

The divisions

72	T-Com
80	T-Systems
88	T-Mobile
98	T-Online
104	Other
110	Reconciliation to pro forma figures



Advantage.

We're sticking to our goals.

T-Com. Focused on key growth areas.

- Revenue increase despite stiff competition and challenging economic times
- Confirmed status as mainstay of the Group with over 57 million subscriber lines – including ISDN channels – and revenue of EUR 30.2 billion
- Success story on broadband market continues with new T-DSL solutions
- Strong position in the Central and Eastern European telecommunications market

T-Com	2002	2001**	Change
Total revenue in millions of €	30,198	29,419	779
Income/(loss) before taxes in millions of €	3,539	4,614	(1,075)
EBITDA (adjusted)* in millions of €	10,162	10,124	38
EBITDA* in millions of €	9,945	10,916	(971)
Employees	152,836	148,247	4,589

With around 57.5 million subscriber lines, including ISDN channels, the T-Com division is one of the largest fixed-network operators in Europe. Approximately 51 million of these lines, including ISDN channels, are provided to customers in Germany. T-Com has a highly diverse product and service offering for residential customers and small and medium-sized enterprises (SMEs) on the domestic market. Around 440,000 SMEs benefit from T-Com's end-to-end, integrated IT and telecom solutions. Shareholdings in MATÁV (Hungary), Hrvatske telekomunikacije (Croatia) and Slovenské Telekomunikácie (Slovakia) have given T-Com a foothold in Central and Eastern European markets. In its European operations, T-Com employed an average of 152,800 persons in 2002.

Faced with stiff competition, T-Com focused on consolidating its core business during 2002. Despite the restrictions imposed by the German regulatory authorities, rising sales of T-ISDN and T-DSL coupled with new pricing structures enabled T-Com to secure its revenue levels and enhance its customer image.

* EBITDA and EBITDA adjusted for special influences are pro forma figures that are not part of German or U.S. GAAP. They should not be viewed in isolation or as an alternative to net income/(loss), income/(loss) before taxes, operating income, net cash provided by operating activities or other Deutsche Telekom financial measures recorded in accordance with German or U.S. GAAP. For important information about adjusted EBITDA please refer to the chapter on "Reconciliation to pro forma figures" starting on page 110.

** Following the repositioning of the divisions T-Com and T-Systems, the prior-year figures for T-Com, T-Systems and Other units have been adjusted in line with the new structure.

Adjusted EBITDA stabilized. Despite the worldwide economic downturn and sluggish demand in the domestic market, T-Com succeeded in stabilizing its adjusted EBITDA. As of December 31, 2002, adjusted EBITDA was EUR 10.2 billion, increasing marginally over 2001 figures (EUR 10.1 billion). In 2001, EBITDA was adjusted to reflect the book profits of EUR 1.0 billion from sales, in particular the sale of the Baden-Württemberg regional cable company, and the EUR 0.2 billion allocated to pension accruals in the fourth quarter of 2001. The figure for 2002 was adjusted to allow for reserves to cover staffing cutbacks in Central and Eastern Europe (EUR 0.04 billion) and for increased accruals for pensions (EUR 0.2 billion).

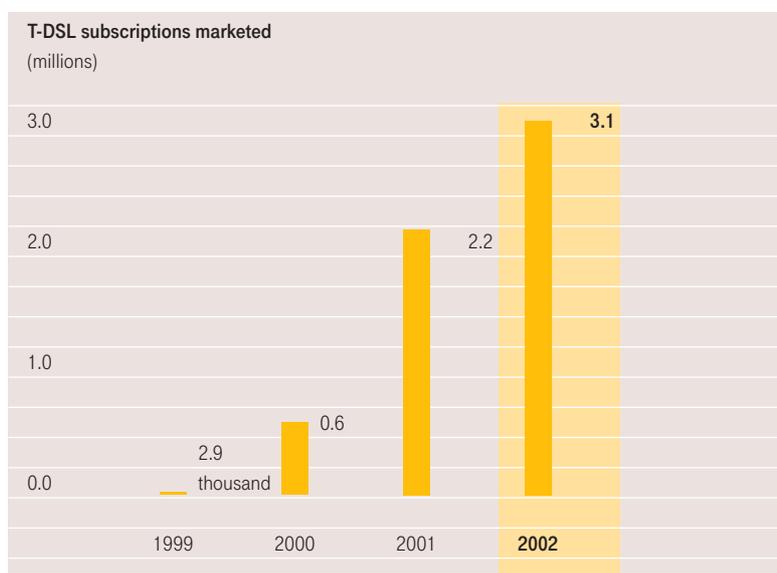
Drop in income before taxes. Income before tax dropped by EUR 1.1 billion to EUR 3.5 billion during 2002. This decline can be attributed to a number of factors. Adjusted EBITDA increased by EUR 0.1 billion compared with the figure for 2001. However, if the special influences mentioned above are discounted, T-Com's EBITDA dropped by almost EUR 1 billion, affecting income before taxes accordingly. The other factors that contributed to the decline were an increase in depreciation and amortization caused mainly by the full consolidation of Hrvatske telekomunikacije for the first time (about EUR 0.2 billion), and to a rise in interest expense (EUR 0.2 billion). On a positive note, EBITDA gained from the lower valuation adjustments for loans and for associated companies of Kabel Deutschland GmbH, which were down by roughly EUR 0.2 billion compared with the previous year.

Increase in revenue from fixed-network core business. T-Com increased total revenue from EUR 29.4 billion at the close of 2001 to EUR 30.2 billion at the end of 2002 – an improvement of 2.6 percent. The German market was responsible for 87 percent of total revenue, and 13 percent of the revenue resulted from the shareholdings in Central and Eastern Europe appearing on T-Com's balance sheet. Revenue from international activities increased by 41 percent to EUR 3.9 billion.

Revenue from domestic business amounted to EUR 26.3 billion, a drop of 1.3 percent compared with the previous year's figure. T-Com succeeded, however, in stabilizing revenue from its core business, the fixed-network market. It achieved this through pricing policies in conjunction with strategic rebalancing and T-DSL innovations. In the second quarter of 2002, the increase in access revenues outweighed the decline in call revenues for the first time. Price reductions in the national carrier service business, the direct interconnection of mobile and competing networks, and the deconsolidation of the cable business in Baden-Württemberg all impacted negatively on total revenue figures.

International
activities

National activities



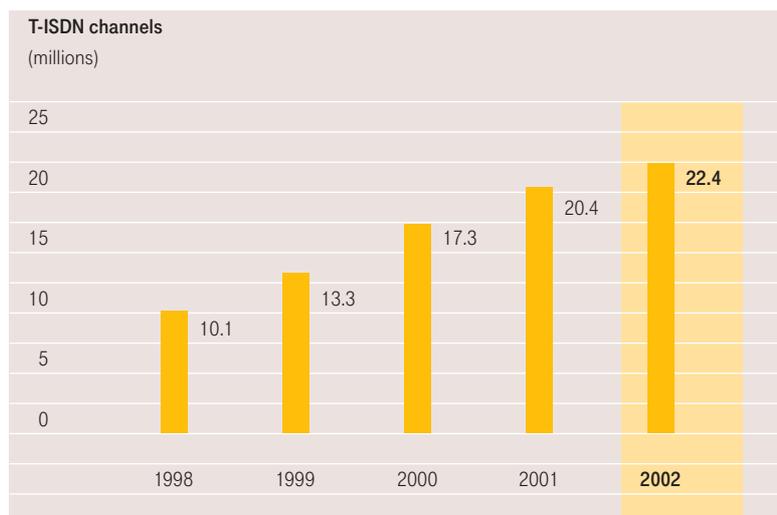
Growth strategy

Broadband campaign drives innovation. The broadband campaign played a significant role in shaping positive developments during the year under review. This campaign included attractive offers such as new T-DSL packages with even higher transmission bandwidths. September 2002 saw the Germany-wide launch of T-DSL 1500, our premium product doubling the existing downstream T-DSL bandwidth to more than 1,536 kbit/s.

The introduction of T-DSL via satellite opened up further sales opportunities and a host of technical enhancements further increased the availability of T-DSL in the fixed network. This enabled us to supply approximately 5 million more customers with T-DSL. Over 900,000 new customers opted for T-DSL in 2002. At year-end, T-Com had over 3.1 million T-DSL subscribers – an increase of about 40 percent on the previous year. This underscored T-Com's strategic goal of expanding the reach of its broadband services.

Innovative provider

Tapping new opportunities in broadband communications with WLAN. During the course of 2002, Deutsche Telekom developed an extensive range of wireless local area network (WLAN) products at attractive prices. These wireless networks enhance T-Com's broadband offering, tapping new revenue windows by meeting demands for convenience and mobility in the wireless home and wireless office markets. Ultimately, the goal is to position T-Com as a key innovative provider of WLAN for broadband access. T-Com plans to increase WLAN marketing efforts in 2003.



Success story

Continued growth for T-ISDN. The upgrading of subscriber lines, in particular through the addition of high-speed T-DSL Internet access, was a major driver in the ongoing dynamic expansion of T-ISDN. The number of ISDN channels operated by T-Com in Germany reached 22.4 million in the period under review, topping the 2001 figures by almost ten percent. T-Com thus remains one of the leading ISDN providers in the global telecom market. Again, T-ISDN xxl was the most popular product.

T-DSL and T-ISDN terminals successful despite difficult market environment.

T-Com's growth-focused strategy for T-DSL and T-ISDN also extended to terminal equipment. While maintaining a stable position in the market for ISDN telephones, we gained considerable ground in the ISDN PABXs segment. 2002 saw the expansion of our product portfolio to include various devices for T-DSL communications, ranging from plug-in cards for the PC to routers for WLANs.

Accessibility campaign in the fixed network. During 2002, T-Com channeled its efforts into generating added revenue from the increased use of telecommunications infrastructure and enhancing customer loyalty through greater convenience. To achieve these aims, T-Com introduced a series of measures to boost accessibility for fixed-network subscribers. Since September 2002, all T-Net and T-ISDN lines feature an automatic call-back service at no extra charge. The T-Net 100 package for new subscribers was extended to include call forwarding and the T-NetBox, our network-based digital answering machine. By the end of the year, the number of T-NetBoxes installed had risen by 94 percent to over 2.8 million. Also instrumental in boosting the popularity of the Deutsche Telekom network were the new features of the domestic directory enquiry service, especially the call connection facility. Almost every second caller is directly connected to the desired number.

SMS in the fixed network gains ground. T-Com posted increased call revenues from the increasingly popular Short Messaging Service (SMS). Text messages sent and received by customers using their fixed telephone line during 2002 totaled 31 million, an increase of 150 percent in the monthly SMS traffic from the fixed network over the same period. 2003 will see the launch of value-add services, including specific information facilities, aimed at extending the possibilities of SMS in the fixed network.

Partner of choice with service numbers. A wide selection of service numbers positions T-Com as the partner of choice for companies who use the telephone and other media to build lasting customer relationships. Large volumes of calls are handled by the T-VoteCall service and Deutsche Telekom's high-performance Mass Calling Platform. In the year under review, for example, calls from voters in the popular show series "Deutschland sucht den Superstar" (Who wants to be a superstar?) were handled by T-VoteCall.

