40
	808	318	1,420

Breakdown of the Group's income taxes, Germany and international:

	2001 millions of €	2000 millions of €	1999 millions of €
Current taxes			
Germany	686	207	1,471
International	91	35	34
Deferred income taxes			
Germany	(30)	(57)	(121)
International	4	9	(4)
	751	194	1,380

The combined statutory income tax rate, currently 39%, includes corporate income taxes at a rate of 25%, trade taxes at an average German national rate, and the solidarity surcharge of 5.5% on corporate income tax (Solidarit tszuschlag).

Although the Group's results under HGB are considerably lower than in the previous year, the taxable result is higher than the comparable figure for the previous year. This is attributable to the differing composition of income and expense with and without tax effects.

There was no income tax expense despite the increased basis for tax calculation due to existing net operating loss carryforwards (in particular from the write-down of the Sprint shares in 2000).

Differences between actual income taxes of EUR 751 million for 2001 (2000: EUR 194 million) and the imputed, "expected" corporate income tax expense (computed using the statutory corporate income tax rate for the parent company (combined income tax rate) of 39% (2000: corporate income tax rate for undistributed earnings of 43%) are as follows:

	2001 millions of €	2000 millions of €
Expected corporate income tax at the tax rate applicable for the parent company	(977)	2,723
Increase (decrease) in income tax due to:		
Tax-free gains/losses	(795)	(1,252)
Reduction of the Group's results without tax effect	2,896	1,497
Increase in the Group's results without tax effect	(171)	(2,324)
Discounted taxation, including taxation differences abroad	(491)	(546)
Permanent and semi-permanent differences between the balance sheets prepared for financial reporting and tax reporting purposes	611	(640)
Trade tax (long-term debt)	216	180
Utilization of net operating loss carryforwards	(1,186)	370
Effects of changes in tax law/corrections	676	167
Other	(28)	19
Income taxes	751	194
Effective income tax rate	-30%	3.1%

In its tax return Deutsche Telekom AG has recognized a goodwill (residual difference between the market value of the Company and the fair value of the individual assets) that is – based on § 7 paragraph 1 EStG – amortized over a period of 15 years. In line with the principle of prudence, as in previous years, goodwill amortization has not been recognized for accounting purposes in the year under review until this approach has been fully approved.

Deferred taxes result primarily from temporary differences between income determined under German GAAP and under applicable tax law. On the basis of the existing net operating loss carryforwards in the Deutsche Telekom tax consolidation group, the parent company will not show any income taxes on the current taxable result until the net operating loss carryforwards have been utilized in full. The deferred taxes of the parent company and the integrated com-

panies which will offset each other in the short term, i. e. over the period of utilization of the net operating loss carryforwards, were released in the year under review.

At December 31, 2001, Deutsche Telekom had net operating loss carryforwards affecting corporate income tax and similar carryforwards amounting to approximately EUR 17,633

million (2000: EUR 547 million) and trade tax net operating loss carryforwards amounting to approximately EUR 4,580 million (2000: EUR 753 million). With the exception of net operating loss carryforwards of EUR 11,084 million, the utilization of which is limited to various periods, these net operating loss carryforwards have an unlimited carry-forward period under German and local tax law.

11 Income (losses) applicable to minority shareholders.

Income (losses) applicable to minority shareholders includes EUR 322 million (2000: EUR 189 million; 1999: EUR 274 million) in gains and EUR 180 million (2000: EUR 100 million;

1999: EUR 3 million) in losses. The gains in 2001 relate mainly to MATÁV and T-Systems ITS. The losses relate mainly to T-Online International AG.

Notes to the consolidated balance sheet.

12 Intangible assets.

	Dec. 31, 2001 Net carrying amount millions of €	Dec. 31, 2000 Net carrying amount millions of €
Concessions, industrial and similar rights and assets, and licenses in such rights and assets	39,254	16,406
Goodwill	40,597	19,263
Advance payments	200	85
	80,051	35,754

The increase in concessions and industrial and similar rights is mainly due to the changes in the composition of the Deutsche Telekom Group, EUR 23,455 million of which relates to VoiceStream/Powertel, mostly for mobile communications licenses. The EUR 21,334 million increase in goodwill is also a result of the consolidation for the first time of VoiceStream/Powertel, which accounted for EUR 23,598 million. This is offset by amortizations of EUR 3,663 million.

The development of intangible assets is shown in the table of consolidated noncurrent assets.

13 Property, plant and equipment.

	Dec. 31, 2001 Net carrying amount millions of €	Dec. 31, 2000 Net carrying amount millions of €
Land and equivalent rights, and buildings including buildings on land owned by third parties	13,063	14,416
Technical equipment and machinery	39,947	35,521
Other equipment, plant and office equipment	2,743	2,132
Advance payments and construction in progress	2,955	2,068
	58,708	54,137

The development of property, plant and equipment is the result of offsetting effects. On the one hand, investments were made amounting to EUR 9,853 million which relate mainly to technical equipment and machinery. Furthermore, property, plant and equipment increased as a result of the changes in the composition of the Deutsche Telekom Group – particularly relating to the inclusion of VoiceStream/Powertel and Croatian Telecom. On the other hand, the partial sale of cable activities had a positive effect of EUR 433 million.

The development of property, plant and equipment is shown in the table of consolidated noncurrent assets.

Leasing.

Minimum lease payments under leases expiring subsequent to December 31, 2001 are shown below (millions of EUR).

Year	Capital leases millions of €	Operating leases millions of €
2002	46	1,269
2003	48	1,014
2004	48	856
2005	51	756
2006	51	684
after 2006	662	2,737
Total minimum lease payments	906	7,316
Imputed interest	(384)	
Present value of net minimum lease payments	522	

Capital leases are primarily for office buildings and have terms of up to 25 years.

14 Financial assets.

	Dec. 31, 2001	Dec. 31, 2000
	Net carrying amount	Net carrying amount
	millions of €	millions of €
Investments in subsidiaries	228	153
Loans to subsidiaries	82	57
Investments in associated companies	3,944	6,663
Other investments in related companies	1,895	7,456
Long-term loans to associated and related companies	395	718
Other investments in noncurrent securities	879	1,106
Other long-term loans	534	562
	7,957	16,715

The decrease of EUR 2,719 million in the net carrying amount of investments in associated companies relates mainly to a dividend payment of DT-FT Italian Holding GmbH, Bonn, amounting to EUR 2,759 million and a reclassification of the shares in Croatian Telecom, Zagreb, as a result of its full consolidation for the first time in the year under review. Furthermore, the decrease is marked by negative contributions and the amortization of goodwill. These developments were offset by increases in various related companies of the Voice Stream Wireless Corporation, Bellevue, USA, amounting to EUR 290 million.

The net carrying amounts of other investments in related companies also decreased by EUR 5,561 million, as the initial investment of EUR 5,590 million in VoiceStream made in 2000 as part of the acquisition costs has now been replaced by the full consolidation of the company. Furthermore, the valuation adjustment of the shareholding in France Télécom S.A., Paris, France reduced its net carrying amount. These decreases were counteracted in other investments in related companies by the acquisition of 9.3 % of the shares in Globe Telecom Inc., Mandaluyong City, Philippines by DeTeAsia Holding GmbH, Bonn for EUR 254 million.

Long-term loans primarily include loans to associated and related companies. The decrease is mainly attributable to valuation allowances for loans to cable companies.

Other investments in noncurrent securities mainly include fixed-interest securities. The decrease is attributable to the sale of part of the fixed-interest securities from the portfolio of Deutsche Telekom Holding B.V., Amsterdam, Netherlands. This is offset by the acquisition of additional fixed-interest securities by Deutsche Telekom AG for EUR 74 million.

The development of financial assets is shown in the table of consolidated noncurrent assets. The full list of investment holdings is filed under HRB 6794 with the Commercial Registry of the Bonn District Court. It is available upon request from Deutsche Telekom AG, Bonn, Investor Relations.

Significant investments in associated companies are shown below:

Name	Dec. 31, 2001			Dec. 31, 2000		
	Deutsche Telekom share %	Net carrying amount millions of €	of which: Net difference between carrying value and equity in net assets millions of €	Deutsche Telekom share %	Net carrying amount millions of €	of which: Net difference between carrying value and equity in net assets millions of €
PTC	45.00	1,232	1,114	45.00	1,165	1,088
BEN Holding ¹	50.00	871	584	50.00	1,036	638
GSM Facilities	24.00	516	-	-	-	-
MTS ²	36.20	435	16	36.20	327	17
Cook Inlet/ VS GSM IV	83.56	360	-	-	-	-
Other		530	101		4,135	574
		3,944	1,815		6,663	2,317

¹ Shareholding: 50% minus 1 share

² Proportional market value on December 31, 2001: EUR 1,459 million

15 Inventories, materials and supplies.

	Dec. 31, 2001	Dec. 31, 2000
	Net carrying amount	Net carrying amount
	millions of €	millions of €
Raw materials and supplies	597	201
Work in process	458	612
Finished goods and merchandise	606	763
Advance payments	10	11
	1,671	1,587

Inventories, materials and supplies increased compared with 2000 by EUR 84 million or 5.3%. The effect from the consolidation for the first time of VoiceStream/Powertel, Maktel, RadioMobil and Croatian Telecom amounted to EUR 354 million.

Raw materials and supplies include spare parts for data communications equipment, transmission equipment and other telecommunications spare parts, components and cable. Work in process is mainly related to projects which have not yet been completed, such as the installation of private automatic branch exchanges (PABXs) and the implementation of IT systems solutions.

Finished goods and merchandise relate mainly to inventories of terminal equipment held both for resale and leasing as well as existing rights of use for submarine cables.

Advance payments relate mainly to orders for terminal equipment.

16 Receivables.

	Dec. 31, 2001	Dec. 31, 2000
	Net carrying amount	Net carrying amount
	millions of €	millions of €
Trade accounts receivable	6,173	6,852
Receivables from subsidiaries	423	149
Receivables from associated and related companies	230	158
	6,826	7,159

In December 2001, Deutsche Telekom AG sold certain trade accounts receivable to a special purpose vehicle in a global assignment of debts as part of its asset-backed securities. This explains to a great extent the decrease in trade accounts receivable compared with the previous year. The contract explicitly rules out the retransfer of the receivables sold. The credit risks taken by the purchaser are compensated by a corresponding "discount 1". The remaining moral risk (outstanding contract risk) for Deutsche Telekom was agreed in a further "discount 2". The contract provides for an interest bonus for both discounts if the risks covered by the discounts are ultimately not realized to the detriment of the purchaser. The receivables sold are still collected by Deutsche Telekom on behalf of the purchaser.

All receivables, with the exception of EUR 183 million, are due within one year.

The allowance for doubtful accounts and changes therein are in millions of euros as follows:

	2001	2000	1999
	millions of €	millions of €	millions of €
January 1	790	493	371
Charged to costs and expenses	821	379	173
Amounts written off/released	(623)	(82)	(51)
December 31	988	790	493

Valuation allowances at Deutsche Telekom have increased due to bad debt losses, mainly as a result of the increase in doubtful accounts receivable in the carrier sector.

The Company directly wrote off accounts receivable balances of EUR 391 million in 2001 (Dec. 31, 2000: EUR 344 million).

17 Other assets.

	Dec. 31, 2001	Dec. 31, 2000
	Net carrying	Net carrying
	amount	amount
	millions of €	millions of €
Tax receivables	3,287	2,262
Accrued interest	352	289
Receivables from employees	34	56
Receivables from reimbursements and loans receivable	221	286
Miscellaneous other assets	1,072	778
	4,966	3,671

The increase in other assets relates mainly to tax receivables, which consist mainly of income taxes. The change compared with the previous year is mainly due to a claim for reimbursement of corporate income tax resulting from the dividend payment of T-Mobile International AG to Deutsche Telekom AG.

The increase in miscellaneous receivables mainly relates to the capitalization of fair values of derivative transactions which qualify for hedges.

18 Marketable securities.

	Dec. 31, 2001	Dec. 31, 2000
	Net carrying	Net carrying
	amount	amount
	millions of €	millions of €
Treasury shares	7	7
Other marketable securities	695	2,363
	702	2,370

The shares are recorded in the balance sheet at acquisition cost of EUR 2.56 per share. The shares not purchased by employees in the previous year (14,630) were initially shown in the balance sheet at acquisition cost of EUR 0.9 million and written down to the lower market trading price applicable at the balance sheet date. The total proportion of treasury shares in capital stock is 0.07 %.

