

T-Share does not escape negative industry trend.

- Most difficult trading year since 1987
- Downward trend of share price
- Federal Republic's stake reduced

Highest and lowest prices of the T-Share in 2001		
(Xetra closing prices)	High	Low
1st quarter	€ 38.88	€ 24.07
2nd quarter	€ 30.30	€ 23.30
3rd quarter	€ 27.56	€ 14.55
4th quarter	€ 20.50	€ 16.50
Index weightings		
	as at March 6, 2002	
DAX 30		9.60 %
DJ Euro STOXX 50 [®]		2.28 %
T-Share figures for 2001*		
Net cash provided by operating activities		€ 3.21 per share
Earnings per share (German GAAP)		€ -0.93 per share
Earnings per share (U.S. GAAP)		€ 0.14 per share
Shareholders' equity		€ 16.42 per share
Dividend proposal		€ 0.37 per share
No. of T-Shares issued (millions)		4,197.75
Market cap. at Dec. 30, 2001		€ 81 bn
Stock exchange listings		
Germany (all stock exchanges)		
New York (NYSE)		
Tokyo (TSE)		
*Calculated on the basis of more precise million figures.		

A difficult trading year

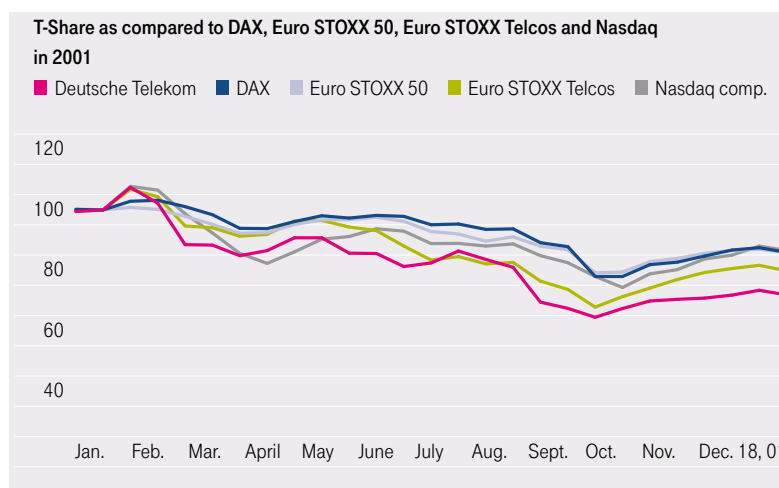
Development of stock indices. The 2001 financial year turned out to be the most difficult trading year on the capital market since 1987, both on a national and international level. The general downward market trend that began to impact on stock exchange listings in March 2000 showed no sign of a sustained let-up in 2001, particularly among shares in the telecommunications, media and technology sectors. A gradual slowdown in economic activity both in the USA and in Europe, poor performance in several high-tech sectors and, finally, the aftermath of the September 11 terrorist attacks made for difficult trading conditions, particularly among high-tech shares. Deutsche Telekom was not immune to the general negative trend. The T-Share dropped 38.3 percent during 2001, while the DAX, Euro STOXX 50 and Nasdaq Composite indices fell between 15 and 18 percent.

Germany's top-30 blue chip stock index, DAX 30, posted a loss of 17.9 percent year-end to year-end. Having opened at 6,289 points, this pivotal German index peaked at 6,795 points on January 31 and closed at 5,160 points. Closing the year at 1,950 points, the US technology index, Nasdaq, fell 14.9 percent from its opening level of 2,291 points. The Euro STOXX 50 closed at 3,806 points, down 19 percent on its 2000 year-end level (4,701 points). Closing at 477 points, the Euro STOXX Telecommunications Index posted a 27 percent drop (from 655 points at the beginning of the year). All of these indices – the T-Share included – reached their year-high in January before succumbing to the persistent downward trend, which showed no sustained signs of a turnaround during the remainder of the year.