More convenience for the customer, lower processing costs for T-Com with online billing. The online billing service proved extremely popular among customers in 2002. Deutsche Telekom customers can now access their billing data via the Internet and check their bills by computer. The number of online bills sent out monthly reached roughly 1.5 million by the end of the year under review. Online billing results in clear savings for T-Com, cutting expenditures on items

Savings

such as postage and printing.

Landmark in move towards paid online content. Commercial availability of fee-based information and entertainment services is generally viewed as a major building block in the successful development of the Internet. Paid content also opens up new revenue possibilities. In 2002 T-Com presented the T-Pay online payment system, a trend-setting innovation for commercial use of the Internet. T-Pay encompasses four payment methods: Payment by the regular Deutsche Telekom bill, MicroMoney (the T-Pay virtual cash card), direct debit, and credit card payment, thus catering for the very different requirements of traders and private users.

Positioning as an all-round provider for SMEs. T-Com's 440,000 SME customers can pick from a comprehensive portfolio of products and solutions in all areas of IT and telecommunications. These include Internet solutions, end-to-end in-house networks including hardware, powerful security solutions and a wide spectrum of special rates for business clients. A new initiative targeted at SMEs is designed to increase the SME customer base.

Symmetric T-DSL option for high-volume data transmissions. Broadband services for business applications is one of the cornerstones of T-Com's SMEs offering. Building on its core solution, T-DSL Business (offering Internet access at a speed of up to 2.3 Mbit/s), T-Com introduced a symmetric T-DSL option during the year under review. This new service will be of particular interest to companies with high volumes of incoming and outgoing traffic as it enables users to send and receive data at the same speed.

Broadband services

BusinessPartnering for synergy effects across SMEs. T-Com launched the BusinessPartnering initiative in March 2002. It aims to promote and enable integrated IT and telecom solutions among SMEs. As part of the initiative, T-Com teams up with selected business partners with a view to ensuring the success of complex customer projects, at the same time tapping new revenue opportunities. Over 100 business partners had signed up for the scheme by the close of 2002.

Around the clock customer care. Focused predominantly on telephone marketing and complaint management, our Customer Care line is the most popular sales channel among residential customers. During the year under review, this channel managed to significantly increase its efficiency levels, achieving almost 100 percent same-day processing and consistently improving accessibility.

T-Punkt network continues to grow. Aimed at both residential and business customers, the T-Punkt network is one of the largest branch networks in the German telecommunications market. By the end of 2002, it had grown to some 400 T-Punkt shops and 100 T-Punkt Business shops. In addition to T-Com's broad offering of core T-ISDN and T-DSL products, T-Punkt shops also sell T-Online and T-Mobile solutions. Moreover, they stock various products from leading IT manufacturers.

Further increase in number of direct orders from Deutsche Telekom website. The number of Deutsche Telekom customers that used the Internet as an information and transaction channel rose significantly in 2002. The Deutsche Telekom website (www.telekom.de) registered some 21 million visitors and some 12 million prospective buyers visited the online shop. This corresponds to a 73 percent increase on the previous year. T-Com plans to further expand the Internet as a sales channel in 2003.

Indirect sales offers growing window of opportunity. Indirect sales of T-Com services accounted for a significant portion of fixed-network results, thus adding strong momentum to T-Com's growth-focused strategy. A new IT dealer strategy involving over 400 specialized dealers was particularly instrumental in opening up new possibilities for the distribution of Deutsche Telekom products.

Added momentum for HappyDigits. The HappyDigits bonus points system promotes customer loyalty by offering attractive gifts in return for points. The program was expanded in 2002 through the addition of Karstadt Quelle AG. The Tengelmann Group also joined the HappyDigits scheme at the start of 2003. Launched in November 2001, HappyDigits had attracted nine million customers by the close of 2002.

Carrier Services focus on national market. The Carrier Services department was restructured at the start of 2002. National carrier services activities were integrated into T-Com as of January 1, 2002. This line of business has 220 customers, including national network operators, telecom service providers for the public and Internet service providers. 150 of these customers have concluded carrier-specific agreements. Also significant are the various agreements with subsidiaries and associated companies within the Deutsche Telekom Group. These customers are supplied with fixed-network, Internet and mobile communications wholesale services. These include transmission paths for the backbones of mobile networks and alternative fixed-network operators.

Customer focus

Broadband wholesale products

In 2002, the carrier services offering was extended to include special broadband wholesale products for Internet service providers. These measures provide new revenue opportunities in the highly regulated national carrier services market.

Network for broadband communication systematically expanded. The rapid increase in T-DSL traffic was the main driver behind the systematic expansion of the broadband network during 2002. T-DSL now accounts for around 95 percent of total IP-based traffic. By October 2002, the monthly volume of traffic handled by the Deutsche Telekom IP network had risen from four to approximately 20 million GB year-on-year.

In the fall of 2002, the ten thousandth SDH (synchronous digital hierarchy) element was activated in the Deutsche Telekom network. SDH is T-Com's transport platform. It supports practically all digital communication – from leased lines through Internet to standard telephone communication. SDH guarantees almost 100 percent availability.

SDH

Improved T-Service quality. Through its nationwide network with some 220 locations, T-Service delivers over 20,000 service transactions on a daily basis. It also offers an extensive portfolio of customized service modules. The reach and strength of the T-Service organization was further improved during 2002. This was attributable in particular to alternative delivery methods (such as shipping of replacement devices to the customer in return for the old or defective device) and innovative services (such as user help desks, LAN and remote network management services). Customer satisfaction was greatly improved in all areas, including fault repair and installation. In addition, the ability to accommodate delivery or availability date requests rose by more than 30 percent.

T-Com consolidates strong position of Deutsche Telekom in Central and Eastern Europe. T-Com took systematic steps to prepare its various subsidiaries and associated companies for the increase in competition associated with market liberalization. The objective is to stabilize the fixed-network business and maintain the current growth path on the mobile communications side. The sharp rise in revenue and adjusted EBITDA reported for 2002 was partly attributable to the consolidation of Hrvatske telekomunikacije. This was the first year that Hrvatske telekomunikacije was fully consolidated. Revenue rose by approximately 41 percent to EUR 3.9 billion. Adjusted EBITDA was up 52 percent to a total of EUR 1.8 billion.

Deutsche Telekom holds a 59.5 percent stake in Hungary's leading telecommunications company, MATÁV. During 2002, MATÁV increased revenue by a sizable 13.6 percent to a total of EUR 2.5 billion. The fixed-line subscriber base stabilized in 2002 at 2.9 million. MATÁV managed to increase its mobile customer base by 37 percent to 3.4 million through its mobile communications subsidiary Westel.

MATÁV, Hungary

In Croatia, Deutsche Telekom has a 51 percent shareholding in Hrvatske telekomunikacije (HT). HT contributed approximately EUR 1 billion to total T-Com revenue during the 2002 financial year. During the course of the year, it consolidated its leading position in the fixed-network, mobile and Internet segments. The number of fixed-line connections rose by approximately 6 percent to 1.8 million, and the number of mobile customers by 30 percent to 1.2 million.

HT, Croatia

Deutsche Telekom also holds a 51 percent stake in Slovenské Telekomunikácie (ST) in Slovakia. ST accounted for EUR 0.4 billion of T-Com revenue. The number of fixed-network lines declined by around 5 percent to 1.4 million. This trend was heavily influenced by the move towards wireless connections. On the other hand, T-Com was ideally positioned to benefit from the enormous growth on the mobile communications market by virtue of ST's 51 percent shareholding in Eurotel. There was a 40 percent increase in the customer base in 2002 to 1.3 million. Online customers also increased by over 50 percent to a total of almost 70,000.

ST, Slovakia

Looking to further strengthen operating results in 2003. In 2003, T-Com will continue its systematic strategy aimed at improving operating results. It will achieve this through a streamlined portfolio and optimized development, marketing and sales processes for both products and services. These efficiency-enabling measures will free up certain staff members, who will be placed both within and beyond the company through the new Personnel Service Agency. At the same time, T-Com will continue to focus on upgrading subscriber lines from standard connections to broadband solutions. In addition, it will be supporting other divisions within the Group by supplying important upstream services for multimedia telecommunications services.

Goals

Hole in one.

We offer each of our customers the perfect fit.



T-Systems. Customer-focused IT and telecom solutions for named accounts.

- One of Europe's leading providers of one-stop IT and telecom services
- Industry solutions meet customer-specific needs
- Improved earnings in focus
- Positive development of adjusted EBITDA*
- Innovative major projects for global customers

T-Systems	2002	2001**	Change
Total revenue in millions of €	11,310	11,899	(589)
Income/(loss) before taxes in millions of €	(1,981)	(382)	(1,599)
EBITDA (adjusted)* in millions of €	1,151	886	265
EBITDA* in millions of €	753	875	(122)
Employees (average during year)	43,482	41,716	1,766

T-Systems serves Deutsche Telekom's national and international corporate customers. Key accounts include companies from large industries, industrial holding companies, international network carriers, and government and public authorities at both the federal and regional levels. T-Systems has branches and local companies in more than 20 countries and had an average of 43,482 employees in 2002.

The IT Services and Telecommunications Services units are responsible for service delivery and ongoing technical innovation. Cooperation between these units means that T-Systems can integrate IT and telecom solutions in existing systems, at the same time offering the latest security solutions (system integration).

* EBITDA and EBITDA adjusted for special influences are pro forma figures that are not part of German or U.S. GAAP. They should not be viewed in isolation or as an alternative to net income/(loss), income/(loss) before taxes, operating income, net cash provided by operating activities or other Deutsche Telekom financial measures recorded in accordance with German or U.S. GAAP. For important information about adjusted EBITDA please refer to the chapter on "Reconciliation to pro forma figures" starting on page 110.

** Following the repositioning of the divisions T-Com and T-Systems, the prior-year figures for T-Com, T-Systems and Other units have been adjusted in line with the new structure.

T-Systems' Global Computing Factory is the largest network of data centers in Europe, providing extensive IT services to its customers. Through the Global Computing Factory, T-Systems offers both computing and desktop operation and support services.

The Network Services units plans, builds and operates company-specific data and voice network solutions through its international network infrastructure, the Global Network Factory. T-Systems also cooperates with international network operators through the International Carrier Sales & Services unit.

Creating value for our customers. T-Systems develops IT and telecom solutions for corporate customers. These business solutions can help companies increase efficiency, concentrate on their core competencies and strengthen their competitiveness.

T-Systems covers every link in a company's value chain, offering a one-stop planning, implementation and operation service for business solutions. It has the competence and resources to successfully handle large, complex projects at both national and international level. Sales and account management activities are organized around the needs of specific industries.

Full-service provider

In the case of complex projects, T-Systems tailors planning, implementation and operation activities to individual customer needs. With a view to placing a priority on individual customer wishes, the company restructured its organization and processes, at the same time realigning customer care:

Reorganization

- Account teams, put together to best support individual customer needs, are now responsible for global account management worldwide. This helps T-Systems better meet the specific needs of large, global customers with complex IT and telecom projects.

