



## **Deutsche Telekom International Finance B.V.**

Amsterdam, The Netherlands

**€ 4,500,000,000 5.875 % Notes of 2001/2006 ("Tranche 1")**  
**Issue Price: 100.00 %**

**€ 3,500,000,000 6.625 % Notes of 2001/2011 ("Tranche 2")**  
**Issue Price: 99.218 %**

unconditionally and irrevocably guaranteed by

## **Deutsche Telekom AG**

Bonn, Federal Republic of Germany

Application has been made to list Tranche 1 and Tranche 2 (together the "Notes") on the Luxembourg Stock Exchange.

**BNP PARIBAS**

**ABN AMRO**

**Credit Suisse First Boston**

**HSBC**

**Deutsche Bank**

**HypoVereinsbank**

**DG BANK**  
Deutsche Genossenschaftsbank AG

**Landesbank Baden-Württemberg**

**Westdeutsche Landesbank**  
**Girozentrale**

**JPMorgan**

**Bayerische Landesbank**  
**Girozentrale**

**Dresdner Kleinwort Wasserstein**

**UBS Warburg**

**The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and include Notes in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons.**

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**This document may not be publicly distributed in Germany.**

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**This document may not be passed on to any person in the United Kingdom unless that person is of a kind described in Article 11 (3) of the Financial Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom this document may otherwise lawfully be issued or passed on.**

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**The Notes may not be offered or sold, directly or indirectly, and neither this document nor any other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.**

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The purpose of this Offering Circular is to give information with regard to Deutsche Telekom International Finance B.V. (hereinafter also referred to as "Finance" or the "Issuer"), Deutsche Telekom AG (hereinafter also referred to as "Deutsche Telekom" or the "Guarantor", and together with its consolidated subsidiaries the "Deutsche Telekom Group"), and the Notes. The Issuer and the Guarantor have taken all reasonable care to ensure that the facts stated in this Offering Circular are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statements herein, whether of fact or opinion. The Issuer and the Guarantor accept responsibility accordingly.

No person is authorised to give any information or to make any representation in connection with this Offering Circular, and any information or representation not contained herein must not be relied upon as having been authorised by Deutsche Telekom or by any of the Managers (as defined under "Subscription and Sale" below). Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for or purchase any of the Notes.

In this Offering Circular all references to "€" or "euro" are to the single currency which was introduced as of January 1, 1999 with the start of the third stage of European Economic and Monetary Union by which date the euro became the legal currency in eleven member states of the European Union. References to "DM", "DEM" or "Deutsche Mark" and to "NLG" or "Dutch Guilders" are to the non-decimal denominations of the euro as defined by the conversion rate irrevocably fixed in accordance with Article 109 I (4) sentence 1 of the EC Treaty.

In connection with this issue, Deutsche Bank AG London may overallot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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## Subject of this Offering Circular

Subject of this Offering Circular are the € 4,500,000,000 5.875% Notes of 2001/2006 ("Tranche 1"), and the € 3,500,000,000 6.625% Notes of 2001/2011 ("Tranche 2"), both issued by Finance and both unconditionally and irrevocably guaranteed by Deutsche Telekom. The issuance of the Notes was authorised by a resolution of the Board of Management of the Issuer on June 13, 2001 with the approval of the Supervisory Board of the Issuer on June 18, 2001. The issuance of the guarantee was authorised by a resolution of the Board of Management of the Guarantor on June 5, 2001.

## General Information

### Responsibility

The Issuer and the Guarantor have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or opinion.

Except as may be set forth in this Offering Circular, in the judgement of the management of the Issuer and the Guarantor, there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantor or any of the Guarantor's consolidated subsidiaries since December 31, 2000.

### Documents Incorporated by Reference

The Annual Report of Deutsche Telekom for the financial years ended December 31, 2000 and December 31, 1999, the interim Report of Deutsche Telekom for the three months ended March 31, 2001 and the listing prospectus (Börsenzulassungsprospekt) dated May 31, 2001 with respect to the listing of 1,168,148,391 registered shares of Deutsche Telekom on the Frankfurt, Berlin, Bremen, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart Stock Exchanges, and the Annual Report of Finance for the financial years ended December 31, 2000 and December 31, 1999 are incorporated herein by reference and may be obtained without charge during normal business hours on any working day at the head office of Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg. Finance does neither publish any interim reports nor does Finance prepare or publish consolidated financial statements.