The decrease in other marketable securities compared with the previous year is mainly attributable to the sale of shares in Sprint.

The level of treasury shares at the balance sheet date, 2,670,828, unchanged from the balance sheet date of the previous year, is made up as follows:

1996 Employee Stock Purchase Plan	459,900
1999 Employee Stock Purchase Plan	5,185,278
Decrease as a result of the 2000 Employee Stock Purchase Plan	(2,988,980)
Shares acquired from the KfW, not yet issued	14,630
	2,670,828

Other marketable securities are primarily own bonds held (EUR 275 million) to maintain favorable trading conditions, callable step-up bonds (EUR 322 million) and Portuguese government bonds (EUR 55 million).

19 Liquid assets.

	Dec. 31, 2001 Net carrying amount millions of €	Dec. 31, 2000 Net carrying amount millions of €
Checks	47	12
Petty cash and deposits		
at the Bundesbank	25	41
Cash in banks (including deposits		
at Deutsche Postbank AG)	2,796	1,840
	2,868	1,893

Cash and cash equivalents with original maturity of less than 3 months consist primarily of fixed-term bank deposits, checking account balances, deposits at the Bundesbank and Deutsche Postbank AG and petty cash. Temporary cash investments consist almost exclusively of fixed-term bank deposits.

The change in the composition of the Deutsche Telekom Group has an impact of EUR 381 million. The increase in cash in banks is mainly attributable to Deutsche Telekom's fixed-term bank deposit (EUR 1,069 million).

	Dec. 31, 2001 Net carrying amount millions of €	Dec. 31, 2000 Net carrying amount millions of €
Cash and cash equivalents		
Original maturity less than 3 months	2,738	1,006
Temporary cash investments		
(original maturity longer		
than 3 months)	130	887
	2,868	1,893

20 Prepaid expenses, deferred charges and deferred taxation.

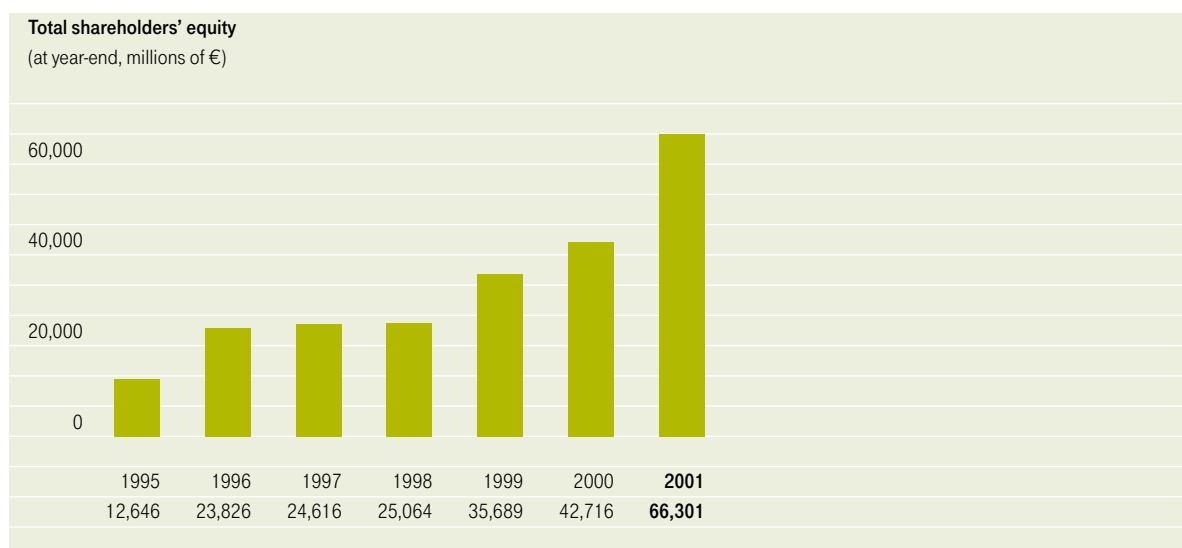
Prepaid expenses and deferred charges of EUR 813 million (Dec. 31, 2000: EUR 956 million) include discounts on loans of EUR 351 million (Dec. 31, 2000: EUR 59 million) which are amortized on a straight line basis over the terms of the respective liabilities. Of the total amount, EUR 151 million relates to the consolidation of VoiceStream for the first time, and EUR 146 million to Deutsche Telekom International Finance B.V., Amsterdam, Netherlands.

Other prepaid expenses and deferred charges are also shown for advance personnel costs and lease payments. In the previous year, by contrast, a deferred tax asset of EUR 475 million was shown here in the previous year after balancing against deferred income. In the year under review this item is shown – after balancing against the higher deferred income – under other accruals.

21 Shareholders' equity.

A detailed account of the development of the consolidated shareholders' equity for the years 2001, 2000 and 1999 is presented in a separate table before the notes to the consolidated financial statements.

The development of the consolidated shareholders' equity from December 31, 1995 to December 31, 2001 is as follows (millions of €):



22 Capital stock.

In accordance with Article 5 paragraph 1 of the Articles of Incorporation, Deutsche Telekom AG's capital stock totaled EUR 10,746 million at Dec. 31, 2001, representing 4,197.8 million registered ordinary no par value shares. Each share entitles the holder to one vote.

The Federal Republic's direct shareholding in Deutsche Telekom AG, represented by the Federal Agency, was 30.92 % at December 31, 2001; the KfW's shareholding was 12.13 % at December 31, 2001. 1,298 million individual no par value shares (EUR 3,321 million) of the capital stock were therefore held by the Federal Republic at December 31, 2001 and 509 million (EUR 1,303 million) by the KfW. The remaining shares are widely held.

In the course of the acquisition of VoiceStream/Powertel, Deutsche Telekom granted options on Deutsche Telekom shares in exchange for the warrants in circulation between Deutsche Telekom and VoiceStream/Powertel at the time of the acquisition. The number of still outstanding options granted to VoiceStream/Powertel employees amounted to 24,593,297 at December 31, 2001.

The Board of Management is authorized to increase the capital stock (share capital) with the approval of the Supervisory Board by up to a nominal EUR 3,865,093,163.52

by issuing up to 1,509,802,017 ordinary registered shares for non-cash contributions in the period up to May 25, 2005. The authorization may be used for partial amounts. The subscription right of shareholders is precluded. The Board of Management is authorized to determine the future content of share rights and the conditions for issuing shares with the approval of the Supervisory Board.

The shareholders' meeting on May 29, 2001 passed the following resolutions:

1. The contingent capital increase of up to EUR 64,000,000 approved by the Shareholders' Meeting on May 25, 2000, for the purpose of issuing up to 25,000,000 new individual no par value registered shares was cancelled with respect to the nominal amount of EUR 61,378,762.24 and therefore continues to apply to the nominal amount of EUR 2,621,237.76. This contingent capital increase exclusively serves the purpose of issuing up to 1,023,921 new individual no par value registered shares to which subscription rights were granted within the context of the Deutsche Telekom Stock Option Plan (SOP) 2000 during the financial year ended December 31, 2000.

2. The Board of Management was authorized to conditionally increase the capital stock by up to EUR 500,000,000,

divided into up to 195,312,500 shares (contingent capital). The contingent capital increase shall be implemented only to the extent that the holders and creditors of conversion rights or warrants exercise their conversion or option rights or holders or creditors obligated to convert the convertible bonds fulfill their conversion obligation.

3. The capital stock (share capital) of the company is conditionally increased by up to EUR 307,200,000 by issuing up to 120,000,000 new individual no par value registered shares to enable the granting of stock options as part of the SOP 2001. The contingent capital increase exclusively serves the purpose of granting up to 120,000,000 subscription rights in the context of the Deutsche Telekom Stock Option Plan

2001 to members of the Board of Management and other executives of the Company and second- and lower-tier affiliated companies.

4. Deutsche Telekom was empowered to purchase shares of the Company up to a maximum of 10% of the share capital, i.e., a total of no more than 302,960,403 shares. This may be done in order to introduce shares of the Company to foreign stock exchanges, to be able to offer shares to third parties in the context of mergers or acquisitions or acquiring interests therein, or to withdraw shares. The authorization may be exercised as a whole or in partial amounts and applies until November 19, 2002.

23 Additional paid-in capital.

The additional paid-in capital of the consolidated group exceeds the additional paid-in capital of Deutsche Telekom AG of EUR 24,304 million by EUR 25,690 million. This is due to the recording of the new Deutsche Telekom shares

issued in the course of the acquisition of VoiceStream/ Powertel at their market value (EUR 28,680 million) instead of their nominal value (EUR 2,990 million), which is permitted in the consolidated financial statements.

24 Retained earnings (deficit).

In addition to the transfers made from Deutsche Telekom AG's net income from prior years, retained earnings (deficit) include the consolidated group's share of the consolidated subsidiaries' net income or losses, provided they were generated by such subsidiaries since being included in the con-

solidated group, as well as a reserve for treasury shares held by the Company in accordance with § 272 paragraph 4 HGB. This item also includes the cumulative effects of consolidation entries from prior years. Translation adjustments are recorded in a separate component of retained earnings.

25 Minority interest.

Minority interest represents the minority shareholders' proportionate share of the equity of the consolidated subsidiaries

and relates primarily to T-Systems ITS, T-Online International AG, Croatian Telecom, MATÁV and Slovenské.

26 Stock-based compensation.

Deutsche Telekom AG.

In 2000, Deutsche Telekom AG, for the first time, granted stock options to certain employees. On July 19, 2000, Deutsche Telekom AG used its authority under shareholders' resolutions adopted in May 2000 to grant 1,023,920.54 options in respect of 1,023,920.54 shares of its stock to participants in its stock option plan at an exercise price of EUR 62.69. The quoted fair market value of Deutsche Telekom AG's common stock as quoted on Frankfurt am Main Xetra on the grant date was EUR 60.40 per share. The options have an expiration date of July 20, 2005.

The option rights may not be exercised before the end of the qualifying period on July 19, 2002. The options may only be exercised when and if both the absolute and the relative performance target have each been exceeded at least once in the period from July 20, 2002 to July 19, 2005.

The absolute performance target is deemed achieved when the moving thirty-day average closing Frankfurt Xetra share price exceeds the exercise price by more than 20%.

The relative performance target is linked to the performance of the shares relative to the performance of the Dow Jones Euro Stoxx 50® Total Return index. The options may only be exercised if, following expiration of the two-year lock-up period, the performance of the shares, adjusted for dividends, options and other special rights (total shareholder return), exceeded the performance of the Euro Stoxx 50® Total Return index measured on a moving thirty-day average basis.

Deutsche Telekom reserved the right, at its election, to settle the options through the payment of a cash amount (stock appreciation rights – SAR) instead of issuing new shares. The exercise of an SAR cancels the related option and the exercise of an option cancels the related SAR. No conversion decision to this effect was taken at December 31, 2001.

The weighted average remaining contractual life as of December 31, 2001 was 3.5 years.

In 2001, Deutsche Telekom granted additional stock options to certain employees. On August 13, 2001, Deutsche Telekom used its authority under the shareholders' resolutions adopted in May 2001 to grant 8,220,803.00 further options in respect of 8,220,803.00 shares of its stock to participants in its stock option plan at an exercise price of EUR 30.00.

The quoted fair market value of Deutsche Telekom AG's common stock as quoted on Frankfurt am Main Xetra on the grant date was EUR 19.10 per share. The options have an expiration date of August 12, 2011.

50 % of the options granted may only be exercised after a period of two years – calculated from the day the options are granted. The remaining 50 % of the options granted may only be exercised after a period of three years after the day the options are granted.

The exercise price is payable upon exercise of the options. The exercise price per share is 120 % of the reference price. The reference price corresponds to the non-weighted average of the closing prices of the T-Share in Xetra trading on the Deutsche Börse AG stock exchange in Frankfurt am Main (or a subsequent system in place of the Xetra system) over the last 30 trading days before granting of the options. If the average closing price calculated by this method is lower than the closing price of the T-Share in Xetra trading on the Deutsche Börse AG stock exchange (or a subsequent system) on the day of granting of the options, this closing price shall be taken as the reference price. The exercise price may not be lower than the lowest proportionate share in the capital stock per share. The reference price is the performance target.