DAX

Nasdaq

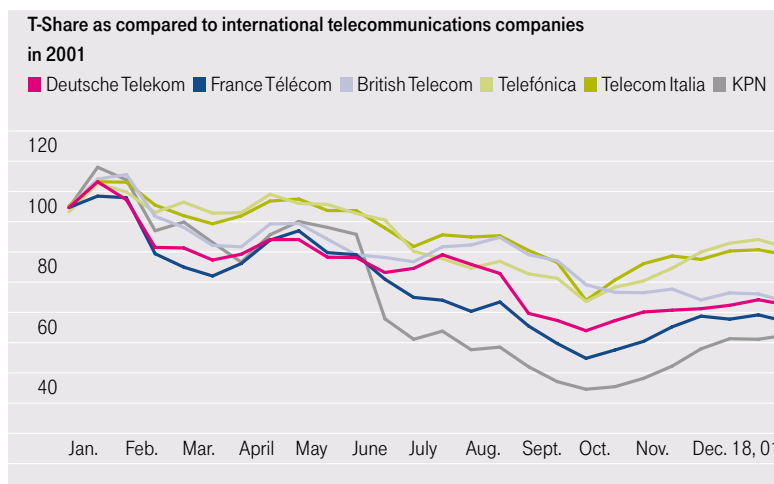
Euro STOXX



T-Share performance. The T-Share opened on January 2, 2001 at EUR 31.30 on Xetra, Germany's electronic stock exchange, and peaked at EUR 38.88 on January 19. At EUR 14.55, the T-Share recorded its year-low on September 11. Over the course of the year, we saw our share plummet by 38.3 percent to close at EUR 19.30. The T-Share price remained stable for two months following completion of the VoiceStream/Powertel acquisition in June 2001, even out-performing the industry average despite the fact that more than 500 million of the 1.17 billion T-Shares issued through the acquisition were not subject to a lock-up period and were thus free to make their way onto the market. After more than two months of sustained stability, the unforeseen block sale of approximately 44 million T-Shares in August 2001 provoked uncertainty among capital market investors. In the wake of this sale, we saw our share plummet to below the EUR 20 mark.

Share price trend

VoiceStream/
Powertel
acquisition



As a result of the terrorist attacks, which sent the entire international capital market into disarray, the T-Share recorded a year-low of EUR 14.55 on September 11, 2001. While the T-Share picked up in the subsequent phase, the DAX index continued to fall, recording its year-low of 3,787 points on September 21. By the end of the year, the T-Share had increased 28 percent on its year-low of EUR 14.55. Neither the expiration of the last lock-up period for former VoiceStream/Powertel major shareholders on December 1 nor the news that the Company's land portfolio evaluation had been completed had a significant impact on the T-Share, which remained stable. The T-Share even managed to gain in value following the announcement, albeit only slightly.

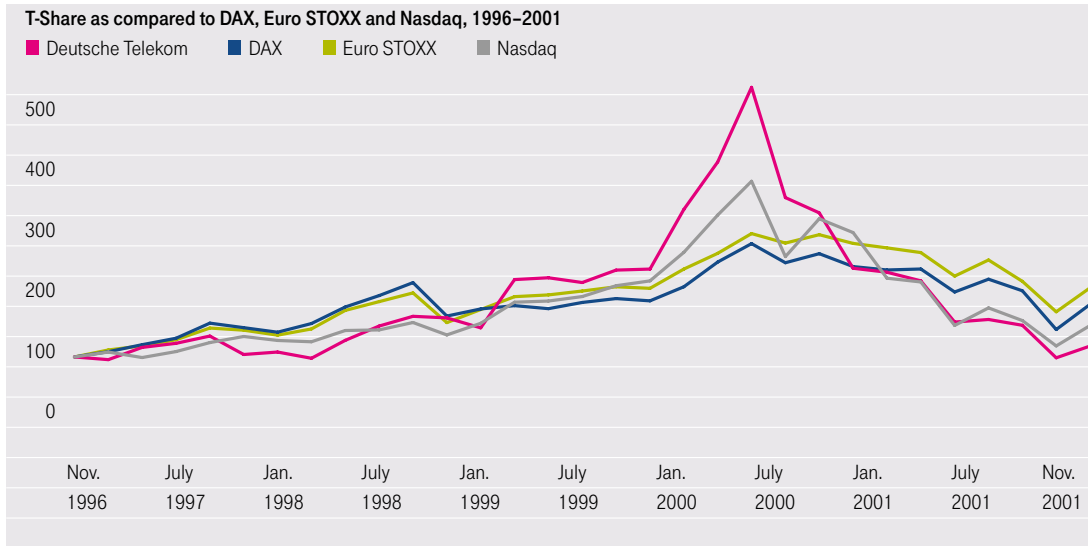
Market capitalization

Deutsche Telekom's market capitalization slacked off hand in hand with the downward share price trend. Including the 1,168 billion new T-Shares issued in May 2001 in line with the acquisition of VoiceStream/Powertel, market capitalization for the Company totaled EUR 81 billion at the end of the year under review. In contrast, market capitalization totaled EUR 97 billion at the close of 2000 based on the lower number of shares in circulation (3.03 billion).

Trading volume

In 2001, a total of 4.3 billion T-Shares were traded on German stock exchanges. Pending completion of the VoiceStream/Powertel acquisition, an average of 14 million shares were traded a day. Without exerting any considerable downward pressure on the share price, this volume increased to approximately 19.2 million shares a day in the second half of the year. This was fuelled by the flowback of shares stemming from sales by former VoiceStream shareholders.

The total trading volume on the New York Stock Exchange exceeded 733 million shares with a daily average of approximately 3 million Deutsche Telekom ADRs. The trading volume on the Tokyo Stock Exchange amounted to 1.5 million shares, with almost 6,000 shares traded daily.