Account teams

- The key account organization has been structured to focus on the needs of companies operating in specific areas (telecommunications, services & finance, public & healthcare, manufacturing). Customers benefit from the industry insights of their account contact, also confident in the knowledge that any IT and telecom solution they purchase has been tailored to the needs of their industry.

Industry focus

Sluggish market. Development of the European IT and telecom markets did not meet expectations in 2002. However, most international analysts predict that the market for integrated IT and telecom solutions will experience above-average demand in the long term.

Many IT and telecom service providers did not survive the economic downturn. Observers believe that established providers will benefit from this consolidation process.

Given the difficult market climate, T-Systems International GmbH concentrated on laying a solid foundation for future growth during the 2002 financial year. Activities focused on securing market position, strengthening competitiveness, leveraging internal synergies and increasing efficiency. Thanks to these measures, T-Systems weathered the economic turbulence to maintain its strong position.

Goals

Drop in revenue and earnings. In keeping with the general market trend, T-Systems posted a slight drop in revenue (down to approximately EUR 11.3 billion from approximately EUR 11.9 billion in 2001). This was mainly attributable to general cuts in IT and telecom budget spending as well as a widespread tendency to postpone IT projects. However, the decline was curtailed by revenue generated from business with new corporate customers.

A loss before taxes was posted of EUR 2 billion. This represents a significant decline compared to last year's figure (2001: loss of EUR 0.4 billion). The decline was largely accounted for by restructuring costs (EUR 0.4 billion) and by the nonscheduled write-downs of goodwill (mostly SIRIS) and tangible assets (totaling EUR 0.6 billion). Both resulted from activities undertaken following a strategic review in the third quarter of 2002. The results were also influenced by the non-scheduled write-down of maritime cable systems in the North Atlantic/Pacific (EUR 0.2 billion) as well as additional scheduled amortization of goodwill (EUR 0.3 billion) following acquisition of the remaining 49.9 percent stake in T-Systems ITS GmbH (formerly debis Systemhaus). Acquisition of the remaining shareholding also impacted negatively on net interest income in 2002 (down EUR 0.2 billion).

Adjusted EBITDA up. Unadjusted EBITDA fell from EUR 0.9 billion in 2001 to EUR 0.8 billion in the year under review.

Adjusted EBITDA, however, showed a positive trend in 2002. Compared with last year, it grew about 30 percent to around EUR 1.2 billion, not including the EUR 0.4 billion for restructuring activities following the strategy review mentioned above. This result clearly underpins T-Systems' successful leveraging of synergy effects during the year under review.

Legal integration concluded. On March 4, 2002, T-Systems International GmbH acquired the remaining 49.9 percent of T-Systems ITS GmbH, formerly debis Systemhaus, from DaimlerChrysler Services AG. The total purchase price was EUR 5.4 billion. On December 12, 2002, T Systems ITS GmbH and T-Systems International GmbH were merged. The resulting T-Systems International GmbH is a wholly owned subsidiary of Deutsche Telekom AG.

New management and technology consulting company. The merger of two consulting firms, Diebold (formerly a debis Systemhaus company) and DETECON (formerly a Deutsche Telekom subsidiary), on August 1, 2002 resulted in a new management and technology consulting firm. This new company operates under the name Detecon International GmbH and is a subsidiary of T-Systems International GmbH.

Konrad F. Reiss new Chairman of T-Systems. In January 2003, Deutsche Telekom appointed Konrad F. Reiss to the Group's Board of Management with responsibility for the T-Systems division. The Supervisory Board of T-Systems International GmbH nominated him Chairman of the T-Systems Board of Management.

Promising solutions in the field of outsourcing. The outsourcing of IT and telecom services continued to gain popularity in 2002. It is anticipated that this trend will gather further momentum in 2003. Outsourcing allows companies to lower costs, increase efficiency in their business processes and focus on their core competencies. T-Systems benefited from the increased demand for outsourced services.

Several leading companies and public authorities outsourced operation and management of their IT and telecom solutions to T-Systems. These include Rosenthal, the German Federal Employment Agency, as well as the fish and seafood specialist Deutsche See. T-Mobile International AG also entrusted its IT operations in Germany, Great Britain and Austria to T-Systems.

T-Systems took over the Belgian Agfa Group's data centers in the USA and has been responsible for operations ever since. T-Systems also manages approximately 3,200 PC workstations and assumed management of about 400 IT workstations in various Agfa locations in Southeast Asia at the end of 2002.

The trend towards outsourcing improved capacity utilization of T-Systems data centers. As a result, computer performance (measured in millions of instructions per second or MIPS) grew over 17 percent compared with 2001 to about 93,000 MIPS. This means that T-Systems ranks number 2 worldwide in terms of computing horsepower.

The number of servers operated by T-Systems grew about 15 percent to 27,409. Desktop services also expanded, with the number of desktops managed and serviced up 23.5 percent to over 1.2 million at the close of 2002. The system integration segment also posted steady growth: T-Systems billed 11.6 million hours, compared with 11.4 million in the previous year.

Large corporate customers benefit from industry focus. T-Systems' focus on industry segments played a key role in securing important projects from top companies. The regional state of Baden-Württemberg, for example, selected T-Systems to implement the first European integrated IT-based management system for a government agency that supports all administrative levels. New management tools help government staff plan, control and track the work, methodologies and goals of the various state agencies more effectively and efficiently than before.

IT-based
management
system

In Spain, T-Systems won a substantial e-government project. It will integrate a total of 88 customized e-government services into the existing system in the Catalan region. Additional services, such as an online purchasing system, are planned.

E-government
project

T-Systems is also active in the trade and services segment with a large project for BayWa AG. This project involved building a Wide Area Network (WAN) which links the Munich headquarters with about 300 offices of BayWa AG. From these locations, employees can access central data, software and the company's merchandise information system.

WAN

In the financial and insurance sector, T-Systems built a powerful, high-speed network for the German insurance group LVM. This network provides around 6,000 employees (in-house and field staff) with fast, secure access to central software and data. Thanks to a mobile solution from T-Mobile, field workers enjoy remote access to customer and policy information.

E-business

BARMER, Germany's largest health insurance provider, chose T-Systems to develop a platform for various e-business applications. The project included an extensive defense system against viruses, a firewall and web hosting services. The platform also serves as BARMER's communications hub for all external e-mail traffic.

Satellite positioning system

T-Systems is also involved in the transportation and travel segment. Together with transportdata AG, T-Systems developed a sophisticated satellite positioning system for DB Cargo AG, the freight arm of German rail operator Deutsche Bahn AG. This solution enables the monitoring of about 13,000 freight cars and trains throughout Europe. For the first time, the exact location of freight cars can be pinpointed outside Germany.

The German federal election in 2002 gave T-Systems the perfect opportunity to prove its competence in the media and broadcast industry. T-Systems managed and serviced around 60 television linkups, 110 voice lines, 50 satellite connections and over 500 T-ISDN telephone lines for public and private TV channels, radio stations and news agencies.

T-Systems established an international WAN for the European Aeronautic Defense and Space Company (EADS). This WAN connects more than 100,000 employees across over 70 locations.

International carrier sales and service

International carrier sales and service showed extremely positive development during the year under review. In particular, T-Systems expanded its share of the international voice traffic market. It also strengthened its position on the global voice over IP market.

Group synergy effect. T-Systems benefits from cooperation with the other Deutsche Telekom Group divisions T-Com, T-Mobile and T-Online, and at the same time makes a valuable contribution to their business activities.

The division uses the domestic fixed-network products from T-Com, while T-Com markets solution modules and services from T-Systems to small and medium-sized enterprise customers.

Building on T-Mobile's innovative mobile technologies, T-Systems develops complex applications for Deutsche Telekom's key accounts. These include connecting field workers to corporate networks and mobile offices in cars. T-Mobile, on the other hand, uses the central databases created by T-Systems for mobile service operators. This enables mobile customers to keep the same phone numbers when they change provider.

Cross-division collaboration enabled a consortium consisting of Deutsche Telekom AG, Daimler-Chrysler and Cofiroute to win a major strategic project in 2002. The project involves designing and building a technical system to collect highway tolls for trucks. The four divisions will work closely to create an innovative solution using IT applications as well as fixed and mobile network components. T Systems will provide data center services and IT/telecom solutions. It will also offer consulting services for the entire technical integration of the project.

Highway toll system





Pole position.

We've got big plans.

T-Mobile: Clear goals for the international mobile communications market.

- Successful introduction of T-Mobile brand in four key European markets and USA
- Significant increase in revenue and EBITDA*
- High nonscheduled write-downs resulting in lower income before taxes
- Positive development of mobile data communications
- Building of UMTS network started

T-Mobile			
	2002	2001	Change
Total revenue in millions of €	19,735	14,637	5,098
Income/(loss) before taxes in millions of €	(23,679)	(6,399)	(17,280)
EBITDA* in millions of €	5,038	3,137	1,901
Employees	38,943	30,124	8,819

Rebranding

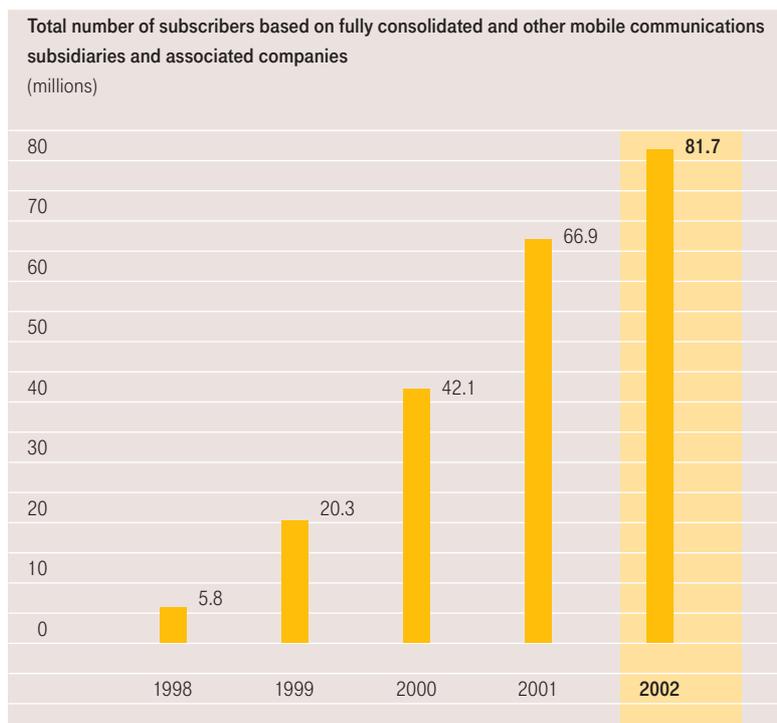
T-Mobile International focused on rebranding in key European markets (Germany, Austria, Great Britain and the Czech Republic) and in the United States during the 2002 financial year. T-Mobile, the international brand for mobile communications, was successfully introduced in these countries and will be introduced in other countries during the current financial year. The Dutch subsidiary Ben was renamed T-Mobile Netherlands B.V. in February 2003. In addition to rebranding, T-Mobile International also concentrated on expanding its mobile data communications portfolio and strengthening its position as one of the leading mobile communications service providers worldwide. During the current financial year, the company plans to further improve performance and make a contribution to reducing the Deutsche Telekom Group debt through cash flow growth.