The options are not transferable. A total of 120 million shares were reserved for future issuance under the plan. The weighted average remaining contractual life as of December 31, 2001 was 9.5 years.

The activities relating to the share options granted by Deutsche Telekom (in thousands) are as follows:

Stock option plan 2000	2001		2000	
	Stock options (in thousands)	Weighted- average exercise price (€)	Stock options (in thousands)	Weighted- average exercise price (€)
Outstanding at beginning of year	1,022	62.69	n/a	n/a
Granted	0	-	1,024	62.69
Exercised	0	-	0	-
Forfeited	21	62.69	2	62.69
Outstanding at end of year	1,001	62.69	1,022	62.69
Exercisable at end of year under review	0	-	0	-

Stock option plan 2001	2001	
	Stock options (in thousands)	Weighted-average exercise price (€)
Outstanding at beginning of year	n/a	n/a
Granted	8,221	30.00
Exercised	0	-
Forfeited	2	-
Outstanding at end of year	8,219	30.00
Exercisable at end of year under review	0	-

Furthermore, Deutsche Telekom AG granted 169,695 SARs to employees in countries in which it was not legally possible to grant stock options. Of these, 169,695 SARs were outstanding at December 31, 2001.

VoiceStream.

Before its acquisition on May 31, 2001, VoiceStream had granted stock options to its employees. On May 31, 2001, as a consequence of the acquisition, all unvested, outstanding options of VoiceStream employees were converted from VoiceStream options into Deutsche Telekom options at a conversion rate of 3.7647 per unvested, outstanding VoiceStream option. The Deutsche Telekom AG shares linked to these options are administered in a trust depot account which has been set up for the benefit of holders of VoiceStream stock options. The exercise price for each share of Deutsche Telekom AG common stock corresponds to the applicable exercise price per share of VoiceStream common stock divided by 3.7647. Furthermore, no more options will be granted under any other VoiceStream stock option plans.

22,084 thousand shares were available for outstanding options at December 31, 2001 for the 1999 Management Incentive Stock Option Plan ("MISOP") which was changed as a consequence of the acquisition on May 31, 2001. The MISOP provides for the issue of up to 8 million shares of Deutsche Telekom AG common stock, either as non-qualified stock options or as incentive stock options, plus the number of shares of common stock deliverable upon the exercise of the VoiceStream rollover options in accordance with the Agreement and Plan of Merger between Deutsche Telekom and VoiceStream. The vesting period and option term relating to the option plan are determined by the MISOP administrator. The options typically vest for a period of four years and have a term of up to 10 years.

The activities relating to the share options granted since the acquisition of VoiceStream (in thousands) are as follows:

	June 1 to December 31, 2001	
	Stock options (in thousands)	Weighted-average exercise price (US\$)
Outstanding at the time of consolidation	24,278	15.36
Granted	0	-
Exercised	1,639	3.21
Forfeited	555	17.47
Outstanding at end of year	22,084	16.21
Exercisable at end of year under review	6,299	9.88

Ranges of the exercise prices (US\$)	Outstanding options			Exercisable options	
	Number	Weighted average remaining contractual life (years)	Weighted average exercise price (US\$)	Number	Weighted average exercise price (US\$)
0.00 – 7.60	7,515	6.0	2.66	3,828	2.44
7.61 – 15.20	2,875	6.3	8.47	953	8.60
15.21 – 22.80	85	7.7	17.58	38	17.59
22.81 – 30.39	10,056	8.5	26.26	1,100	29.34
30.40 – 37.99	1,553	8.3	30.98	380	30.98
0.00 – 37.99	22,084	7.4	16.21	6,299	9.88

Powertel.

Before its acquisition on May 31, 2001, Powertel had granted stock options to its employees. On May 31, 2001, as a consequence of the acquisition, all unvested, outstanding Powertel options were converted into Deutsche Telekom AG options at a conversion rate of 2.6353. The Deutsche Telekom AG shares linked to these options are administered in a trust depot account set up for the benefit of holders of Powertel stock options. The exercise price for each share of Deutsche Telekom AG common stock corresponds to the applicable exercise price per share of Powertel common stock divided by 2.6353. Furthermore, no more options will be granted under any other Powertel stock option plans.

660,310 shares were available at December 31, 2001 for the Powertel 2000 Stock Plan in force since 2000 and changed as a consequence of the acquisition. Under the terms of this plan, all employees, managers, directors, consultants and advisors may be eligible for the allocation of options, conditional share allocations or other allocations within the framework of the 2000 Stock Plan.

A total of 1,821,943 shares were available for outstanding options at December 31, 2001 for the Powertel Employee Stock Option Plan in force since 1991 ("1991 Option Plan"). The Board of Directors decided not to grant any further options in the 1991 Option Plan.

26,560 shares were available for outstanding options at December 31, 2001 for the Non-employee Stock Option Plan ("Non-employee Plan"). The Board of Directors decided not to grant any further options in the Non-employee Plan.

A total of 163,800 shares were accorded at December 31, 2000 within the framework of the Powertel Employee Restricted Stock Plan ("Restricted Stock Plan") from 1995. The Board of Directors decided not to accord any further shares in the Restricted Stock Plan after December 31, 2000. Entitlement to these shares is in three equal-sized tranches on the first, second and third anniversary of the date of granting. The Restricted Stock Plan was terminated after completion of the acquisition, upon which all conditional share allocations which had not been exercisable became exercisable in full.

The activities relating to the share options granted since the acquisition of Powertel (in thousands) are as follows:

	June 1 to December 31, 2001	
	Stock options (in thousands)	Weighted-average exercise price (US\$)
Outstanding at the time of consolidation	5,323	20.04
Granted	0	-
Exercised	1,200	6.29
Forfeited	1,614	31.42
Outstanding at end of year	2,509	19.50
Exercisable at end of year under review	883	8.76

Ranges of the exercise prices (US\$)	Outstanding options			Exercisable options	
	Number	Weighted average remaining contractual life (years)	Weighted average exercise price (US\$)	Number	Weighted average exercise price (US\$)
0.02 – 7.60	994	5.9	5.42	663	5.32
7.61 – 15.20	175	6.4	9.94	108	9.46
15.21 – 22.80	32	7.9	19.52	10	18.85
22.81 – 30.39	627	8.3	26.84	67	26.34
30.40 – 38.00	681	8.0	35.74	35	35.52
0.02 – 38.00	2,509	7.1	19.50	883	8.76

T-Online International AG.

Stock option plan 2000.

In 2000, T-Online, for the first time, granted stock options to certain employees in the Group. On July 6, 2000, T-Online used its authority under shareholders' resolutions adopted in March 2000 to grant 214,472.52 options in respect of 214,472.52 shares of its stock to participants in its stock option plan at an exercise price of EUR 37.65. The options have an expiration date of July 6, 2005. At December 31, 2000 a total of 20,000,000 million shares were reserved as contingent capital for future issuance under the plan. This contingent capital increase was reduced to EUR 214,473.00 at the shareholders' meeting on May 30, 2001. The weighted average remaining contractual life as of Dec. 31, 2001 was 3.5 years.

The option rights may not be exercised before the end of the qualifying period on July 6, 2002. The options may only be exercised when and if both the absolute and the relative performance target are each exceeded at least once in the period from July 7, 2002 to July 6, 2005. The absolute performance target is deemed achieved when the moving thirty-day average closing Frankfurt Xetra share price exceeds the exercise price by more than 40 %.

The relative performance target is linked to the performance of the shares relative to the performance of the Dow Jones Euro Stoxx Telecom index. The options may only be exercised if, following expiration of the two year lock-up period, the performance of the shares, adjusted for dividends, options and other special rights (total shareholder return), exceed the performance of the Euro Stoxx Telecom index by more than 20 % measured on a moving thirty-day average basis.

The activities relating to the share options granted by T-Online International AG as part of the 2000 Stock Option Plan (in thousands) are as follows:

Stock option plan 2000	2001		2000	
	Stock options (in thousands)	Weighted-average exercise price (€)	Stock options (in thousands)	Weighted-average exercise price (€)
Outstanding at beginning of year	2,041	3.27	n/a	n/a
Granted	0	-	214	37.65
Granted in conjunction with the Ya.com acquisition	-	-	1,864	0.00
Exercised	692	0.00	0	-
Forfeited	148	15.26	37	37.65
Outstanding at end of year	1,201	3.67	2,041	3.27
Exercisable at end of year under review	0	-	280	0.00

Stock option plan 2001.

The shareholders' meeting on May 30, 2001 conditionally increased the capital stock of T-Online International AG by EUR 51,000,000 for the 2001 plan and authorized the Supervisory Board to grant options to the members of the Board of Management of T-Online International AG and authorized the Board of Management to grant options to managers below the Board of Management. These include directors, senior managers, selected specialists at T-Online International AG and members of the Boards of Management, members of the management and other directors, senior managers and selected specialists at Group companies within and outside Germany in which T-Online International AG directly or indirectly holds a majority shareholding.

The stock option plan is structured as a "premium priced plan". The exercise price is payable upon exercise of the options. The exercise price per share is 125 % of the reference price. The reference price corresponds to the non-weighted average of the closing prices of the T-Online share in Xetra trading on the Deutsche Börse AG stock exchange in Frankfurt am Main (or a subsequent system in place of the Xetra system) over the last 30 trading days before granting of the options. If the average closing price calculated by this method is lower than the closing price of the T-Share in Xetra trading on the Deutsche Börse AG stock exchange (or a subsequent system) on the day of granting of the options, this closing price shall be taken as the reference price.

Options are granted in annual tranches for periods of five years; stock options can be granted for the last time in 2005.

50 % of the options granted may only be exercised after period of two years – calculated from the day the options are granted. The remaining 50 % of the options granted may only be exercised three years after the day the options are granted. The options have a life of ten years from the date of granting, meaning that the options are forfeit without replacement or compensation on August 12, 2011 at the latest. The weighted average remaining contractual life as of December 31, 2001 was 9.5 years.

Based on this authorization, the first tranche was granted on August 13, 2001. The exercise price as the performance target is EUR 10.35 (125 % of the reference price of EUR 8.281).

The activities relating to the share options granted by T-Online International AG as part of the 2001 Stock Option Plan (in thousands) are as follows:

Stock option plan 2001	2001	
	Stock options (in thousands)	Weighted-average exercise price (€)
Outstanding at beginning of the year under review	0	-
Granted	2,369	10.35
Exercised	0	-
Forfeited	21	10.35
Outstanding at end of year under review	2,348	10.35
Exercisable at end of year under review	0	-

Stock options granted in the course of a contingent capital increase are shown in the balance sheet at the date the options are exercised, not at the date they are granted. No share options had been exercised at the balance sheet

date. This therefore incurred no personnel costs for the company in the 2001 financial year. This does not apply for shares which were transferred to YACOM Internet Factory S.A., Madrid, Spain (Ya.Com) employees in the course of the acquisition of Ya.com.

27 Pensions and similar obligations.

The pension obligations of Deutsche Telekom for non-civil servants are provided for by a range of defined benefit plans; there are further obligations under Article 131 of the Basic Law (Grundgesetz - GG). Deutsche Telekom's indirect pension obligations were made to its employees via the Versorgungsanstalt der Deutschen Bundespost (VAP) and the Deutsche Telekom Betriebsrenten-Service e.V. (DTBS).

The VAP provides pension services for pensioners who were employed as salaried workers by Deutsche Telekom. The VAP benefits, which supplement national social security retirement benefits up to the level specified in the pension benefits formula, are generally calculated on the basis of the level of employee compensation during specific periods of employment. Within the scope of negotiations on the realignment of the company pension plan, the employer and the trade unions agreed in 1997 on arrangements for the protection of vested VAP benefits. Pursuant to this agreement, the benefit obligations due to retirees and employees approaching retirement will remain unchanged. In the case of younger employees with vested benefits, the obligations were converted into an initial amount reflecting the number of years covered. This amount will be credited to a capital account held by the employer (cash balance plan). Deutsche Telekom credits further amounts to this account; when the insured event occurs,

the account balance will be paid out in full, in installments or converted into a pension. If the relevant employees had not reached the age of 35 and had been insured for less than ten years, their benefit obligations are due directly from Deutsche Telekom. The DTBS was founded for processing the remaining obligations.