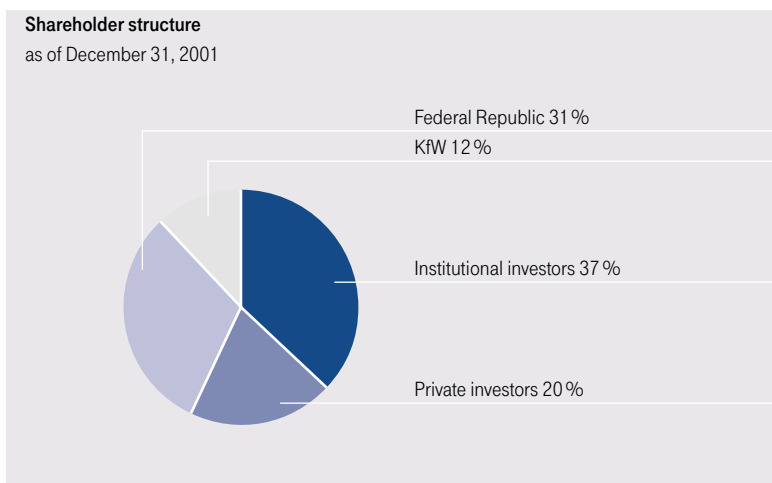


T-Share as an investment vehicle. In view of the unfavorable market conditions and the sharp decline in the T-Share price, T-Share shareholders realized a negative return on their invested capital over the year. Private investors with long-term goals, however, who participated in the Company's IPO in 1996 and took full advantage of the preferential terms on the purchase of 300 T-Shares, realized a return (based on DAX calculations) of almost 60 percent on the EUR 4,295 originally invested. This appreciation is based on the share price at the end of 2001, entitlement to loyalty shares and dividends received. An equal investment in a DAX securities deposit account would have yielded 86 percent appreciation. Investors who purchased T-Shares issued in 1999 and 2000 and held on to their shares realized a negative return on investment.

Performance

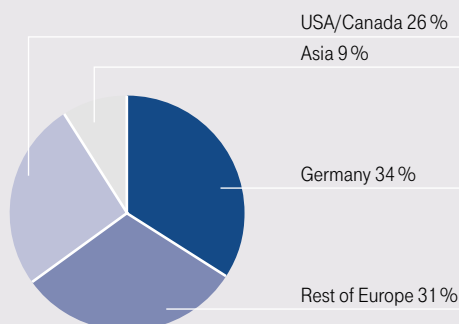
Shareholder structure. The Company's share capital was increased by approximately 1.17 billion shares at the end of May 2001 to finance the acquisition of the American mobile communications providers, VoiceStream/Powertel. As a result, the Federal Republic's stake in the Company, including the KfW's stake (Kreditanstalt für Wiederaufbau), fell below the 50 percent mark (down from approximately 60 percent to 43 percent). Deutsche Telekom's widely held shares thus accounted for 57 percent of the Company's share capital at year-end. This percentage will have a significant impact on key index weightings.

Reduction of the Federal Republic's stake



Geographical distribution of widely held shares

as of December 31, 2001



Loyalty shares. On December 31, 2001, the lock-up period for the KfW loyalty share program expired to the benefit of private investors in Europe, the USA, Canada and Japan, who had subscribed to the KfW share placement in June 2000 within the specified time restrictions. In total, KfW issued around 11.6 million loyalty shares at a ratio of one loyalty share for every ten shares acquired.

Investor relations. Deutsche Telekom is committed to open, transparent dialog that is tailored to the specific needs of individual capital market players. In addition to the timely publication of quarterly, mid-year and year-end reports, we held analysts' meetings for institutional investors and analysts on the occasions of these reports. We also held our annual analysts' meeting at CeBIT in Hanover. Our investor relations program includes road shows at the most important financial centers in the world. Seven road shows in Germany, Europe, the USA and Japan during the year kept institutional investors and bond holders abreast of business developments and our corporate strategy. In addition, Deutsche Telekom representatives were again present at major international investor conferences. Targeted predominantly at private investors, our T-Share forum (Forum T-Aktie or FTA for short) provides all the latest news and information. Our FTA call center can be contacted weekdays from 8 a.m. to 8 p.m. at the German freephone number 0800 330 2100 or by fax at 0800 330 1100.

The steady rise in the number of hits on our Investor Relations site emphasizes the importance of the Internet for our shareholders. In order to afford our shareholders the highest possible level of transparency, Deutsche Telekom is continuously expanding the scope of its online content.

Shareholders' meeting. We are also expanding our AGM-related services. Since 2000, our shareholders have been able to send motions to the annual general meeting to our employees via the Internet. We took this a step further in 2001 and offered our shareholders the possibility of changing proxies granted up until the closing date for registration (May 26) and to order their passes for the AGM online. Our next step is to afford our shareholders at this year's AGM the option of changing their vote online as often as they like pending commencement of voting.

Open dialog
with investors

T-Share forum

Motions to the
shareholders'
meeting