Goals

* EBITDA and EBITDA adjusted for special influences are pro forma figures that are not part of German or U.S. GAAP. They should not be viewed in isolation or as an alternative to net income/(loss), income/(loss) before taxes, operating income, net cash provided by operating activities or other Deutsche Telekom financial measures recorded in accordance with German or U.S. GAAP. For important information about adjusted EBITDA please refer to the chapter on "Reconciliation to pro forma figures" starting on page 110.

One of the world's leading mobile providers. Deutsche Telekom bundles its main mobile communications activities in its holding company, T-Mobile International AG, which targets dynamic growth markets in Europe and the USA. T-Mobile has subsidiaries and associated companies in eight countries worldwide. The network operators T-Mobile Deutschland GmbH (Germany), T-Mobile Austria GmbH (Austria), T-Mobile UK Ltd. (United Kingdom), T-Mobile USA, Inc. (USA) and T-Mobile Netherlands B.V. (formerly: Ben, Netherlands) are wholly owned subsidiaries of T-Mobile International AG. The holding company also has a majority stake in the mobile communications provider RadioMobil a.s. (Czech Republic). Furthermore, the company has shareholdings in Russia (MTS) and Poland (Polska Telefonia Cyfrowa, PTC).

Deutsche Telekom has other mobile communications shareholdings in Hungary (Westel, through MATÁV), in Slovakia (EuroTel Bratislava, through Slovak Telekom), Croatia (Hrvatske telekomunikacije, HT mobile), Malaysia (celcom) and the Philippines (Globe Tel). In May 2002, the 25 percent share in the Indonesian mobile provider PT Satelindo was sold to the state-owned PT Indosat. Thanks to this portfolio of direct and indirect shareholdings, Deutsche Telekom is active in 18 mobile communications markets. Deutsche Telekom's various minority- and majority-owned companies now serve 82 million customers worldwide.



Positive development of revenue and EBITDA. In the 2002 financial year, T-Mobile strengthened its position in nearly all markets. Total revenue increased from EUR 14.6 billion in the previous year to EUR 19.7 billion. EBITDA increased to EUR 5 billion (from EUR 3.1 billion). This represents an increase of approximately 61 percent over the previous year. The number of employees at the end of December was 41,597 compared with 38,025 at the end of 2001.

Drop in income before taxes. As a result of the strategic review, which led to non-scheduled write-downs of goodwill and mobile communication licenses, a loss before taxes was posted of EUR 23.7 billion. The corresponding figure for last year was EUR 6.4 billion.

Rebranding campaign and innovative multimedia services set the scene for new growth. The objective of the extensive rebranding project in 2002 was to establish the T-Mobile brand firmly on the markets. The German subsidiary changed its name to T-Mobile Deutschland GmbH in February 2002. On "T-Mobile Day" (April 18, 2002), the remaining brands in Great Britain, Austria and the Czech Republic were renamed. T-Mobile marked the launches in Great Britain, Austria and the Czech Republic with three simultaneous press conferences and events in London, Vienna and Prague. In September 2002, VoiceStream became T-Mobile USA.

MMS

The T-Mobile brand offers its customers a broad range of innovative products and services, including roaming services for GSM and GPRS platforms and a large selection of the latest terminal devices. Much of the company's success is built on the early adoption of new technologies and services. The Deutsche Telekom mobile communications subsidiary Westel (in Hungary), for example, was the first European network operator to introduce the Multimedia Messaging Service (MMS) in April 2002. MMS supports multimedia messages containing text, photos, animated graphics, sound, and even short video clips. T-Mobile was among the first mobile communications providers worldwide to offer video messaging in 2002. All of T-Mobile's wholly owned subsidiaries and the associated companies in Hungary, Croatia, Poland and Slovakia currently offer MMS.

Mobile Access
Portal

Mobile data communications gain ground. During 2002, demand for SMS (Short Message Service) and MMS mobile data services and for mobile office solutions gained considerable momentum. To meet these needs, T-Mobile launched a broad range of new services, solutions and devices. For corporate customers, T-Mobile introduced the Mobile Access Portal and the Mobile Service Portal solutions which enable quick, easy and effective mobile data communications. The Mobile Access Portal offers employees who are away from the office convenient and fast access to their company network and additional mobile applications using GPRS-capable devices (such as mobile phones, PDAs or notebooks). Through the Mobile Service Portal, T-Mobile provides full-service office application hosting. The Mobile Service Portal infrastructure gives employees easy access to applications such as e-mail and a personal planner. Targeted in particular at small and medium-sized enterprises (SMEs), this service relieves companies of the time-consuming tasks involved in linking mobile staff to the in-house communications network.

Mobile Service
Portal

In 2002, T-Mobile launched three innovative mobile devices, the BlackBerry Solution, T-Mobile MDA (Mobile Digital Assistant) and T-Mobile Sidekick (only in USA). The BlackBerry Solution gives employees who are away from office fast, efficient access to e-mail and personal planner functionality using a RIM BlackBerry wireless handheld. An outstanding feature of this solution is the “push function”, which automatically forwards copies of e-mails to the handheld as soon as they are received by the user’s office mail account. GPRS (General Packet Radio Service) wireless technology is used to forward the e-mails as they arrive.

BlackBerry Solution

T-Mobile MDA offers similar functionality. This device combines the benefits of a PDA with a cell phone and GPRS technology. It can be used to access e-mails and personal planner data as well as online content from an intranet or the T-Mobile WAP portal.

T-Mobile MDA

T-Mobile Sidekick, which is currently only available in the United States, lets T-Mobile customers surf the web, send and receive e-mails, chat using the Instant Messenger service, play games, take photos and send them via e-mail or simply make a telephone call.

T-Mobile Sidekick

T-Mobile gives its customers access to extensive information and entertainment content using an MDA, PDA or WAP-enabled cell phone. The t-zones mobile data portal is currently available in six countries – Germany, Austria, Great Britain, the Czech Republic and the USA. Each month, over 10 million users in Europe alone take advantage of the interesting content on offer. T-Mobile has completely integrated T-Motion plc, formerly a joint venture, giving T-Mobile full control over application and content management. T-Online and t-info partners from the Deutsche Telekom Group provide content for mobile data services. This is complemented by content from other renowned companies such as the Walt Disney Internet Group, Sony Pictures Digital, the Financial Times, Dow Jones, the Wall Street Journal and Sky Sports. The portal offers dedicated zones for t-info, t-news, t-finance, t-sports, t-games and t-music.

t-zones

T-Mobile USA drives increase in customer base. The T-Mobile subsidiary in the USA was largely instrumental in increasing customer numbers in the 2002 financial year. In the fourth quarter alone, the number of T-Mobile USA subscribers grew by more than one million. The total number of T-Mobile USA subscribers as of December 31, 2002 was 9.9 million, compared with 7 million at the end of 2001. This places T-Mobile USA at the forefront of the American mobile communications market in terms of new customers (net additions). T-Mobile USA not only increased its customer base, it also improved its customer mix. The proportion of postpay (contract) subscribers at the end of 2002 reached 86 percent, compared with 74 percent at the close of 2001. The consolidated share of revenue rose to EUR 6.1 billion in 2002, compared with EUR 2.8 billion in 2001, when T-Mobile USA had only been consolidated for seven months.

Subscriber growth

T-Mobile USA is the only nationwide carrier in the United States providing exclusively GSM services. T-Mobile USA entered into a joint venture with Cingular Wireless to share and jointly expand network infrastructure in California, Nevada and New York. The two companies are confident that they will save hundreds of millions of dollars in investment and operating costs through the joint venture. T-Mobile USA's digital network now reaches over 210 million people and, together with its partners, has licensing coverage for over 95 percent of the American population.

Wireless LAN

With over 2,200 HotSpot locations, concentrated mainly in the USA, T-Mobile International is positioned as one of the leading WLAN (Wireless Local Area Network) providers worldwide. WLANs give mobile users access to the Internet and corporate networks at speeds several times faster than those of an ISDN connection.

T-Mobile Deutschland builds on leading market position. The largest T-Mobile International subsidiary, T-Mobile Deutschland, further built on its leading position in the German mobile communications market in 2002. At year end, it boasted a market share of over 41 percent and a subscriber base of around 24.6 million (compared with 23.1 million in December of the previous year). Revenue increased from EUR 7.1 billion in 2001 to EUR 7.8 billion.

Innovation leader

In 2002, T-Mobile Deutschland reinforced its status as an innovation leader on the German mobile communications market. In February 2002, it was the first T-Mobile Group member to introduce Java-based services. This standard programming language enables games and other graphic-intensive applications such as logos and screensavers to be downloaded to a Java-enabled cell phone. During the summer, T-Mobile Deutschland launched its MMS service and, in September, it was the first European provider to offer video messaging.

In November, T-Mobile Deutschland was the first German network operator to introduce a public WLAN service.

Subscriber growth

T-Mobile UK strengthens position in the UK market. With some 12.5 million customers (2001: 10.4 million), T-Mobile UK is the third largest mobile communications provider in Great Britain. This figure also includes 2.4 million subscribers of the joint venture, Virgin mobile. T-Mobile UK systematically increased its reach and offering depth during 2002.

It was the first British mobile communications provider to offer free voicemail as part of its standard service for all customers, and the first to offer free calling time as part of its monthly subscription charge. T-Mobile UK's rates are also more closely aligned with customer needs. In July 2002, it introduced a new rate option which allows customers to choose the wireless rate that best fits their usage pattern.

A host of new services introduced during 2002 bear testimony to T-Mobile UK's strong innovative drive. These included the "Everyone" rate plan, for the first time allowing subscribers to call any UK network for free from their monthly call allowance. In the summer, T-Mobile UK and T-Mobile Deutschland started a WLAN pilot project simultaneously. Two Starbucks coffeehouses in London were equipped with the enabling technology. In November, T-Mobile UK was the first mobile communications carrier to introduce the new version of the BlackBerry Solution in Europe.

In preparation for UMTS (Universal Mobile Telecommunications System), T-Mobile UK is working closely with other T-Mobile subsidiaries to develop third-generation mobile communication services. T-Mobile UK posted revenue of EUR 4.0 billion in the year under review, compared with EUR 3.3 billion the previous year. In the first quarter of 2003, the company made further adjustments to its subscriber base.

UMTS

Highly successful rebranding at T-Mobile Austria. T-Mobile's Austrian subsidiary concentrated on the introduction of the T-Mobile brand during the year under review. This introduction surpassed all expectations. In April, the month of the rebranding, T-Mobile Austria showed a higher growth in its customer base than any other provider in the Austrian market. The customer churn rate in the months following the rebranding was at its lowest since the company was launched, clearly demonstrating the far-reaching benefits of a single international brand. In September, only five months after the launch, the brand awareness reached an impressive 92 percent. Another important development in 2002 was the introduction of innovative rate plans for residential customers and mobile office communications solutions. For business customers, the focus was on the introduction of IP-VPN (Virtual Private Network) and mobile office services. Additionally, T-Mobile Austria introduced future-oriented technologies such as MMS and WLAN.