A new regulation of VAP benefits was made by collective agreement in the year 2000 without affecting obligations. The pensioners covered by this collective agreement no longer receive their pension payments directly from the VAP as the provider of pension services, but, since November 2000, directly and with a legal claim from Deutsche Telekom. The obligations of the VAP are thus suspended (parallel obligation). The VAP provides pension services for and on behalf of Deutsche Telekom. Pension accruals are made in the balance sheet for financial reporting purposes for the now direct pension obligations in accordance with U.S. GAAP SFAS 87. Due to the direct nature of the parallel obligation, these pension accruals must also be shown in the balance sheet for tax reporting purposes, valued according to § 6a of the Income Tax Act. Those pensioners remaining in the VAP continue to receive their benefits directly from the VAP as the provider of pension services.

Benefits relating to other direct pension plans are generally determined on the basis of salary levels and years of service; these benefit obligations are also usually determined by the amounts credited by Deutsche Telekom to its capital accounts.

The following table shows the composition of pension obligations:

	Dec. 31, 2001 millions of €	Dec. 31, 2000 millions of €
Pension obligations:		
– Direct	2,683	2,497
– Indirect	966	820
Obligations under Article 131 GG	12	13
	3,661	3,330

The obligation amount shown for 2001 contains a so-called “additional minimum liability” for individual pension plans. An additional minimum liability is a step-up amount for pension obligations relating to individual pension plans, to be

shown under HGB as affecting net income, but under U.S. GAAP as not. Excluding the additional minimum liability, the accrual for pensions amounts to EUR 3,402 million.

	Dec. 31, 2001 millions of €	Dec. 31, 2000 millions of €
Actuarial present value of benefits:		
Vested	3,701	3,227
Nonvested	342	415
Accumulated benefit obligation	4,043	3,642
Effect of projected future salary increases	121	122
Projected benefit obligation	4,164	3,764
Plan assets at fair value	(405)	(379)
Projected benefit obligations in excess of plan assets	3,759	3,385
Unrecognized net (losses) gains	(357)	(55)
Unfunded accrued pension cost	3,402	3,330
Additional minimum liability	259	-
Total obligation	3,661	3,330

These pension obligations are fully accrued net of the plan assets at fair value.

The corresponding pension accruals measured in accordance with § 6a of the Income Tax Act are EUR 2,995 million (December 31, 2000: EUR 3,119 million).

The amount of pension obligations was determined using actuarial principles that are consistent with U.S. GAAP

SFAS No. 87 and using the assumptions at the respective balance sheet dates as shown in the following table:

	2001	2000	1999
Discount rate	6.00 %	6.25 %	6.25 %
Projected salary increase	2.75 % - 3.50 %	2.75 % - 3.50 %	2.75 % - 3.50 %
Expected return on assets	6.00 %	6.00 % - 6.50 %	4.50 % - 6.00 %
Projected pension increase	1.50 %	1.50 %	1.50 %

Development of the projected benefit obligation:

	2001 millions of €	2000 millions of €
Projected benefit obligation, beginning of year	3,764	3,389
Service cost	144	119
Interest cost	228	208
Change in obligations	(6)	179
Actuarial (gains)/losses	280	87
Total benefits actually paid	(246)	(218)
Projected benefit obligation, end of year	4,164	3,764

Development of plan assets at fair value:

	2001 millions of €	2000 millions of €
Plan assets at fair value, beginning of year	379	320
Actual return on plan assets	2	9
Contributions by employer	73	232
Benefits actually paid through pension funds	(49)	(182)
Plan assets at fair value, end of year	405	379

Net periodic pension cost is summarized as follows:

	2001 millions of €	2000 millions of €	1999 millions of €
Service cost	144	119	83
Interest cost	228	208	194
Expected return on assets (return on plan assets)	(24)	(17)	(12)
Distribution amounts (payback)	0	-	-
Net periodic pension cost	348	310	265

Civil servant retirement arrangements.

In accordance with the provisions of the Posts and Telecommunications Reorganization Act (Gesetz zur Neuordnung des Postwesens und der Telekommunikation – PTNeuOG), Deutsche Telekom makes pension and allowance payments via a pension fund to retired employees and their surviving dependents who are entitled to pension payments as a result of civil servant status. The level of Deutsche Telekom AG's payment obligations to this special pension fund is defined under § 16 of the Law concerning the Legal Provisions for the Former Deutsche Bundespost Staff (PostPersRG). Deutsche Telekom AG is legally obligated as of 2000 to make an annual contribution to the special pension fund of 33% of the gross remuneration of active civil servants and the gross remuneration of civil servants on temporary leave entitled to pension payments. These contributions amounted to EUR 845 million in the year under review (2000: EUR 895 million). A fixed annual contribution of approximately EUR 1.5 billion was payable for the years 1995 through 1999 (cf. (33) Guarantees and commitments, and other financial obligations).

Under PTNeuOG, the Federal Republic compensates the special pension fund for differences between the ongoing payment obligations of the special pension fund, amounts received from Deutsche Telekom AG and returns on assets, and guarantees that the special pension fund is always in a position to fulfill the obligations it has assumed. The Federal Republic cannot require reimbursement from Deutsche Telekom AG for amounts paid by it to the special fund.

Until 2000, Deutsche Telekom AG maintained a special pension fund (Unterstützungskasse) for its active and former civil servants, which was merged with the special pension funds of Deutsche Post AG and Deutsche Postbank AG by notarized agreement on December 7, 2000 to form the joint pension fund Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT). The fund was entered in the Register of Associations on January 11, 2001, backdated to July 1, 2000. The BPS-PT works for the funds of all three companies and also handles the financial administration for the Federal Republic on a trust basis. All transactions for pension and allowance payments are made for the companies Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG.

28 Other accruals.

	Dec. 31, 2001 millions of €	Dec. 31, 2000 millions of €
Taxes	1,938	1,470
Provisions for deferred taxes	5,348	0
Accruals other than taxes		
Employee benefits		
Civil Service Health Insurance Fund	1,079	1,028
Personnel restructuring	209	149
Other obligations	959	803
	2,247	1,980
Outstanding invoices	2,218	1,855
Loss contingencies	514	94
Unused telephone units on phone cards sold	422	363
Advertising cost subsidies/commissions	270	168
Litigation risks	266	293
Restoration commitments	265	239
Risks related to real estate	168	508
Investment risks	145	355
Refunds to be granted	132	131
Loss contingencies, sub-letting	89	88
Deferred maintenance	56	49
Other	688	462
	7,480	6,585
	14,766	8,055

Undisclosed reserves for mobile communications licenses were realized upon first consolidation of VoiceStream/Powertel with the accounting of the purchase price. This generates a provision for deferred taxes of EUR 5,812 million. As a result of this considerable increase in deferred taxes, the consolidated financial statements show a balance of deferred taxes on the liabilities side under provisions for deferred taxes of EUR 5,348 million. Deferred tax assets of EUR 475 million were shown in 2000.

The increase in accruals (excluding deferred taxes) is mainly attributable to the changes in the composition of the Deutsche Telekom Group, in particular the consolidation for the first time of VoiceStream/Powertel, RadioMobil and Croatian Telecom. These three companies recorded other accruals of EUR 1,088 million at December 31, 2001.

The Civil Service Health Insurance Fund (PBeaKK) provides services for its members mainly in cases of illness, birth or death and calculates the allowances. When Postreform II came into effect, the PBeaKK was closed to new members. Due to the aging of the group of people insured, there is an expected shortfall between the fund's sources of regular income and benefits paid. Deutsche Telekom AG has accrued the actuarially determined present value of this future deficit which Deutsche Telekom has to cover, taking the new 1998 life expectancy tables by Prof. Dr. Klaus Heubeck ("Richttafeln 1998") into account, which primarily reflect the increase in average life expectancy. The expense for the addition to this accrual was EUR 70 million in 2001 (2000: EUR 142 million; 1999: EUR 137 million).

Deutsche Telekom had, in response to competition, announced its intention to reduce its workforce by approximately 60,000 to 170,000 full-time equivalent employees by the end of the year 2000 (excluding employees of subsidiaries first consolidated after January 1, 1995) through natural attrition, early retirement and other programs. The planned reductions included an estimated 38,300 non-civil servants expected to leave under voluntary separation agreements. The personnel restructuring program has now been completed. There are, however, still contracts originating from this time which have to be completed. On the other hand, collective agreements in particular are still used for bridging allowances and old-age part time work and lead to the establishment of new accruals when a concrete contractual relationship is entered into.

In 2000, as was the case in prior years, civil servants as well as non-civil servants accepted the Company's offer for early retirement and severance. The early retirement program for civil servants and natural attrition do not result in incremental costs for Deutsche Telekom AG. In 2001, unpaid restructuring costs amounting to EUR 209 million are included in accruals and EUR 6 million are included in other accounts payable.

The table below sets forth the payments made and the related accruals/payables for future payments in respect of these staff reduction measures for the years 2001 and 2000:

	2001 millions of €	2000 millions of €
Accruals/payables, beginning of year	150	261
Payments made (including payments made against accruals / payables)	(125)	(156)
Establishment of new accruals / payables	190	45
Accruals/payables, end of year	215	150

Of the increase in accruals for loss contingencies, EUR 325 million relates to accruals for debt premiums at VoiceStream/PowerTel, which result from the difference between the repayment amount and the higher fair value of bonds.

The accruals for unused telephone units on phone cards sold are made for payment receipts for telephone services for which services have as yet not been performed. The increase compared with 2000 is a result of the consolidation of VoiceStream/PowerTel.

29 Liabilities.

millions of €	Dec. 31, 2001				Dec. 31, 2000			
	Total	of which due			Total	of which due		
		within one year	in one to five years	after five years		within one year	in one to five years	after five years
Debt								
Bonds and debentures	58,301	12,598	28,447	17,256	51,344	12,774	27,669	10,901
Liabilities to banks	8,730	754	4,984	2,992	9,013	2,438	1,772	4,803
	67,031	13,352	33,431	20,248	60,357	15,212	29,441	15,704
Other								
Advances received	371	357	14	-	297	297	-	-
Trade accounts payable	4,827	4,792	35	-	4,029	3,936	93	-
Liabilities on bills accepted and drawn	1	1	-	-	1	1	-	-
Payables to subsidiaries	104	103	1	-	24	24	-	-
Liabilities to other companies in which an equity interest is held	152	152	-	-	74	65	-	9
Other liabilities	6,565	5,243	355	967	4,705	3,642	199	864
of which: from taxes	(2,200)	(2,200)	-	-	(679)	(679)	-	-
of which: from social security	(131)	(131)	-	-	(109)	(109)	-	-
	12,020	10,648	405	967	9,130	7,965	292	873
Total liabilities	79,051	24,000	33,836	21,215	69,487	23,177	29,733	16,577

The main items under bonds and debentures are old bonds issued by Deutsche Bundespost amounting to EUR 25.5 billion and a global bond issued in the second half of 2000. This bond, issued by DT Finance, amounting to EUR 15.4 billion, is structured as follows:

Tranche	Nominal amount in currency	Nominal amount in €	Interest rate	Maturity
EUR	2 250 000 000	2,250,000,000	6.125 %	2005
EUR	750 000 000	750,000,000	6.625 %	2010
GBP	625 000 000	1,026,104,088	7.125 %	2005
GBP	300 000 000	492,529,962	7.125 %	2030
USD	3 000 000 000	3,400,242,551	7.750 %	2005
USD	3 000 000 000	3,400,242,551	8.000 %	2010
USD	3 500 000 000	3,966,949,642	8.250 %	2030
JPY	90 000 000 000	777,944,681	1.500 %	2005

DT Finance issued a eurobond for EUR 8 billion in 2 tranches in 2001:

Tranche 1 for EUR 4.5 billion (5.875 %) has a maturity of 5 years and is to repay medium-term notes (MTN) in the DT Finance debt issuance program and to repay other bonds obligations of Deutsche Telekom AG.

Tranche 2 for EUR 3.5 billion (6.625 %) has a maturity of 10 years. If Deutsche Telekom AG is downgraded by the rating agencies Standard & Poor's (S&P) and Moody's to level BBB (S&P) or Baa2 Moody's), the coupon of the global bond and the eurobond will increase by 0.5 % from the next interest period. In the same way, the coupon will be reduced to the original interest rate if Deutsche Telekom AG is promoted back to A-level.

Breakdown of bonds and debentures in millions of euros as follows:

Effective interest rate Due in	up to 6 %	up to 7 %	up to 8 %	up to 9 %	over 9 %	Total
2002	4,726	–	5,317	2,555	–	12,598
2003	2,828	2,556	–	–	94	5,478
2004	1,157	3,068	6,212	156	–	10,593
2005	778	2,250	4,427	–	–	7,455
2006	4,921	–	–	–	–	4,921
after 2006	2,104	4,456	4,422	3,967	2,307	17,256
	16,514	12,330	20,378	6,678	2,401	58,301

Liabilities to banks (mainly loan notes and short-term loans) due in the next 5 years and thereafter are in millions of euros as follows:

Due in	Amounts
2002	754
2003	810
2004	524
2005	3,465
2006	185
after 2006	2,992
	8,730

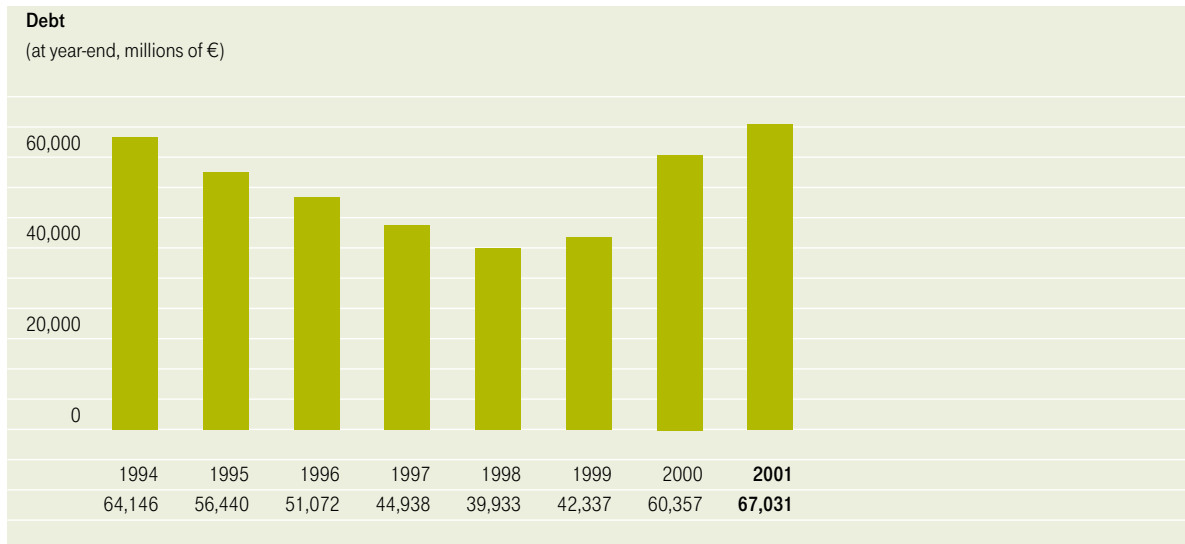
The average effective interest rate of total debt is for:

Bonds and debentures	6.81% p.a. (2000: 6.50 % p.a.)
Liabilities to banks	5.82% p.a. (2000: 6.70 % p.a.)

Deutsche Telekom has agreements with a number of banks pursuant to which it can draw on credit facilities up to EUR 32.7 billion. These include consortium credits agreed by Deutsche Telekom and One 2 One for EUR 13 billion (Deutsche Telekom consortium credit) and EUR 5.75 billion (One 2 One consortium credit). Deutsche Telekom is the guarantor for the One 2 One consortium credit. The valuation of the interest rates depends on Deutsche Telekom's rating, the amount of the consortium credit and the LIBOR rate plus margin ranking to be applied, from 0.30 % now to 0.425 %.

There were no outstanding debts relating to the Deutsche Telekom consortium credit at December 31, 2001. EUR 4.01 billion of the One 2 One consortium credit had been used at December 31, 2001; this is due to be paid out the first quarter of 2002. EUR 1.74 billion is still available. This credit has an average interest rate including the loan commitment fee of 4.65 %, which corresponds to 0.38 %/0.15 % over the LIBOR rate. The consortium credits expire on October 2, 2007.

The development of debt is shown in millions of euros as follows:



The Company's original debt was raised principally to finance the development of the communications networks in eastern Germany. The reasons for the increase in debt in 2000 include the payment for UMTS licenses, the initial investment in VoiceStream/Powertel, the increase in the shareholding

in MATÁV and the acquisition of Slovenské and T-Systems ITS. The increase in debt in 2001 is mainly attributable to the acquisition and consolidation for the first time of VoiceStream/Powertel.

Other liabilities.

	Dec. 31, 2001 millions of €	Dec. 31, 2000 millions of €
Interest	1,586	1,558
Loan notes	659	658
Rental and leasing obligations	569	451
Liabilities to employees	153	183
Other	3,598	1,855
	6,565	4,705

Other liabilities include taxes of EUR 2,200 million (Dec. 31, 2000: 679 million) and special security liabilities of EUR 131 million (Dec. 31, 2000: EUR 109 million).

Liabilities include borrowings of EUR 17,799 million (2000: EUR 13,818 million).

Liabilities in the amount of EUR 120 million (2000: EUR 28 million) payable by subsidiary companies to banks and third parties are collateralized. Deutsche Telekom AG has provided no collateral against its liabilities.

In accordance with Postreform II (§ 2 paragraph 4 of the Stock Corporation Transformation Act – Postumwandlungsgesetz), the Federal Republic is guarantor of all Deutsche Telekom AG's liabilities which were outstanding at January 1, 1995.

Notes to the consolidated statement of cash flows.

The consolidated statement of cash flows has been prepared in conformity with International Accounting Standard (IAS) No. 7, Cash Flow Statements. Besides IAS 7, German Accounting Standard (DRS) No. 2, cash flow, as approved by the German Standardization Council (DSR), is also used in preparing the consolidated statement of cash flows.

Liquid assets and short-term investments with original maturities of less than 3 months at the date of purchase are considered cash equivalents in drawing up the consolidated statement of cash flows. These current cash and cash equivalents increased by EUR 1,732 million to EUR 2,738 million in the year under review.

30 Net cash provided by operating activities.

Net cash provided by operating activities amounted to EUR 11,934 million in 2001. This represents an increase of EUR 1,934 million over the previous year. Taking into consideration the increase in net interest payments of EUR 1,391 million, cash generated from operations increased by EUR 3,325 million or 25.7% to EUR 16,271 million. The result for the Group is EUR 9,380 million lower than in the previous year, but the positive result in 2000 was influenced to a considerable extent by transactions which are assigned to net cash provided by financing activities (proceeds from the acquisition of new shareholders in the course of the initial public offering of T-Online of approximately EUR 2.7 billion) or net cash used for investing activities (sale of shares in Global One (EUR 2.9 billion) and the sale of shares in the cable companies in North-Rhine Westphalia and Hesse (EUR 3.0 billion)) or had not yet had any effect on cash flows (proceeds from the sale of WIND for EUR 2.3 billion).

Correspondingly, the proceeds from the sale of Sprint shares in the period under review (EUR 1.9 billion), the sale of the cable business in Baden Württemberg (EUR 0.9 billion) and the sale of receivables (ABS transactions) for EUR 1.4 billion are allocated to net cash used for investing activities and thus also have no effect on net cash provided by operating activities. In addition, the Group's results were burdened by an increase of EUR 2,230 million in depreciation and amortization compared with the previous year, which have no effect on cash flows. Furthermore, in contrast to 2000, no income taxes were paid in 2001 although income tax expense was considerably higher than in the previous year.

31 Net cash used for investing activities.

Net cash used for investing activities decreased in the 2001 financial year by EUR 22,341 million to EUR 5,365 million. The considerably higher level of net cash used for investing activities in the previous year was mainly attributable to the

large payment for the acquisition of UMTS licenses in the United Kingdom, Germany and Austria amounting to a total of EUR 15.3 billion and the acquisition of shareholdings. Payments totaling EUR 5.7 billion were made in the year under review for the acquisition of fully consolidated companies, in particular VoiceStream/Powertel.

In addition, Deutsche Telekom invested EUR 11,366 million in noncurrent assets. This is offset by divestments of EUR 4,868 million, of which EUR 2.7 billion relates to the sale of shares in Wind. The Group also received EUR 1.0 billion from the sale of fully consolidated companies, EUR 0.9 billion of which related to the sale of cable activities in Baden Württemberg alone. The sale of receivables (EUR 1.4 billion) and the change in cash and cash equivalents (greater than three months to maturity) and marketable securities (EUR 4,440 million) also had a positive effect on net cash used for investing activities, of which EUR 3.4 billion relates to the sale shares in Sprint. The issue of 1,168 million new T-Shares (market value of EUR 28.7 billion) as part of the purchase price for the acquisition of VoiceStream/Powertel is to be reported as a major transaction which did not lead to a change in the cash levels (cash-less transaction).

(billions of €)	Purchase price	Acquired liquid assets	Net outflow
VoiceStream/Powertel	5.1	(1.0)	4.1
GTE Wireless Cincinnati	0.2	-	0.2
RadioMobil	0.6	-	0.6
Croatian Telecom	0.5	(0.1)	0.4
Maktel	0.3	-	0.3
Other	0.1	-	0.1
			5.7

32 Net cash provided by (used in) financing activities.

Net cash provided by financing activities shows a net cash outflow of EUR 4,811 million, compared with an inflow of EUR 17,863 million in the previous year. Balanced, debt was decreased in the period under review by EUR 2,906 million, compared with an increase of EUR 16,520 million in the previous year. Whereas there were no equivalent inflows from capital increases in the year under review, the Group also received liquid assets of EUR 3.1 billion from the initial public offering of T-Online alone in 2000. There was an outflow of liquid assets of EUR 1.9 billion from the payment of dividends in 2001, unchanged from the previous year.

Other information.

33 Guarantees and commitments, and other financial obligations.

Guarantees and commitments.

	Dec. 31, 2001 millions of €	Dec. 31, 2000 millions of €
Guarantees	224	35
Liabilities arising		
from warranty agreements	66	81
Collateral granted		
against third party liabilities	0	49
	290	165

The increase relates mainly to guarantees given by T-Mobile International AG for Belgacom N.V./S.A., Belgium (EUR 134 million), and Tele Danmark A/S, Denmark (EUR 56 million) to hedge loans granted to BEN Nederland Holding B.V., Netherlands.

Otherwise, guarantees and commitments serve Deutsche Telekom's day-to-day business activities.

Other financial obligations.

(millions of €)	Dec. 31, 2001			Dec. 31, 2000		
	Total	in the following financial year	from the second year after the balance sheet date	Total	in the following financial year	from the second year after the balance sheet date
Present value of payments to special pension fund	9,372	845	8,527	9,935	912	9,023
Purchase commitments for interest in other companies	6,872	5,022	1,850	8,345	1,144	7,201
Obligations under rental and lease agreements	6,839	1,269	5,570	5,607	1,020	4,587
Purchase commitments for capital projects in progress including obligations arising from future expenditure	3,201	3,142	59	3,911	2,017	1,894
Commitments arising from transactions not yet settled	444	315	129	473	192	281
Total other financial obligations	26,728	10,593	16,135	28,271	5,285	22,986

The present value of payments required to be made by Deutsche Telekom AG on the basis of the life expectancy tables by Prof. Dr. Klaus Heubeck ("Richttafeln 1998"), in accordance with Postreform II, to the special pension fund for civil servants or its successor amounted to EUR 9,372 million at December 31, 2001, of which EUR 3.9 billion relates to the future payments for pensions of civil servants.

Purchase commitments for interests in other companies relate mainly to the option of DaimlerChrysler AG, Stuttgart, to sell Deutsche Telekom the remainder of its shares in T-Systems ITS GmbH, Leinfelden-Echterdingen, (EUR 4.7 billion); this option was exercised at the beginning of 2002.

Furthermore, T-Mobile International AG has committed itself in the form of a shareholder agreement, for the term of the agreement, to take over additional shares in BEN Nederland

Holding B.V., Netherlands. The exercise price for this financial obligation has been fixed at EUR 1.7 billion. There is also an obligation of EUR 153 million to acquire further shares in PTC, Polska Telefonica Cyfrowa, Poland.