Growth in customer base

Despite increased competition in the Austrian mobile communications market and comprehensive adjustment of the customer base during 2002, T-Mobile Austria consolidated its position as the number two mobile communications provider on the Austrian market. The number of subscribers remained stable at about 2.0 million, compared with 2.1 million at the end of 2001.

T-Mobile Netherlands (formerly Ben) moves to number three in the Netherlands. At the close of 2002, T-Mobile Netherlands had 1.4 million subscribers (2001: 1.2 million), making it the third largest of five mobile communications operators in the Netherlands. Of the total customer base, approximately 45 percent are postpay customers, giving the T-Mobile subsidiary the best customer mix among Dutch mobile service providers. Since September 2002, T-Mobile Netherlands has been a wholly-owned subsidiary of T-Mobile International and on February 25, 2003, Ben was renamed T-Mobile Netherlands B.V..

Customer mix

RadioMobil maintains position. RadioMobil maintained its position as the Czech Republic's second largest operator of mobile communications networks. Some 3.5 million customers telephoned over this subsidiary's network in 2002. This represented an increase of over 0.6 million compared with 2001. On T-Mobile Day in April, the company changed its brand name from "Paegas" to T-Mobile. Under this brand, RadioMobil introduced a range of innovative services, including MMS and video messaging, during 2002.

Subscriber growth

MTS more than doubles subscriber base. During 2002, OJCS Mobile TeleSystems (MTS) became the leading provider of GSM-based mobile communication services in Eastern Europe. This listed company recorded a significant increase in subscribers once again. By the end of December, 6.6 million people had placed calls in the MTS network, compared to 2.7 million in the previous year. In November 2002, MTS finished its acquisition of Ukrainian Mobile Communications (UMC). As part of this deal, Deutsche Telekom also sold its 16.3 percent share of UMC to MTS.

Market leader

MTS is the market leader in Russia and also in the Moscow license area, the key market in Russia. It covers the city of Moscow as well as the Greater Moscow region, with its combined population of 15 million. In this area, which has a penetration rate of approximately 15 percent, MTS is the market leader with more than 50 percent of all mobile subscribers.

Market leader

PTC receives awards for network and service quality. T-Mobile International's Polish subsidiary, Polska Telefonia Cyfrowa (PTC), had a total of 4.9 million customers at the close of 2002 (2001: 3.8 million). It thus remained Poland's leading mobile communications operator. During 2002, the company focused in particular on high-quality services and innovative technologies. It received multiple awards in acknowledgement of its efforts in this area. These included the international Certificate of Industrial Security for its GSM network. And in November, readers of the "Komputer Swiat" computer magazine voted PTC's ERA GSM network the best mobile communications network in the country.

Full steam ahead for UMTS networks. During 2002, T-Mobile Deutschland systematically continued its preparations for UMTS. The Universal Mobile Telecommunications System will be officially launched in 2003.

As early as June 2002, T-Mobile, together with its partners, presented the first UMTS pilot car worldwide in Berlin. Equipped for multimedia wireless applications, the car demonstrated a variety of mobile information and communication services during the journey. High-speed communication in the UMTS network enabled video-conferencing, Internet access, e-mail traffic and other office applications.

The T-Mobile subsidiaries are collaborating closely to build UMTS networks. They are also working with other network operators outside the T-Mobile group of companies. In May 2002, T-Mobile Netherlands and Dutchtone formed a joint venture aimed at building a UMTS infrastructure in the Netherlands. The aim of collaborative UMTS projects in the Netherlands is to bring third-generation communication services to market faster and to generate significant cost efficiencies. And in September 2001, T-Mobile and mmO₂ concluded a cooperation agreement focusing on UMTS networks in Germany and Great Britain. As part of an extension of this cooperation agreed upon in February 2003, customers of O₂ will be able to use T-Mobile's UMTS network beyond the infrastructure requirements to be met by their own operator.

Cooperation

In preparation for UMTS, T-Mobile Deutschland completed expansion of the GSM network by the end of the 2002 financial year. With some 18,000 network sites and over 98 percent coverage, the GSM network is now available almost nationwide in Germany. T-Mobile Deutschland will be concentrating on upgrading and expanding the UMTS infrastructure during the current financial year. The technical UMTS infrastructure was in place in 75 German cities by the end of 2002. This is set to increase to some 200 German cities for the introduction of UMTS service in 2003.

UMTS infrastructure



Freestyle.

We implement our program with precision.

T-Online. On target for an Internet media network.

- Positive EBITDA* as early as first half of 2002
- Depth of Internet media network content offering extended
- Solid foundation for pan-European broadband services with almost 2.8 million T-Online DSL subscribers
- Successful launch of T-Online Vision
- Introduction of a broad range of attractive paid-content services

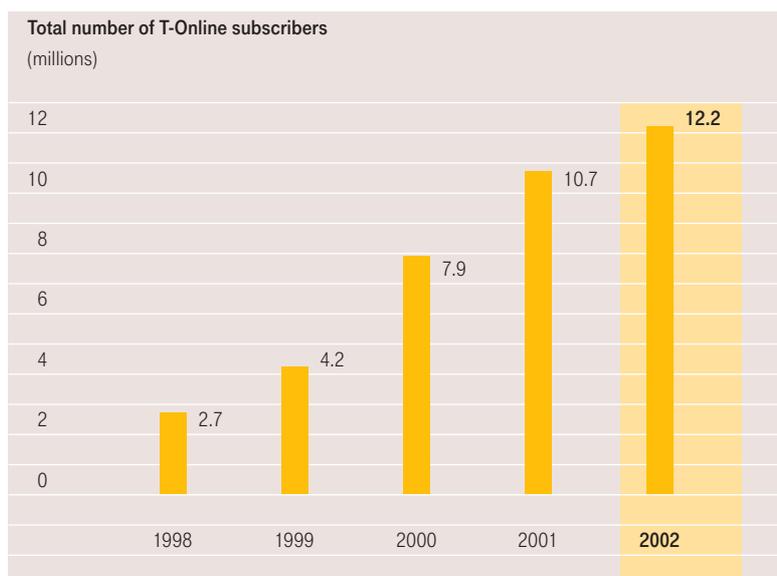
T-Online	2002	2001	Change
Total revenue in millions of €	1,830	1,449	381
Income/(loss) before taxes in millions of €	9	(233)	242
EBITDA* in millions of €	207	(78)	285
Employees	2,765	3,008	(243)

Deutsche Telekom includes in the T-Online division not only the business of T-Online International AG, but also the business of DeTeMedien. The following text focuses on the activities of T-Online International AG.

Position in the European Internet market strengthened. With over 12.2 million subscribers and revenue of approximately EUR 1.58 billion for the 2002 financial year, T-Online International AG remains a major player among European Internet service providers. In the German market, T-Online retained its leading position, with 9.96 million subscribers at year-end. In keeping with T-Online's growth strategy, international subsidiaries Club Internet (France), Ya.com (Spain) and T-Online.at (Austria) also capitalized on the rapid expansion of the broadband market to increase their customer base and extend the reach of their portals in 2002. Key growth drivers for the T-Online group of companies in 2002 were user-focused Internet access services, a broad range of both free and fee-based value-added services for residential and corporate customers and the dynamic expansion of its portal offering.

Growth drivers

* EBITDA and EBITDA adjusted for special influences are pro forma figures that are not part of German or U.S. GAAP. They should not be viewed in isolation or as an alternative to net income/(loss), income/(loss) before taxes, operating income, net cash provided by operating activities or other Deutsche Telekom financial measures recorded in accordance with German or U.S. GAAP. For important information about adjusted EBITDA please refer to the chapter on "Reconciliation to pro forma figures" starting on page 110.



Positive EBITDA and increased reach. Despite the general economic downturn in the year under review, T-Online succeeded in further increasing efficiency levels and moving towards profitability as it continued to expand. At EUR 104 million, EBITDA for 2002 was up EUR 293 million on the previous year's figure. This positive development was fuelled by profitable expansion of the customer base, a rise in online time and increased non-access revenues. T-Online boasted 12.2 million subscribers by the end of the year under review (14.9 percent increase on 2001). The number of T-Online subscribers in Germany rose from 8.76 million to 9.96 million. And the group's foreign subsidiaries also recorded a solid increase in customer figures in the period under review. The number of subscribers in France, for example, increased by 32.52 percent on the 2001 figure.

T-Online further strengthened its position as the leading German Internet portal. At year end, the unique audience figures (home & work) for the T-Online domain stood at 14.2 million. This means that T-Online reached more than 62 percent of German Internet users on an average monthly basis. Due to rising customer numbers, increased online time and a usage-based tariff-rate policy, the access segment remained the strongest revenue engine in 2002. Revenue generated by this line of business was up 31.4 percent to EUR 1,245 million. The T-Online group of companies also posted a 76 percent increase in non-access revenue (from EUR 193 million to EUR 339 million). Non-access business thus accounted for approximately 21.4 percent of total revenue. This increase was predominantly a result of the ever-expanding popularity and reach of T-Online portals, resulting in longer periods spent online.

T-Online shares caught in economic turbulence. The performance of T-Online shares in 2002 followed general developments in the world economy. Economic downturn and falling prices on international stock exchanges placed considerable pressure on the Neuer Markt. And fears of recession exasperated what was already a difficult market environment. Even T-Online International AG's results for the first half of the year, which were favorably received on capital markets, failed to stop the general downward trend. T-Online shares were valued at EUR 5.32 (based on Xetra closing prices) at the end of the year under review.