The increase in obligations under rental and lease agreements relates mainly to the obligations of VoiceStream/Powertel, USA, which are consolidated for the first time.

The decrease in purchase commitments for capital projects in progress is mainly attributable to the decrease in purchase commitments.

The commitments arising from transactions not yet settled relate mainly to contractual obligations of T-Mobile International AG.

Deutsche Telekom is a party to a number of lawsuits and other proceedings arising out of the general conduct of its business, including proceedings under laws and regulations related to environmental and other matters. Litigation accruals include the costs of litigation and any probable losses.

The Company does not believe that any additional costs will have a material adverse effect on the net worth, financial position and results of the Deutsche Telekom Group.

34 Financial instruments.

Fair value.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation

sale. The following is a summary of the estimated fair value of Deutsche Telekom's financial instruments:

	Dec. 31, 2001		Dec. 31, 2000	
	Fair value millions of €	Net carrying amount millions of €	Fair value millions of €	Net carrying amount millions of €
ASSETS				
Other investments in related companies	2,024	1,895	8,325	7,456
Other long-term loans	534	534	562	562
Other investments in noncurrent securities	880	879	1,094	1,106
Receivables	6,826	6,826	7,159	7,159
Liquid assets	2,868	2,868	1,893	1,893
Other investments in marketable securities	702	702	3,963	2,370
LIABILITIES				
Bonds and debentures	59,171	58,301	52,203	51,344
Liabilities to banks	8,730	8,730	9,013	9,013
Other	12,020	12,020	9,130	9,130
Derivative financial instruments¹				
Interest rate swaps	532	(34)	296	(46)
Interest rate caps/collars purchased	(3)	(1)	1	1
Cross currency interest rate swaps sold	(152)	270	(373)	44
Foreign currency forward contracts	(250)	(81)	163	(4)
Foreign currency options contracts	0	0	17	138

¹ Non-bracketed amounts represent assets, bracketed amounts represent liabilities.

Fair values were determined as follows:

The fair value of other investments in noncurrent securities and in marketable securities is based on quoted market prices for those instruments or similar instruments. The net carrying amount of other investments in marketable securities is adjusted to market value where market value is less than the original investment. The net carrying amounts of trade accounts receivable approximate their fair values, due to the short period to maturity. The net carrying amounts of liquid assets also reflect reasonable estimates of fair value due to the relatively short period to maturity of the instruments.

The fair value of debt which is publicly traded, primarily bonds and debentures, is estimated based on quoted market prices at year end. The book values of liabilities to banks, and other liabilities, approximate their fair values.

The fair value of off-balance sheet financial instruments generally reflects the estimated amount the Company would receive or pay to terminate the contracts at the reporting date,

thereby taking into account the current unrealized gains and losses of open contracts. The estimated fair values of derivatives used to hedge or modify the Company's risk will vary substantially with future changes in interest rates or with fluctuations in foreign exchange rates. These fair values should not be viewed in isolation, but rather in relation to the fair values of the underlying hedged transactions and the overall reduction in the Company's exposure to adverse fluctuations in interest and foreign exchange rates.

The fair values of investments in associated and related companies, which have carrying values of EUR 2,372 million and EUR 8,231 million at December 31, 2001 and 2000, respectively, were not practicably determinable, except for the investments in New Skies Satellite, VocalTec and Secunet, because they are not publicly traded and cannot be sold due to contractual restrictions at this point in time. New Skies Satellite, VocalTec and Secunet are valued at their market values based on share prices.

Derivative financial instruments.

The Company uses derivative financial instruments for the purpose of hedging interest rate and currency exposures which arise from its ongoing business operations. The Company's policy is to hold or issue derivative financial instruments to eliminate risk exposures instead of creating new risk. Derivative financial instruments are subject to internal controls.

Derivatives classified as hedging instruments are those entered into for the purpose of matching or eliminating risk from potential movements in interest rates and foreign exchange rate inherent in the Company's assets and liabilities. A derivative is designated as a hedge where there is an offset between the effects of potential movements in the derivative and designated underlying asset, liability or position being hedged. Such derivatives are reviewed regularly for their effectiveness as hedge instruments. Derivative instruments designated as hedges are accounted for on the same basis as the hedged item.

The Company uses interest rate swaps and cross currency interest rate swaps in particular to reduce its exposure to interest rate and market value volatility on certain debt issues and deposit instruments and manage its interest expense by setting an agreed mix of floating and fixed-rate debt and deposit instruments per currency. Interest rate swaps are designated as hedging instruments for specific liabilities or groups of similar liabilities. Cross currency interest rate swaps usually swap foreign currency bonds or medium-term notes in required target currencies.

Gains or losses related to changes in the value of interest rate swaps are generally not recognized. Interest rate swaps related to deposit instruments are marked to market and resultant negative values are accrued and included as a component of net interest expense; gains are recognized upon realization. Interest rate swaps which are not designated as hedging instruments for balance sheet assets and liabilities (which are mainly hedges of planned future transactions) are assigned to the interest instrument valuation portfolio. Unrealized gains and losses from changes in market value are netted currency for currency and resultant net losses are recognized as a component of net interest expense. The interest differential to be paid or received on interest rate swaps is recognized in the statement of earnings, as incurred, as a component of net interest expense. Gains or losses on interest rate swaps terminated prior to their maturity are recognized currently in net interest expense.

The Company uses foreign currency forward contracts and foreign currency options purchased as well as cross currency interest rate swaps to reduce fluctuations in foreign currency cash flows related to capital expenditures and financial liabilities. Foreign currency forward contracts hedging firm commitments to invest in a foreign entity are not recognized at the balance sheet date. The investment in the purchased entity is capitalized using the foreign exchange rate fixed by the foreign currency forward contract. The Company purchases options to hedge firm commitments to invest in a foreign entity. A purchased option is included in other assets and measured at historical cost. Upon exercise of the option, the premium is included in the purchase cost of the asset.

Gains and losses resulting from foreign currency forward contracts, cross currency interest rate swaps and foreign currency financing which relate to the net investments in foreign entities are recorded in the cumulative translation adjustment account.

Foreign currency forward contracts hedging other payments and receipts are assigned to foreign currency portfolios categorized by foreign currency type with the related financial instruments.

These portfolios are marked to market at the balance sheet date and resultant negative portfolio values are accrued

under other liabilities. Valuation gains and losses are netted portfolio for portfolio. An accrual for loss contingencies is established for each portfolio for the amount of the excess loss. Excess gains are not recognized. The forward foreign exchange contracts fix amounts the Company is required to pay in the future in EUR for a contractually fixed amount of foreign currency forward contracts and currency options.

The following is a summary of the contract or notional principal amounts outstanding at December 31, 2001 and 2000:

	Dec. 31, 2001		Dec. 31, 2000	
	Maturity	Notional amount millions of €	Maturity	Notional amount millions of €
Interest rate swaps (EUR)				
Receive fixed/pay variable	2002-2010	9,686	2001-2008	3,112
Receive variable/pay fixed	2002-2010	3,251	2005-2010	3,154
Interest rate swaps (US\$)				
Receive fixed/pay variable	2002-2030	11,249	2002-2030	10,670
Receive variable/pay fixed	2002-2008	595	2002-2008	457
Interest rate swaps (GBP)				
Receive variable/pay fixed	2002-2030	9,243	2002-2030	10,517
Forward receive variable/pay fixed	2004-2005	1,642	-	-
Interest rate swaps (JPY)				
Receive fixed/pay variable	2005	778	2005	842
Interest rate swaps (CZK)				
Receive fixed/pay variable	2004	13	-	-
Interest rate caps/collars purchased	2002-2003	400	2002-2003	434
Cross currency interest rate swaps sold	2002-2030	15,129	2001-2030	16,243
Foreign currency forward contracts				
Forward purchases	2002-2008	229	2001	754
Forward sales	2002-2004	12,336	2001-2003	8,434
Currency options	2002	15	2001-2002	4,845

The terms of the EUR-receive fixed, pay variable interest rate swaps provide for Deutsche Telekom to receive interest at fixed rates (weighted average 4.7 % per annum) and pay interest at variable rates (generally based on the six-month Euribor rate). The terms of the EUR-receive variable, pay fixed interest rate swaps provide for Deutsche Telekom to receive interest at variable rates (generally based on the six-month Euribor rate) and pay interest at fixed rates (weighted average of 5.7 % per annum).

The terms of the GBP-receive variable, pay fixed interest rate swaps provide for Deutsche Telekom to receive interest

at variable rates (generally based on the six-month GBP-LIBOR rate) and pay interest at fixed rates (weighted average of 6.4 % per annum for the GBP receive variable, pay fixed interest rate swaps and 6.1 % per annum for the forward contracts).

The terms of the JPY-receive fixed, pay variable interest rate swaps provide for Deutsche Telekom to receive interest at fixed rates of 1.5 % per annum which are swapped for variable rates (generally based on the six-month JPY-LIBOR rate).

The terms of the USD-receive fixed, pay variable interest rate swaps provide for Deutsche Telekom to receive interest at fixed rates (weighted average of 7.9% per annum) which are swapped for variable rates (generally based on the six-month and the three-month USD-LIBOR rate). The terms of the USD-receive variable, pay fixed interest rate swaps provide for Deutsche Telekom to pay interest at fixed rates (weighted average of 6.2% per annum) which are swapped for variable rates (generally based on the six-month and the three-month USD-LIBOR rate).

The terms of the CZK-receive fixed, pay variable interest rate swaps provide for Deutsche Telekom to receive interest at fixed rates of 8.1% per annum which are swapped for variable rates (generally based on the six-month Pribor rate).

The terms of the cross currency interest rate swaps provide for Deutsche Telekom to receive and pay interest at variable rates.

Amounts received and paid under all these interest rate swaps and cross currency interest rate swaps, which are dependent on the notional amounts and the contractual interest rates, are settled annually, semi-annually or quarter-annually.

The interest rate caps purchased have one to two-year terms and provide for Deutsche Telekom to receive excesses over a specified reference interest rate. For some of the caps, option contracts were written in order to reduce the premium (purchase of interest rate collars).

The notional amounts of the derivative financial instruments do not generally represent amounts exchanged by the parties and, therefore, are not a direct measure of the exposure of the Company through its use of derivatives. The amounts exchanged are calculated by reference to the notional amounts and by the other terms of the derivatives, such as interest rates, exchange rates or other indices.

35 Segment information by divisions.

Deutsche Telekom applies Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131) and the German Accounting Standard No. 3 "Segment Reporting" (DRS 3) for the calculation of segment information. In accordance with the aforementioned, companies must disclose information on their operational segments in accordance with their internal reporting structures. Under SFAS No. 131 and DRS 3, Deutsche Telekom has the following operational segments for which reporting is required: T-Com, T-Systems, T-Mobile and T-Online. The segments for which reporting is required are strategic divisions which differ in their products and services, their relevant sub-markets, the profile of their customers and their regulatory environment.

Deutsche Telekom has focused its strategy on the strongest growth segments of global telecommunications. The Group is thus represented on all the important T.I.M.E.S. markets: telecommunications, information technology, multimedia, entertainment and security services. As a universal provider, Deutsche Telekom is thus responding to the massive trend across the industry for the convergence of technologies, networks, products and services. In order to be able to serve the T.I.M.E.S. markets in the best possible way, Deutsche Telekom has been structured in four divisions since 2001.

The valuation methods used for the group segment reporting correspond mainly to those used in the German consolidated financial statements. Deutsche Telekom evaluates the segments' performance based on their income before taxes including extraordinary income (loss). No single matter in the 2001 financial year was shown in the Deutsche

Telekom Group's extraordinary income / loss; the expenses for the initial public offering of T-Online and the planned initial public offering of T-Mobile International AG accounted for the extraordinary loss of EUR 159 million in 2000.

Revenues generated and goods and services exchanged between segments are, as far as possible, calculated on the basis of market prices. Income taxes and taxes chargeable as expense are not assigned to individual segments. With the exception of depreciation and amortization, no major noncash items are shown in the segments. The income (loss) related to associated and related companies relates to income from investments and associated companies, as well as write-downs of financial assets and marketable securities.

Segment assets under segment reporting include the remaining book value of property, plant and equipment, intangible assets and financial assets. Segment investments are defined as increases in these areas. In addition, the segment assets and segment investments are shown by geographical regions; assignment to the individual regions is generally by the location of the asset. Please refer to (1) in the notes to the consolidated financial statements for the presentation of revenue by regions. In accordance with DRS 3, liabilities have been assigned to the segments since the 2000 financial year. As part of Group segment reporting, these include debt and other liabilities, excluding tax liabilities.

		Net revenue	Revenue between segments	Depreciation and amortization	Net interest expense	Income (loss) re- lated to associated and related companies	Income (loss) before taxes	Segment assets	Segment invest- ments	Segment liabilities	Employees ¹
millions of €											
T-Com	2001	19,362	6,723	(4,789)	(260)	(525)	3,244	28,375	5,094	11,357	117,655
	2000	20,170	7,441	(6,036)	(737)	(239)	4,373	29,446	3,783	15,807	121,514
	1999	21,606	5,068	(5,077)	(1,406)	2	1,803	-	-	-	-
T-Systems	2001	11,211	2,577	(1,313)	(2)	13	(289)	5,045	1,289	4,260	41,528
	2000	8,460	2,226	(754)	(114)	15	2,498	5,259	3,536	5,669	23,695
	1999	6,018	1,965	(494)	(108)	(53)	(219)	-	-	-	-
T-Mobile	2001	12,994	1,643	(6,324)	(3,008)	(204)	(6,399)	86,704	28,418	21,657	30,124
	2000	8,994	1,362	(2,337)	(1,370)	(127)	(2,350)	40,230	25,483	31,421	16,757
	1999	5,153	1,183	(850)	(78)	(134)	632	-	-	-	-
T-Online	2001	1,338	111	(189)	168	(134)	(233)	983	118	258	3,008
	2000	1,038	90	(93)	127	(9)	2,628	1,208	1,212	464	2,162
	1999	813	55	(25)	3	0	154	-	-	-	-
Other	2001	3,404	4,583	(2,160)	(1,088)	(359)	1,629	25,733	2,888	41,891	49,345
	2000	2,277	4,834	(1,758)	(1,074)	2,213	1,154	30,644	9,149	16,984	40,904
	1999	1,880	5,300	(2,042)	(974)	(165)	497	-	-	-	-
Reconciliation	2001	0	(15,637)	(446)	52	(1)	(456)	(124)	(109)	(2,572)	-
	2000	0	(15,953)	(2,013)	71	14	(1,970)	(181)	(95)	(1,537)	-
	1999	0	(13,571)	22	17	7	77	-	-	-	-
Group	2001	48,309	0	(15,221)	(4,138)	(1,210)	(2,504)	146,716	37,698	76,851	241,660
	2000	40,939	0	(12,991)	(3,097)	1,867	6,333	106,606	43,068	68,808	205,032
	1999	35,470	0	(8,466)	(2,546)	(343)	2,944	-	-	-	-

¹ Average figures for the year.

Segments by geographic area.

millions of €	Segment assets		Segment investments	
	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2000
Germany	55,490	59,021	7,669	16,404
European Union (excluding Germany)	26,499	31,962	1,908	15,402
Rest of Europe	12,218	9,188	1,952	5,458
North America	51,527	5,668	25,519	5,618
Other	982	767	650	186
Group	146,716	106,606	37,698	43,068

T-Com.

Within the "four-pillar strategy", T-Com is responsible in particular for Deutsche Telekom's fixed network business. This also includes the provision of network platforms and the creation, expansion and support of appropriate network infrastructures. This range of services is complemented by special additional services such as public telecommunications, directory inquiries, call centers and freecall and shared-cost numbers, the terminal equipment business, which is managed by T-Com Sales, services with international carriers and a broad range of products and services for data communications. T-Com provides this wide range of services for 41 million residential and small business customers and around 420,000 medium-sized business customers.

The decrease in net revenue of EUR 808 million to EUR 19,362 million is mainly attributable to the partial sale of the cable business (in Hesse and North-Rhine Westphalia in the third quarter of 2000 and Baden-Württemberg in the third quarter of 2001). Substitution effects in the City region from fixed network to mobile calls continued to contribute to the decrease in revenue, as well as price measures which were implemented as a result of directives from the Regulatory Authority and the continued intense price pressure from competitors in the domestic long-distance sector in particular. The decrease in revenue from call charges is offset by higher earnings from line installation and rental charges, which are mainly attributable to the increase in the number of ISDN channels and T-DSL lines. The decrease in net revenue in the T-Com segment is also attributable to price reductions for international traffic terminating in the mobile and fixed networks.

Revenue from business with other segments amounting to EUR 6,723 million relates mainly to network and support services billed by T-Com to other segments and the provision of fixed-network terminal equipment for other segments.

The depreciation and amortization item reflects the depreciation on the noncurrent assets assigned to this segment. The decrease in depreciation and amortization is attributable to the sale of part of the cable network and a nonscheduled write-down in the previous year on parts of the copper cable long-distance network and telecommunications equipment amounting to EUR 971 million. There were no comparable write-downs in 2001. The positive development of net interest expense is attributable in particular to lower debts in this segment. The decrease in the result related to associated and related companies in the period under review relates mainly to write-downs on financial assets and a poorer result related to associated and related companies at Kabel Deutschland.

Income before taxes in this segment of EUR 3,244 million was lower than last year. Besides the aforementioned changes in revenue, depreciation and amortization, results related to associated and related companies and net interest expense, this development is particularly attributable to the high level of other operating income relating to the sale of the cable companies in North-Rhine Westphalia and Hesse in 2000 for EUR 2,964 million. The only comparable development in the period under review relates to the proceeds from the sale of the cable companies in Baden Württemberg and the regional Kabelservice companies in North-Rhine Westphalia and Baden Württemberg amounting to EUR 997 million.

The decrease in segment assets from EUR 28,375 million relates in particular to a decrease in property, plant and equipment at T-Com. This is mainly attributable to the sale of parts of the cable network and scheduled depreciation of property, plant and equipment. The investments in T-Com's segment assets were mainly made in technical equipment and advance payments and construction in progress. The decrease in segment liabilities is primarily a consequence of lower debts.

T-Systems.

T-Systems is responsible for serving Deutsche Telekom's domestic and international named accounts. T-Systems offers comprehensive services from the field of information technology (IT) and telecommunications (TC) as well as e-business solutions from the IT/TC convergence sector. Together with T-Systems ITS, acquired in the fourth quarter of 2000 as debis Systemhaus (now: T-Systems ITS GmbH), Deutsche Telekom has grown into the second-largest systems house in Europe.

As in the previous year, the net revenue in the T-Systems segment increased further in 2001 to EUR 11,211 million. The increase is predominantly attributable to the consolidation of the T-Systems ITS group for the full financial year. Furthermore, DeTeSystem generated increased revenues from systems solutions, such as with the Deutsche Post project. The business area Carrier Services National continued to contribute to the increase in revenue. The area Carrier Services National has been part of the T-Com division since January 1, 2002. In return, the area Carrier Services International, previously part of T-Com, is being reassigned to the T-Systems segment.

Revenue from business with other segments also increased slightly to EUR 2,577 million. T-Systems CSM and T-Systems Nova in particular contributed to the increase in revenue. T-Systems CSM and T-Systems Nova mainly bill IT/development services to the other segments.

The increase in depreciation and amortization and the positive development of the net interest expense relate mainly to the inclusion of T-Systems ITS for the full twelve months. This led, above all, to increased amortization of goodwill. The decrease in income before taxes is furthermore attributable to the high level of proceeds from the sale of Global One (EUR 2,864 million) in early 2000. There was no income comparable with these proceeds in 2001. Excluding the sale of these shares, income before taxes improved slightly in 2001 compared with the previous year. The loss before taxes of EUR 289 million was also influenced by losses on written-off receivables from national carriers.

Segment assets amounting to EUR 5,045 million consist mainly of intangible assets, in particular goodwill relating to T-Systems ITS. Segment liabilities are influenced mainly by the level of debts.

T-Mobile.

The business of T-Mobile combines all the activities of the T-Mobile International group. Via its subsidiaries, T-Mobile currently offers a transatlantic GSM mobile communications network and thus the advantages of a uniform technical platform, mainly for a broad range of customers in Germany, the United Kingdom, the USA, Austria and the Czech Republic. T-Mobile also holds stakes in Poland, the Netherlands, Russia and Canada. Besides T-Mobile International AG as the parent company, the companies fully consolidated include T-Mobile Deutschland GmbH, One 2 One, VoiceStream/Powertel, max.mobil., RadioMobil and T-Motion.

The increase in net revenue by EUR 4,000 million to EUR 12,994 million reflects in particular the considerable increase in the number of subscribers in the mobile communications networks under T-Mobile's majority control. VoiceStream/ Powertel and RadioMobil, consolidated for the first time in 2001, also had an impact on revenue. It should be noted, however, that VoiceStream / Powertel were only consolidated for 7 months and RadioMobil for 9 months.

Revenue from business with other segments amounting to EUR 1,643 million relates mainly to domestic network inter-connection services (so-called mobile-terminated calls). These services made a considerable contribution to the increase in revenue between segments.

The increased depreciation and amortization in 2001 is due not only to changes in the composition of the TMO Group (EUR 2,258 million), but also in particular to nonscheduled write-downs. The measures approved in December 2001 to standardize the brand names of the individual mobile communications operators with the aim of establishing the name T-Mobile as a global brand for mobile communications resulted in nonscheduled write-downs on goodwill of

EUR 1,040 million. In addition, the increase also relates to the amortization of UMTS licenses, included for the full year for the first time in the year under review. Scheduled amortization and depreciation relates in particular to goodwill (EUR 1,802 million), mobile communications licenses (EUR 1,445 million), and technical equipment for GSM mobile communications networks (EUR 1,419 million).

The net interest expense of EUR 3,008 million is attributable, besides the change in the composition of the Group, mainly to interest expense from loans taken out by Deutsche Telekom AG – in particular as a result of the inclusion of VoiceStream/Powertel – and DT Finance. Also included in interest expense is an early repayment penalty of EUR 569 million arising from the conversion of loans from Deutsche Telekom AG to shareholders' equity in the year under review.

The increase in segment assets relates mainly to the acquisition of VoiceStream/Powertel. While both intangible assets and property, plant and equipment increased, financial assets decreased as the initial investment in VoiceStream/Powertel made in 2000 was included in the acquisition costs and was thus eliminated by the full consolidation of the company. The considerable decrease in segment liabilities is a result in particular of the conversion of loans from Deutsche Telekom AG to shareholders' equity. The increase in bonds due to the changes in the composition of the Group and the increase in the syndicated loan for One 2 One had an off-setting effect.

T-Online.

The T-Online segment is one of the largest online providers in Europe, measured in terms of subscriber numbers and revenue. It is represented with companies in France, Spain, Portugal, Austria and Switzerland. T-Online is the business area for the Internet consumer market and focuses on the growth areas of access and portal business (advertising/e-commerce). Besides the T-Online Group, the T-Online segment also includes DeTeMedien.

The net revenue of the T-Online segment increased further in the year under review by EUR 300 million to EUR 1,338 million and thus continued the trend of 1999 and 2000. The positive developments in both the access and portal business areas make particular contributions to the revenue growth in 2001. The reasons for the increase in revenue are the increased subscriber numbers in the access area and increased portal revenues and the inclusion of Ya.com for the full year in the non-access area. The decreased revenues from DeTeMedien, a result of the spin off of the media publishing house and the card business to DeTeCard, only had a minor impact on the revenue of the T-Online segment.

T-Online also recorded a slight increase in revenue to EUR 111 million from the internal provision of services between segments. The revenue between segments relates mainly to portal revenues for the use of the T-Online homepage.

The marked decrease in income before taxes is mainly attributable to the fact that high level of proceeds relating to the initial public offering of T-Online International AG and the capital increase of comdirect were recorded in the previous year. There were no comparable activities in 2001. Excluding these one-time effects in 2000, the income before taxes is at approximately the same level as in the previous year. T-Online's increased revenues are offset by increased amortization of goodwill, particularly on companies in the T-Online subgroup acquired in 2000, and the decreased results from associated and related companies due to the negative development of results from comdirect and T-Motion.

Assets of the T-Online segment decreased, which is mainly attributable to the amortization of goodwill. The decrease in segment liabilities relates mainly to liabilities to subsidiaries.