Subscriber growth

Revenue driver

¹ Source: Nielsen/NetRatings

Rate options	<p>T-DSL offering heralds broadband future. Internet access business in 2002 was driven by the systematic marketing of DSL-enabled broadband services. By the end of 2002, T-DSL already accounted for over 85 percent of all online time in Germany and the number of T-Online's T-DSL subscribers in Germany had increased to 2.6 million (as at December 31, 2002). T-Online thus consolidated its status as an outstanding platform for multimedia applications. An important factor influencing the growth of the T-DSL subscriber base was T-Online's usage-based tariff-rate policy. In addition to the "T-Online dsl flat" rate (used by roughly two thirds of DSL users), T-Online offers a number of different volume-based rate plans. Special rate options were also introduced for residential and business customers.</p>
Access business	<p>Existing rate plans were also reviewed systematically in 2002, which proved beneficial to the large majority of T-Online customers. In addition to T-DSL, the "T-Online surftime" tariff and the popular "T-Online eco" tariff also made a significant contribution to T-Online's success during the period under review. Key to the success of the access business was the improved utilization – and cost efficiency – of network capacity. This was achieved by actively promoting the use of T-Online products particularly during non-peak periods. T-Online also focused on expanding the broadband services of its international subsidiaries. T-Online France (operating under the name "Club Internet") was one of the first providers to market DSL-based access for private subscribers. Its broadband customer base increased more than fivefold during 2002 compared with the previous year's figure. T-Online France has now advanced to second place on the French broadband Internet market and benefits considerably from growth in this area.</p>
T-Online Vision	<p>Successful positioning as an Internet media network. The availability of attractive multimedia information and entertainment services is set to shape the future success of the broadband market. T-Online bundled such services to form T-Online Vision, which went live at CeBIT 2002. It offers users live shows, movie trailers, music videos, TV formats and much more. It has already proved a great success. A Bon Jovi concert shown exclusively on T-Online Vision, for example, was watched by 75,000 viewers. This wide broadband strategy extending to entertainment content clearly differentiates T-Online from the competition.</p>
Additional growth areas	<p>To tap additional growth areas, T-Online entered into further cooperation agreements with established content providers in 2002. One of the most successful of these was bild.t-online, a joint venture with publishing house Axel Springer, which went live in May 2002 and is now Germany's most popular general interest portal. The portal had received in the region of 250 million hits by the end of the year under review. T-Online also extended its lifestyle content through an agreement with the magazine Bunte, which resulted in the launch of the joint portal www.bunte.t-online.de.</p> <p>T-Online aims to offer a unique Internet experience. Not only did it expand its Internet content offering in 2002, it also introduced fixed program slots such as expert/celebrity chats.</p> <p>Multi-access portals guide the user. Cross-media availability of content is a key success factor in the future expansion of T-Online's content offering. T-Online customers already enjoy access to T-Online content over narrowband and broadband wired and wireless connections. This will be extended to include access via television. Launched in June 2002, the multi-access portals are designed to guide the user through the content maze.</p>

Successful positioning of new business model. Complementing its positioning as an Internet media network, T-Online increased its profile as a provider of paid content. This line of business benefits from T-Online's broad customer base and wide reach. At the close of 2002, the unique audience figures (home & work) had already reached 14.2 million. Unique audience refers to the number of different users who have visited a website at least once during a specified time period. This means that T-Online reached more than 62 percent of German-speaking Internet users on an average monthly basis. The reach of T-Online's portal network is greater than that of competing providers.

Paid content

In January 2002, T-Online launched its first paid-content service. By the end of the year, the company was offering more than 3,000 content items in more than 100 different categories. Most of this was practical information such as product reviews, tips on tax returns and business advice. The billing arrangements between T-Online International AG and its customers (through Deutsche Telekom) are crucial to the successful development of the emerging paid-content market. In cooperation with DeTeCardService GmbH, an alternative payment method (MicroMoney) was introduced to enable customers who have not yet subscribed to T-Online to take advantage of T-Online's exclusive content.

Online services with high value-add. Paid-content premium services evolved into a strategic cornerstone for the T-Online group of companies in 2002. These services are billed on a monthly or pay-per-use basis.

The T-Online Business area was significantly extended to include new Internet solutions such as Web hosting, shopping, security and office applications. The Business Directory, for example, is a comprehensive digital catalog providing excellent reference material for business users' Websites.

Portal marketing stepped up. By offering an extended and diversified marketing portfolio, T-Online strengthened its position as a leading online advertising medium. The high bandwidth of the broadband portal T-Online Vision in particular offers advertisers a powerful platform for innovative advertising formats.

Broadband portal

E-commerce goes broadband. T-Online continued to drive e-commerce activities during 2002. As part of this initiative, T-Online's shopping portal underwent a facelift to help users navigate more easily through the varied range of products and services offered by more than 200 shopping partners. The first shopping show in broadband format was transmitted on T-Online Vision in November 2002. The first company-owned T-Online shop opened its doors in October 2002. The shop offers around 130 selected brand-name products, including notebook computers. The T-Online group of companies tapped one of the fastest-growing e-commerce segments by acquiring a holding in booxtra in 2002. booxtra is now one of the most profitable online book stores on the German market.

Content strategy to drive growth. T-Online will continue to focus heavily on its content strategy during 2003. The ongoing development and successful marketing of commercial and paid content services are set to play a pivotal role in achieving efficiency and revenue targets. To drive new growth in the Internet market, T-Online will be building on broadband technology and cross-media service delivery to create innovative, competitive products and services.

Goals

Multiple disciplines.

We stay focused even when the heat is on.



Other. Significant progress on consolidation front.

- EUR 1.7 billion realized from the sale of Group-held real estate
- Progress in sale of minority shareholdings
- Cost savings through online billing
- Sale of T-Online shares helps reduce debt

Other	2002	2001**	Change
Total revenue in millions of €	4,411	5,114	(703)
Income/(loss) before taxes in millions of €	(4,454)	352	(4,806)
EBITDA (adjusted)* in millions of €	30	1,119	(1,089)
EBITDA* in millions of €	447	3,267	(2,820)
Employees	17,870	18,565	(695)

As part of its four-pillar strategy, the Deutsche Telekom Group assigned the main growth segments within the telecom industry to corresponding divisions within the Company. Group headquarters and the individual subsidiaries are now significantly leaner and focus more on cross-division management functions that support the Group's growth strategy. Headquarters (including the Treasury function) now also manages shared services, including real estate, billing and fleet management services (DeTeFleetServices GmbH), the new Personnel Service Agency (PSA) and an array of competence centers and other Group subsidiaries and associated companies.

* EBITDA and EBITDA adjusted for special influences are pro forma figures that are not part of German or U.S. GAAP. They should not be viewed in isolation or as an alternative to net income/(loss), income/(loss) before taxes, operating income, net cash provided by operating activities or other Deutsche Telekom financial measures recorded in accordance with German or U.S. GAAP. For important information about adjusted EBITDA please refer to the chapter on "Reconciliation to pro forma figures" starting on page 110.

** Following the repositioning of the divisions T-Com and T-Systems, the prior-year figures for T-Com, T-Systems and Other units have been adjusted in line with the new structure.

Real estate portfolio accelerates consolidation. The systematic reorganization of Deutsche Telekom AG's real estate assets played a major role in focusing Group activities and helping to relieve its debt. In the year under review, the real estate unit was reorganized and its functions transferred to three companies. Sireo Real Estate Asset Management GmbH has assumed a pivotal role in the Group's new real estate strategy. In April 2001, management of Deutsche Telekom's real estate assets was entrusted to Sireo. The company has since been instrumental in reducing the Group's financial liabilities and interest bills. By the end of 2002, Sireo had closed deals worth approximately EUR 1.7 billion through the sale of Deutsche Telekom real estate in single lots and grouped portfolios and the placement of real estate funds on the market. The corresponding figure for 2001 was EUR 0.7 billion. Through its sound asset management policy, Sireo also managed to reduce Deutsche Telekom's property-related costs by EUR 90 million during 2002. And Sireo plans to sell more than EUR 1 billion worth of Deutsche Telekom real estate in 2003. A comprehensive package of measures will also be introduced to further reduce real estate costs by at least 10 percent by 2005. Working in close cooperation with Sireo, Generalmietgesellschaft mbH (GMG) is now responsible for leasing and rental activities. Deutsche Telekom Immobilien und Service GmbH provides facility management services for the Group. Furthermore, Deutsche Funkturm GmbH (DFG) started operations in January 2002. It acts as the owner of and service provider for all the radio towers and masts.

Real estate strategy

Cost efficiencies thanks to online billing and cross-divisional fleet management. Mainly responsible for domestic fixed-network billing, the Billing Services department managed to cut costs through systematic target costing. These savings were achieved primarily through efficiency improvements in IT core processes and the growing popularity of online billing.

The Fleet Management unit was restructured in 2002 to capitalize on synergy effects. Founded on July 1, 2002, DeTeFleetServices GmbH is responsible for cross-division fleet management and is committed to further reducing costs through the development of innovative corporate fleet solutions.

Satelindo

UMC

EUTELSAT

Progress in sale of minority shareholdings. In addition to non-strategic lines of business (such as real estate), Deutsche Telekom also pushed the sale of minority shareholdings during 2002. The Company sold its 25 percent stake in the Indonesian mobile communications provider PT Satelindo to the state-owned company PT Indosat in June 2002. Proceeds from this deal totaled EUR 0.3 billion. Furthermore, agreements were reached in late 2002 about the sale of the shareholdings in the Ukrainian Mobile Communication (UMC) company and in the satellite operator EUTELSAT S.A.

T-Online shares sold. The successful sale of 120 million shares in T-Online International AG in December 2002 made a significant contribution to debt-reduction activities. In total, the transaction generated around EUR 0.7 billion.

Drop in revenue and costs – to the benefit of the divisions. Total revenue generated by the Other segment as of December 31, 2002 totaled EUR 4.4 billion compared with EUR 5.1 billion at the close of 2001. This drop in revenue of approximately EUR 0.7 billion is attributable in part to the spin-off of Deutsche Telekom Gesellschaft für Satellitenkommunikation mbH (DeTeSat) which accounted for around EUR 0.1 billion. Revenue was also squeezed by the fact that cost efficiencies in the field of Billing Services - enabled by more efficient IT systems, for example - were passed on to the divisions, resulting in a drop in revenue of EUR 0.3 billion for this segment. The remaining decrease in revenue stems from the Real Estate Shared Service. There was a drop in demand for this service among the divisions. In addition, this segment handled fewer projects in 2002 than in the previous year.

At EUR 30 million, EBITDA* (adjusted to exclude special influences) was down approximately EUR 1.1 billion on the previous year's figure. The reasons for this include the drop in revenue (around EUR 0.7 billion), one-off costs for the successful rebranding of T-Mobile (approximately EUR 0.2 billion) and one-off start-up costs for the completed sale of receivables (also approximately EUR 0.2 billion).

Expenses for the establishment of the Personnel Service Agency (PSA), which was launched in the fourth quarter of 2002, has not yet had a significant impact on the EBITDA of this segment. The PSA is committed to providing a fair personnel placement service both within and beyond the Deutsche Telekom Group. By December 31, 2002 the PSA listed the equivalent of some 1,700 full-time employees.

The loss before taxes for 2002 totaled approximately EUR 4.5 billion. This includes special influences of EUR -0.6 billion (EUR 1.5 billion in 2001), which can be classified as follows: EBITDA-relevant special influences totaling EUR 0.4 billion net (mainly proceeds from the sale of Satelindo and of shares in T-Online); the nonscheduled write-down of the net carrying amount of the stake in France Telecom totaling around EUR 0.6 billion, as included in the net financial income/(expense); and the valuation adjustments for other investments in noncurrent securities amounting to approximately EUR -0.4 billion. The higher level of pre-tax earnings in the previous year (around EUR 0.35 billion) was attributable in part to the following one-off items: proceeds from the sale of Sprint-FON and Sprint-PCS (EUR 1.9 billion) as well as valuation adjustments for the net carrying amount of the France Telecom shareholding (around EUR -0.3 billion). Adjusted to exclude special influences, total loss before taxes (at approximately EUR 3.9 billion) is down approximately EUR 2.7 billion on the previous year's figure. This is primarily attributable to the adjusted EBITDA figure and a drop in net interest income (by approximately EUR 1.4 billion). These changes in net interest income/(expense) do not impact significantly overall Group results, however, as they are largely attributable to loans for T-Mobile International AG (EUR 38 billion) which are to be converted to equity capital.



Dry run.
We aspire to great heights.

Reconciliation to pro forma figures.

EBITDA and EBITDA adjusted for special influences. EBITDA and EBITDA adjusted for special influences are pro forma figures that are not covered by the provisions of the German or U.S. GAAP.

EBITDA. EBITDA is the abbreviation for “earnings before interest, taxes, depreciation and amortization”. Deutsche Telekom defines EBITDA as the results from ordinary business activities excluding net financial income (expense), amortization of intangible assets and depreciation of property, plant and equipment.

Deutsche Telekom considers EBITDA to be a measure of the development of its operating activities before the effect of start-up costs for the development of new business areas and markets that are not matched by any relevant income. Furthermore, EBITDA is also an indicator to demonstrate to what extent operational business activities can generate cash flows to reduce net debt or to finance investments. As such, EBITDA is an important indicator used by Deutsche Telekom’s leading decision-makers in order to measure Deutsche Telekom’s operating activities and the performance of the individual units. EBITDA provides investors with exactly the same figure used by Deutsche Telekom’s management, allowing them to assess the results of each unit, as well as those of the Deutsche Telekom Group as a whole.

EBITDA adjusted for special influences. Deutsche Telekom defines EBITDA adjusted for special influences as the results from ordinary business activities excluding net financial income (expense), amortization of intangible assets and depreciation of property, plant and equipment, before the effects of any special influences. Deutsche Telekom discloses EBITDA adjusted for special influences as an indicator of the development of its operating activities before the effect of the special influences listed below and those special influences resulting from the measures taken in the third quarter of the 2002 financial year as part of the strategic review.

EBITDA and EBITDA adjusted for special influences should not be viewed in isolation or as an alternative to net income/(loss), income/(loss) before taxes, operating income, net cash provided by operating activities or other Deutsche Telekom financial measures prepared in accordance with German or U.S. GAAP. EBITDA also includes noncash transactions and does not take account of either changes in the balance sheet or interest and tax payments. However, given that these factors affect cash flow, EBITDA and EBITDA adjusted for special influences should not be used as a substitute for the cash flow measures recorded by Deutsche Telekom.

Since other companies may not calculate EBITDA, or EBITDA adjusted for special influences, and similar pro forma financial figures in the same way, Deutsche Telekom’s pro forma figures are not necessarily comparable with similarly titled figures of other companies.

EBITDA margin and EBITDA margin adjusted for special influences. In order to compare the EBITDA earnings power of profit-based units of different sizes, the EBITDA margin is provided in addition to EBITDA. The EBITDA margin represents the ratio of EBITDA to net revenue (EBITDA divided by net revenue).

Special influences. In both the year under review and in previous years, the Group's result was influenced by a number of unusual or infrequent factors (special influences).

The following tables show how Deutsche Telekom derives EBITDA adjusted for special influences for the Group and for its four divisions from the consolidated statement of income prepared in accordance with German GAAP. The special influences have been defined and quantified both for the year under review and for the previous year. At Group level, we have provided a multi-year review for the period 1996 to 2002.

Reconciliation of Group EBITDA, 1996 to 2002									
(billions of €)									
	2002	2001	Change	% ¹	2000	1999	1998	1997	1996
Net revenue	53.7	48.3	5.4	11.1	40.9	35.5	35.1	34.5	32.3
Results from ordinary business									
activities	(26.8)	(2.5)	(24.3)	n.a.	6.5	3.2	5.1	3.7	3.4
Financial income (expense), net	(6.0)	(5.3)	(0.7)	(12.6)	(1.2)	(2.9)	(3.3)	(4.0)	(3.9)
Depreciation and amortization	(36.9)	(15.2)	21.7	142.3	(13.0)	(8.4)	(9.0)	(9.5)	(9.0)
EBITDA¹	16.1	18.1	(2.0)	(10.8)	20.7	14.5	17.4	17.2	16.3
EBITDA margin (%)¹	30.0	37.4			50.6	41.0	49.6	49.8	50.7
Special influences affecting EBITDA	(0.2)	3.0	(3.2)	(106.7)	7.8	-	0.1	0.2	0.3
EBITDA adjusted for special influences¹	16.3	15.1	1.2	7.8	12.9	14.5	17.3	17.0	16.0
EBITDA margin adjusted for special influences (%)¹	30.4	31.3			31.6	41.0	49.2	49.3	49.6

¹ Calculated and rounded off on the basis of millions for the sake of greater precision.

Special influences to affect EBITDA positively in the year under review mainly included the book profit (including foreign currency transaction losses) of EUR 0.2 billion from the sale of the shares in PT Satelindo, as well as proceeds from the sale of shares in T-Online in the fourth quarter, which amounted to EUR 0.3 billion. The expenses relating to the restructuring measures in the T-Com and T-Systems divisions (EUR 0.4 billion) as well as selling costs and an additional minimum liability adjustment (totaling EUR 0.3 billion) had the effect of reducing EBITDA in the fourth quarter.

Group EBITDA including special influences amounts to around EUR 16.1 billion, compared with EUR 18.1 billion in the previous year. This corresponds to a decrease of EUR 2.0 billion, or 10.8 percent. Adjusted for special influences, EBITDA increased by EUR 1.2 billion or 7.8 percent year-on-year, from EUR 15.1 billion to EUR 16.3 billion.

The following special influences affected EBITDA in the 2001 financial year: proceeds from the sale of the interests in Sprint-FON and Sprint-PCS (including selling costs) in the total amount of EUR 1.9 billion in the second and third quarters, the book profit from the sale of the Baden-Württemberg cable TV company (EUR 0.9 billion) in the third quarter, and proceeds from the sale of regional cable service companies (EUR 0.1 billion) and from the reversal of accruals (EUR 0.3 billion), both in the fourth quarter. The disclosure of an additional minimum liability of EUR 0.2 billion under personnel costs had the effect of reducing EBITDA.

In the previous years (**1996 to 2000**), the following special influences impacted EBITDA:

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

1998: Income from assets disposals following the sale of SES (SES Société Européenne des Satellites) shares in the amount of EUR 0.1 billion.

1997: Income from the reversal of accruals in the amount EUR 0.2 billion.

1996: One-time input tax refunds in the amount of EUR 0.3 billion.

Reconciliation of EBITDA in the divisions in 2002 and 2001										
(billions of €)										
	T-Com		T-Systems		T-Mobile		T-Online		Other	
	2002	2001 ²	2002	2001 ²	2002	2001	2002	2001	2002	2001 ²
Net revenue	30.2	29.4	11.3	11.9	19.7	14.6	1.8	1.4	4.4	5.1
Results from ordinary business activities	3.5	4.6	(2.0)	(0.4)	(23.7)	(6.4)	0	(0.2)	(4.5)	0.4
Financial income (expense), net	(0.9)	(0.9)	(0.1)	0.1	(1.4)	(3.2)	0	0	(3.6)	(1.5)
Depreciation and amortization	(5.5)	(5.4)	(2.6)	(1.4)	(27.3)	(6.3)	(0.2)	(0.2)	(1.3)	(1.4)
EBITDA¹	9.9	10.9	0.8	0.9	5.0	3.1	0.2	(0.1)	0.4	3.3
EBITDA margin (%)¹	32.9	37.1	6.7	7.4	25.5	21.4	11.3	(5.4)	10.1	64.1
Special influences affecting EBITDA	(0.2)^a	0.8^b	(0.4)^c	-	-	-	-	-	0.4^d	2.2^e
EBITDA adjusted for special influences¹	10.2	10.1	1.2	0.9	5.0	3.1	0.2	(0.1)	0.0	1.1
EBITDA margin adjusted for special influences¹	33.7	34.4	10.2	7.4	25.5	21.4	11.3	(5.4)	0.7	21.9

¹ Calculated and rounded off on the basis of millions for the sake of greater precision.

² For T-Com, T-Systems and Other, the figures for the previous year were adjusted to the new allocation to segments.

T-Com

^a Restructuring expenses for personnel reduction at the European subsidiaries, associated and related companies and disclosure of an additional minimum liability.

^b Proceeds from the sale of the Baden-Württemberg cable TV company (EUR 0.9 billion) and of regional cable service companies (EUR 0.1 billion); additional minimum liability (EUR -0.2 billion).

T-Systems

^c Restructuring expenses and disclosure of an additional minimum liability.

Other

^d Book profit from the sale of shares in PT Satelindo (EUR 0.2 billion) and from the sale of T-Online shares (EUR 0.3 billion) as well as selling costs and the disclosure of an additional minimum liability totaling EUR -0.1 billion.

^e Book profit (including selling costs) from the sale of Sprint-FON and Sprint-PCS (EUR 1.9 billion) and income from the reversal of accruals (EUR 0.3 billion).

Special influences.

In addition to the special influences affecting EBITDA mentioned above, the special influences not affecting EBITDA, including the special influences which resulted from the strategic review implemented in the third quarter of 2002, are set out below.

In the 2002 financial year, special influences totaling EUR 19.8 billion had a negative impact on the Group's result. The vast majority of this amount (EUR 19.6 billion) is the result of special influences which have no effect on EBITDA.

When analyzing the special influences which do not affect EBITDA, it should be remembered that the acquisition of the UMTS licenses and the acquisition of T-Mobile USA in the period under review had an impact on depreciation and amortization as well as on interest expense and will continue to do so in the future, whereas the corresponding positive effects on results are only expected to be recorded in future financial statements.

The following special influences did not affect EBITDA but impacted the Group's result:

Write-downs of property, plant and equipment and intangible assets		
(billions of €)		
2002	Total	(21.5)
Goodwill T-Mobile USA		(8.3)
Goodwill Ben Nederland B. V.		(1.0)
Goodwill SIRIS (T-Systems)		(0.5)
Mobile communications licenses at T-Mobile USA		(9.4)
UMTS license at T-Mobile UK		(2.2)
Property, plant and equipment at T-Systems		(0.1)
2001	Total	(1.8)
Land and buildings		(0.8)
Write-downs of goodwill on brand names as part of the rebranding of mobile communications majority shareholdings		(1.0)
2000	Total	(3.0)
Land		(2.0)
Parts of the long-distance copper cable network and telecommunications equipment		(1.0)

Financial income (expense), net		
(billions of €)		
2002	Total	(1.6)
	Valuation adjustment for the net carrying amount of the shareholding in France Telecom	(0.6)
	Valuation adjustments for loans to associated companies of Kabel Deutschland GmbH	(0.3)
	Nonscheduled write-down of the net carrying amount of the shareholding in comdirect bank AG	(0.1)
	Nonscheduled write-down of the UMTS license held by Ben Nederland B.V. as part of its inclusion as an associated company	(0.2)
	Other write-downs of financial investments	(0.4)
2001	Total	(0.9)
	Nonscheduled write-down of the net carrying amount of the shareholding in France Telecom as a result of the decrease in its share price	(0.3)
	Other write-downs of financial investments	(0.6)
2000	Proceeds from the sale of WIND	2.3
1998	Nonscheduled write-downs of East Asian shareholdings	(0.1)
1997	Nonscheduled write-downs of East Asian shareholdings	(0.2)

Extraordinary income/(loss) (German GAAP)		
(billions of €)		
1996	Expense recognized in respect of staff restructuring measures	(0.9)

The tax effects on the various special influences were determined on the basis of the corporation tax rate. In the period under review, tax income of EUR 3.0 billion was generated, in particular in relation to the nonscheduled write-downs of mobile communications licenses held by T-Mobile USA. Furthermore, backdated amortization of goodwill to be recognized in Deutsche Telekom AG's tax accounts in accordance with a Federal Fiscal Court ruling resulted in positive tax effects for financial year 2002, which was in turn a separate special influence impacting the Group's result. In the previous year, the offsetting of a loss from the write-down of the book value of the investment in NAB/Sprint was a separate special factor.