Other.

"Other" includes Deutsche Telekom Group headquarters, competence centers (including customer billing), real estate and several foreign companies such as the Hungarian company MATÁV and Slovenské, which was consolidated for the first time in the fourth quarter of 2000. Croatian Telecom, fully consolidated since the fourth quarter of 2001, is also shown here. MATÁV, Slovenské and Croatia Telecom have been assigned to the T-Com segment since January 1, 2002.

The increase in net revenue to EUR 3,404 million was influenced considerably by the inclusion for the first time of Croatian Telecom and the Macedonian company Maktel and the full-year consolidation of Slovenské. Besides these consolidation effects, increased net revenue at MATÁV, particularly in the areas of mobile communications and access and call charges, also had a positive effect.

Revenue from business with other segments amounting to EUR 4,583 million relates mainly to revenues from real estate business with T-Com.

The increase in depreciation and amortization mainly relates to a nonscheduled write-down on real estate which, however, is offset by proceeds in the same amount from the reversal of accruals for risks previously calculated as a lump sum. The decrease in the result related to associated and related companies is primarily attributable to the non-recurrence of the high proceeds of the equity stake relating to DT-FT Italian Holding of EUR 2,328 million in the previous year, generated by the sale of shares in Wind, and the valuation allowance of EUR 312 million for the stake in France Télécom.

The development of results was also marked by proceeds from the sale of Sprint FON and PCS shares and one-time expenses (totaling EUR 1,850 million) relating mainly to the sale of these shares.

The decrease in segment assets to EUR 25,733 million is attributable in particular to the decrease in financial assets. The dividend payment of DT-FT Italian Holding in particular led to a lower net carrying value of the equity stake. Furthermore, the sale of Mediaone to T-Mobile International AG led to a decrease in the assets of this segment in the 2001 financial year. The considerable increase in segment liabilities in the period under review is attributable to the reclassification of liabilities from the T-Mobile segment to the segment "Other". The reason for this is the conversion of a considerable proportion of the loans to T-Mobile International AG into shareholders' equity.

Reconciliation.

The items to be reconciled relate mainly to consolidation measures. As part of its strategy to separate itself more quickly from a considerable proportion of its real estate portfolio, Deutsche Telekom has made a nonscheduled write-down in the form of a valuation adjustment on the asset side using average prices per square meter for groups of properties to determine individual fair values amounting to EUR 2,018 million for the 2000 financial year. The valuation of real estate, completed in the period under review, led to a further nonscheduled write-down of EUR 466 million. These valuation adjustments, which do not affect the operational segments, have no effect on the internal operation of the segments; they are almost exclusively an element of the depreciation and amortization shown in the reconciliation to U.S. GAAP.

36 Information on the Board of Management and the Supervisory Board of the Deutsche Telekom AG.

The Supervisory Board has received no Supervisory Board remuneration or meeting attendance fees so far for the 2001 financial year. After the shareholders' meeting on May 29, 2002, Supervisory Board remuneration and meeting fees amounting to EUR 549,500.00 will be paid for the 2001 financial year.

Provided that the 2001 financial statements of Deutsche Telekom AG are approved in their current form, the remuneration of the Board of Management of Deutsche Telekom will amount to EUR 17,425,106.39. Deutsche Telekom granted 1,743,908 stock options to the members of the Board of Management in the year under review.

The remuneration to be paid to former members of the Board of Management of Deutsche Telekom AG and their surviving dependents amounts to EUR 805,117.05. Accruals totaling EUR 16,491,490.00 have been established for current and future pensions of this group of persons at December 31, 2001. Pension obligations to such persons for which no accrual had to be established amounted to EUR 3,393,980.00.

The members of the Board of Management and former members of the Board of Management, respectively, have not received any loans from the Company.

37 Proposal for appropriation of net income of Deutsche Telekom AG.

The income statement of Deutsche Telekom AG reflects income after taxes of EUR 6,632,002,874.39. Of this income, EUR 3,300,000,000.00 has been transferred to retained earnings in accordance with § 22 paragraph 3 of the Articles of Incorporation. Following inclusion of the unappropriated net income of EUR 100,525,987.97 carried forward from 2000, this gives rise to cumulative unappropriated net income of EUR 3,432,528,862.36.

Under the Stock Corporation Law (Aktiengesetz – AktG), the dividends payable to shareholders are determined according to the unappropriated net income shown in the annual financial statements of Deutsche Telekom AG in accordance with German GAAP. The Supervisory Board and the Board of Management will propose to the shareholders' meeting to pay a dividend of EUR 0.37 per individual no par value share, to transfer an amount of EUR 1,870,000,000.00 to other retained earnings, and to carry forward the remaining balance as part of unappropriated net income.

Bonn, March 18, 2002

Deutsche Telekom AG
Board of Management



Dr. Ron Sommer



Josef Brauner



Dr. Karl-Gerhard Eick



Jeffrey A. Hedberg



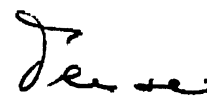
Dr. Max Hirschberger



Dr. Heinz Klinkhammer



Kai-Uwe Ricke



Gerd Tenzer

Auditors' report.

We have audited the consolidated financial statements, consisting of the statement of income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of shareholders' equity and the notes to consolidated financial statements including the segment reporting, and the combined management report of Deutsche Telekom AG and the Deutsche Telekom Group for the financial year from January 1 to December 31, 2001. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with § 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. On the whole the combined management report for the Company and the Group provides a suitable understanding of the Group's position and suitably presents the risks of future development.

Stuttgart/Frankfurt am Main, March 18, 2002

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft
Stuttgart

(Prof. Dr. Pfitzer)	(Hollweg)
Wirtschaftsprüfer	Wirtschaftsprüfer

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Frankfurt am Main

(Frings)	(Laue)
Wirtschaftsprüfer	Wirtschaftsprüfer

U.S. GAAP reconciliation.

The consolidated financial statements of Deutsche Telekom AG have been prepared in accordance with German GAAP. These rules differ in certain respects from generally accepted accounting principles in the United States (U.S. GAAP). Application of U.S. GAAP would have affected the net income (loss) for each of the years: 2001, 2000 and 1999 and balance sheet

as of December 31, 2001 and 2000. In the tables presented below, are the significant differences between German GAAP and U.S. GAAP. Detailed descriptions regarding the adjustments as well as other required U.S. GAAP disclosures are included in the Company's 2001 Annual Report on Form 20-F.

Reconciliation of net income (loss) from German GAAP to U.S. GAAP

	2001	2000	1999
	millions of €	millions of €	millions of €
Net income (loss) as reported in the consolidated financial statements under German GAAP	(3,454)	5,926	1,253
U.S. GAAP reconciling adjustments			
Valuation adjustments of fixed assets	443	2,792	-
Mobile communications licenses	2,098	865	-
Internally developed software	166	95	163
Effects of dilution gains	(396)	1,741	-
Goodwill and asset differences	(285)	(97)	5
Write-down of tradenames	1,040	-	-
Value-added tax	(27)	(169)	288
Derivatives and related foreign exchange differences	(31)	(146)	68
Implementation of SFAS 133	370	-	-
Accruals for personnel restructuring	10	(125)	(97)
Financing of fixed assets	(42)	-	-
Deferral of gains on divestitures	27	(348)	-
Deferred income	(168)	48	(129)
Implementation of SAB 101, cumulative to December 31, 1999	-	(869)	-
Capital raising and financing costs	-	120	238
Asset-backed securitization	(71)	-	-
Investments in equity investees	(182)	62	-
Effects of full consolidation of debis, net of tax	(294)	(116)	-
Other differences	253	(28)	(32)
Income taxes	1,066	(482)	(244)
Net income in accordance with U.S. GAAP	523	9,269	1,513

Reconciliation of shareholders' equity from German GAAP to U.S. GAAP

	Dec. 31, 2001 millions of €	Dec. 31, 2000 millions of €
Shareholders' equity as reported in the consolidated financial statements under German GAAP	66,301	42,716
U.S. GAAP reconciling adjustments		
Valuation adjustments of fixed assets	3,235	2,792
Mobile communications licenses	2,963	865
Internally developed software	438	272
Effects of dilution gains	1,345	1,741
Goodwill and asset differences	2,672	1,001
Write-down of tradenames	1,062	-
Unrealized gains on marketable securities	580	2,503
Value-added tax	-	27
Derivatives and related foreign exchange differences	29	(154)
Implementation of SFAS 133	338	-
Accruals for personnel restructuring	22	12
Financing of fixed assets	(42)	0
Deferral of gains on divestitures	(321)	(348)
Deferred income	(1,144)	(88)
Implementation of SAB 101, cumulative to December 31, 1999	-	(869)
Asset-backed securitization	(71)	-
Investments in equity investees	(117)	56
Effects of full consolidation of debis, net of tax	(410)	(116)
Other differences	82	40
Income taxes	2,049	(40)
Minority interest	(5,307)	(4,302)
Shareholders' equity in accordance with U.S. GAAP	73,704	46,108

Changes in shareholders' equity in accordance with U.S. GAAP

	Dec. 31, 2001 millions of €	Dec. 31, 2000 millions of €
Shareholders' equity in accordance with U.S. GAAP, on January 1	46,108	37,611
Net income in accordance with U.S. GAAP	523	9,269
Other comprehensive income		
Net change in unrealized gains on marketable securities, net of tax	(1,904)	1,458
Foreign currency translation	(684)	(480)
Additional minimum pension liability, net of tax	(158)	-
Derivatives, net of tax	(14)	-
	(2,760)	978
Capital increase due to shares issued for VoiceStream/Powertel	31,614	-
Other changes	96	124
Dividends for 2000 and 1999, respectively	(1,877)	(1,874)
Shareholders' equity in accordance with U.S. GAAP, on December 31	73,704	46,108

U.S. GAAP reconciliation

Consolidated statements of income.

The consolidated statements of income and the earnings per share in accordance with U.S. GAAP are presented below.

	2001 millions of €	2000 millions of €	1999 millions of €
Results from ordinary business activities/Income (loss) before income taxes	(144)	10,882	3,409
Income tax benefit (expense)	504	(1,106)	(1,624)
Income before income applicable to minority shareholders	360	9,776	1,785
Income applicable to minority shareholders	(63)	(70)	(272)
Net income in accordance with U.S. GAAP before effect of implementation of SFAS 133 and cumulative effect of SAB 101, in 2001 and 2000, respectively	297	9,706	1,513
Effect due to implementation of SFAS 133/SAB 101, net of tax	226	(437)	-
Net income in accordance with U.S. GAAP	523	9,269	1,513
Earnings per share/ADS under U.S. GAAP (in €)			
Earnings per share before implementation of SFAS 133/SAB 101	0.08	3.21	0.53
Cumulative effect from implementation of SFAS 133/SAB 101	0.06	(0.15)	-
Total earnings per share in accordance with U.S. GAAP	0.14	3.06	0.53

Consolidated statements of comprehensive income.

In addition to the contents of the financial statements which must be disclosed in accordance with German GAAP, comprehensive income must be disclosed under U.S. GAAP. Other comprehensive income covers certain changes to the

shareholders' equity not affecting net income and not related to capital payments, dividend payments or similar transactions with the shareholders.

	2001 millions of €	2000 millions of €	1999 millions of €
Net income in accordance with U.S. GAAP	523	9,269	1,513
Other comprehensive income			
Foreign currency translation	(684)	(480)	177
Unrealized gains on marketable securities, net of tax	67	1,458	232
Reclassification of realized gains included in net income, net of tax	(1,971)	-	-
	(1,904)	1,458	232
Additional minimum pension liability, net of tax	(158)	-	-
Derivatives, net of tax	(14)	-	-
Other comprehensive income (loss)	(2,760)	978	409
Total comprehensive income (loss)	(2,237)	10,247	1,922

Development of comprehensive income

	Foreign currency translation millions of €	Unrealized gains on marketable securities millions of €	Other developments millions of €	Cumulative other comprehensive income/(loss) millions of €
December 31, 1998	(541)	345	-	(196)
Changes	177	(232)	-	(409)
December 31, 1999	(364)	577	-	213
Changes	(480)	1,458	-	978
December 31, 2000	(844)	2,035	-	1,191
Changes	(684)	(1,904)	(172)	(2,760)
December 31, 2001	(1,528)	131	(172)	(1,569)