In addition, we have provided a separate overview of the effects of both the special influences and the measures taken in connection with the strategic review on the overall statement of income in the 2002 financial year.

In the 2002 financial year, special influences totaling EUR 19.8 billion had a negative impact on the Group's result. EUR 19.0 billion of this relates to special influences resulting from the measures taken in connection with the strategic review which was implemented in the third quarter of 2002. These mainly comprise nonscheduled write-downs of intangible assets (goodwill and licenses) totaling EUR 21.3 billion, and positive tax income of EUR 3.0 billion relating to nonscheduled write-downs of mobile communications licenses of T-Mobile USA.

In 2002, EUR 23.6 billion of the total special influences had a negative impact on the Group result, and EUR 3.8 billion had a positive impact.

Net loss including special influences in 2002 was EUR 24.6 billion, EUR 21.1 billion more than in the previous year (2001: EUR 3.5 billion). After adjustment for special influences, the net loss increased by EUR 0.1 billion and thus remained almost constant in comparison with the same period last year (2002: EUR 4.8 billion; 2001: EUR 4.7 billion).

The strategic review was based on testing the value of Deutsche Telekom's subsidiaries and affiliates and their assets. In the course of these valuations, Deutsche Telekom made calculations based on cash flow, taking the Company's current plans as a basis. In addition, the plausibility of the assumptions upon which the Company's plans are based was assessed against other information, such as the market capitalization of companies which are comparable with Deutsche Telekom's subsidiaries and affiliates, and analysts' current estimates. Deutsche Telekom commissioned an independent expert for the valuation of individual assets. The write-downs of goodwill and mobile communications licenses, as well as the restructuring expenses, are the result of the strategic review implemented throughout the Group in the third quarter of 2002 by the Deutsche Telekom Board of Management.

Reconciliation of the statement of income for the financial year from January 1, 2002 to December 31, 2002					
(billions of €)					
	2002	Special influences	2002 (excluding special influences)	Special influences resulting from measures under the strategic review	2002 (excluding special influences and special influences resulting from strategic review)
Net revenue	53.7		53.7		53.7
Change in inventories and other own capitalized costs	0.5		0.5		0.5
Total operating performance¹⁰	54.2		54.2		54.2
Other operating income	3.9	0.5 ¹	3.4		3.4
Goods and services purchased	(14.4)		(14.4)		(14.4)
Personnel costs	(13.5)	(0.3) ²	(13.2)	(0.3) ⁵	(12.9)
Depreciation and amortization	(36.9)		(36.9)	(21.4) ⁶	(15.5)
Other operating expenses	(14.1)		(14.1)	(0.1) ⁷	(14.0)
Financial income (expense), net	(6.0)	(1.3) ³	(4.7)	(0.3) ⁸	(4.4)
Results from ordinary business activities¹⁰	(26.8)	(1.1)	(25.7)	(22.0)	(3.6)
Taxes	2.5	0.3 ⁴	2.2	3.0 ⁹	(0.9)
Income/(losses) applicable to minority shareholders	(0.3)		(0.3)		(0.3)
Net loss/effect from special influences on net income/(loss)¹⁰	(24.6)	(0.8)	(23.8)	(19.0)	(4.8)
Special influences:					
¹ Book profit from the sale of shares in PT Satelindo (EUR 0.2 billion) and proceeds from the sale of shares in T-Online (EUR 0.3 billion).					
² Disclosure of an additional minimum liability and restructuring expenses for personnel reduction at the European subsidiaries, associated and related companies of the T-Com division.					
³ Nonscheduled write-downs of financial assets: of which: EUR 0.6 billion from valuation adjustment for the net carrying amount of the shares in France Telecom; of which: EUR 0.3 billion from valuation adjustment for loans to associated companies of Kabel Deutschland GmbH, and EUR 0.4 billion from valuation adjustments for other investments in noncurrent securities.					
⁴ Tax effects from the additional minimum liability and from valuation adjustments for loans to associated companies of Kabel Deutschland GmbH, as well as positive tax effects resulting from backdated amortization of goodwill to be recognized in Deutsche Telekom AG's tax accounts.					
Special influences resulting from measures under the strategic review:					
⁵ Restructuring expenses at the T-Systems division.					
⁶ Nonscheduled write-downs: of which: goodwill relating to T-Mobile USA (EUR 8.3 billion) of which: goodwill relating to Ben Nederland B. V. (EUR 1.0 billion) of which: goodwill relating to SIRIS (T-Systems) (EUR 0.5 billion) of which: mobile communications licenses at T-Mobile USA (EUR 9.4 billion) of which: UMTS license held by T-Mobile UK (EUR 2.2 billion) of which: property, plant and equipment at the T-Systems division (EUR 0.1 billion).					
⁷ Expenses for additions to accruals for restructuring measures at the T-Systems division.					
⁸ Nonscheduled write-downs of financial assets: of which: EUR 0.1 billion on the net carrying amount of the investment in comdirect bank AG; of which: EUR 0.2 billion on the UMTS license of Ben Nederland B. V. as part of its inclusion as an associated company.					
⁹ Tax effect from the reversal of deferred tax liabilities as a result of the nonscheduled write-down of mobile communications licenses at T-Mobile USA.					
¹⁰ Calculated and rounded off on the basis of millions for the sake of greater precision.					

Free cash flow.

Free cash flow is a figure which is not subject to the regulations under German or U.S. GAAP. Deutsche Telekom defines free cash flow as cash generated from operations minus interest payments and cash outflows for investments in intangible assets and property, plant and equipment. Free cash flow should not be regarded in isolation as an alternative to cash generated from operations, net cash provided by operating activities or other cash flow figures recorded by Deutsche Telekom.

Deutsche Telekom believes that free cash flow is used by investors as a benchmark to enable them to assess the Group's cash generated from operations (after deductions for interest paid and cash outflows for intangible assets and property, plant and equipment), in particular with regard to investments in associated and related companies and the repayment of liabilities. However, free cash flow should not be used to determine the financial situation of the Group.

Reconciliation of free cash flow in the Group for 2002 and 2001				
(billions of €)				
	2002	2001	Change	% ¹
Cash generated from operations	16.7	16.3	0.4	2.4
Interest received/(paid)	(4.2)	(4.3)	0.1	3.1
Net cash provided by operating activities¹	12.5	11.9	0.6	4.4
Cash outflows from investments in intangible assets and property, plant and equipment	(7.6)	(10.9)	3.3	29.8
Free cash flow before payment of dividends¹	4.8	1.1	3.7	n.a.
Dividend	(1.6)	(1.9)	0.3	17.0
Free cash flow after payment of dividends¹	3.3	(0.8)	4.1	n.a.

¹ Calculated and rounded off on the basis of millions for the sake of greater precision.

Since other companies may not calculate free cash flow and similar pro forma financial figures in the same way, Deutsche Telekom's free cash flow is not necessarily comparable with similarly titled figures of other companies.

Gross and net debt.

The figures for gross and net debt are not subject to the regulations under German or U.S. GAAP.

Gross debt is the basis for total net interest expense incurred. In addition to this key figure, Deutsche Telekom shows “net debt”. By recording “net debt”, the Group wants to disclose its actual net financial position at the balance sheet date. Net debt therefore should in principle include all interest-bearing items on the assets and liabilities side of the balance sheet. This requirement called for an addition to the balance sheet items included in “net debt” as at December 31, 2002. The “new” definition of net debt is as follows:

Deutsche Telekom used to define gross debt as the total of the balance sheet items “bonds and debentures” and “liabilities to banks”. This item is now recorded as “debt (in accordance with consolidated balance sheet)”.

On the basis of the new definition, gross debt includes not only “debt (in accordance with consolidated balance sheet)”, but also liabilities to non-banks from loan notes, cash collateral received for positive fair values from derivatives and necessary settlement amounts for interest rate and cross currency swaps for loans taken out in foreign currencies summarized under “other liabilities” in the balance sheet.

Net debt is generally calculated by subtracting liquid assets, other investments in noncurrent securities and in marketable securities, as well as discounts on loans, which are contained in the balance sheet item “prepaid expenses and deferred charges”.

In addition, the following items (which are reported under the balance sheet item “other assets”) are subtracted in the same way as for the liabilities side: cash collateral paid for negative fair values from derivatives and necessary settlement amounts for interest rate and cross currency swaps for loans taken out in foreign currencies.

The prior-year figures shown have been adjusted in line with this definition to allow proper comparisons.

Reconciliation of gross and net debt in the Group, comparison for the period from 1996 to 2002									
(billions of €)									
	2002	2001 ²	Change	% ¹	2000 ²	1999 ²	1998 ²	1997 ²	1996 ²
Bonds and debentures	56.7	58.3	(1.6)	(2.7)	51.4	9.5	3.8	5.2	6.6
Liabilities to banks	6.3	8.7	(2.4)	(27.9)	9.0	32.8	36.1	39.7	44.5
Debt (in accordance with consolidated balance sheet)¹	63.0	67.0	(4.0)	(5.9)	60.4	42.3	39.9	44.9	51.1
Liabilities to non-banks									
from loan notes	0.8	0.7	0.1	(27.8)	0.7	0.6	0.5	0.6	–
Miscellaneous other liabilities	0.3	0.2	0.1	8.8	0.2	–	–	–	–
Gross debt¹	64.1	67.9	(3.8)	(5.6)	61.3	42.9	40.4	45.5	51.1
Liquid assets	1.9	2.9	(1.0)	(33.6)	1.9	1.2	5.1	4.7	9.1
Other investments in marketable securities	0.4	0.7	(0.3)	(41.2)	0.8	1.8	1.4	1.8	0
Other investments in noncurrent securities	0.2	0.9	(0.7)	(72.9)	1.1	2.0	1.0	0.6	0.2
Other assets	0.2	0.3	(0.1)	(44.7)	0	–	–	–	–
Discounts on loans (prepaid expenses and deferred charges)	0.3	0.3	–	(16.0)	0.1	0.1	0.1	0.1	0.1
Net debt¹	61.1	62.8	(1.7)	(2.7)	57.4	37.9	32.9	38.3	41.6

¹ Calculated and rounded off on the basis of millions for the sake of greater precision.

² The prior-year figures shown have been adjusted in line with the broader definition.

Gross and net debt are common indicators in Deutsche Telekom's competitive environment, and are used by Deutsche Telekom's leading decision-makers in order to manage and control debt.

Gross debt forms the basis for the total interest expense incurred, whereas net debt reflects a company's actual net financial position. This is why Deutsche Telekom believes that the debt situation of its competitors can be best assessed by looking at their net debt. However, it is important to remember that there is no standardized definition of net debt, and that full comparison with competitors is only possible where the same definitions are employed.