### Subscription and Sale

An international syndicate of banks and financial institutions headed by BNP Paribas, Deutsche Bank AG London and J.P. Morgan Securities Ltd. as Joint-Lead Managers and ABN AMRO Bank N.V., Bayerische Hypo- und Vereinsbank AG, Bayerische Landesbank Girozentrale, Credit Suisse First Boston (Europe) Limited, DG BANK Deutsche Genossenschaftsbank AG, Dresdner Bank AG London Branch, HSBC Bank plc, Landesbank Baden-Württemberg, UBS AG, acting through its business group UBS Warburg and Westdeutsche Landesbank Girozentrale as co-lead managers (together with the Joint-Lead Managers, the "Managers") has purchased the Notes to which this Offering Circular pertains. The Notes will be offered for sale free of charges, subject to availability, at the price of 100.00% for Tranche 1 and 99.218% for Tranche 2. Closing date for the Notes is 11 July 2001.

### Selling Restrictions

The Netherlands

The Notes are being issued under the Euro-securities exemption pursuant to article 6 of the Exemption regulation pursuant to the 1995 Act on the Supervision of the Securities Trade (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*). Each Manager has acknowledged that the Notes qualify as "Euro-securities" and each Manager represents and agrees that it shall not at any time conduct a general advertising or soliciting campaign in relation to the Notes.

## Germany

Each of the Managers has acknowledged that offers and sales of the Notes are subject to the restrictions provided in the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of December 13, 1990 (as amended) with respect to Euro-securities (*Euro-Wertpapiere*); in particular, they may not be offered by way of public promotion.

## United States of America

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has offered and sold, and will offer and sell, the Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of distribution, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Manager has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and the Managers, their affiliates and any person acting on their behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Each of the Managers has represented and agreed, that at or prior to confirmation of a sale of Notes, such Manager will send to each distributor or any other third party receiving a selling concession, fee or other remuneration that purchases Notes from such Manager during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Notes offered and/or sold hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise 40 days after the completion of distribution, except in accordance with Regulation S under the Securities Act. Terms used herein have the meaning given to them by Regulation S."

Terms used in this paragraph have the meaning given to them in Regulation S.

In addition, under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (the "**D Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Manager has represented and agreed that:

- a) except to the extent permitted under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D), (i) it has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) such Manager has not delivered and will not deliver within the United States or its possessions any Notes in bearer form that are sold during the restricted period;
- b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- c) if such Manager is a United States person, it has represented that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if such Manager retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (6); and
- d) with respect to each affiliate that acquires from such Manager Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, such Manager either (i) has repeated and confirmed the agreements contained in sub-clauses (a), (b) and (c) on such affiliate's behalf or (ii) has agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c); and

- e) it has not entered and will not enter into any contractual arrangement with any distributors (as that term is defined for purposes of Regulation S and the D Rules) with respect to the distribution of the Notes, except with its affiliates or with the prior written consent of the Issuer.

Terms used in the above paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and regulations thereunder, including the D Rules.

The Issuer has represented and warranted that neither it, its affiliates nor any person acting on its behalf has engaged or will engage in any directed selling efforts (as defined in Regulations S under the Securities Act) in respect of the Notes.

#### United Kingdom

Each of the Managers has represented and agreed that:

- a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended;
- b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom;
- c) it has only issued or passed on and will only issue or pass on to any person in the United Kingdom any document received by it in connection with the issue of the Notes if that person is of a kind described in Article 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996, as amended by the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1997 or is a person to whom such document may otherwise lawfully be issued or passed on.

As used herein, “**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland.

#### General

In addition to the specific restrictions set out above, each Manager has agreed that it will observe all applicable provisions of law in each jurisdiction in or from which it may offer or sell Notes or distribute any offering material.

#### **Delivery of the Notes**

Initial delivery of the Notes will be made on or about 11 July 2001, the Closing Date, in the form of a temporary global bearer note (the “Temporary Global Note”) without coupons which will be deposited with a common depository for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme, Luxembourg (“CBL”). Purchasers will receive a co-ownership participation in the Temporary Global Note through credits to securities accounts.

The Issuer will undertake to exchange the Temporary Global Note, for a permanent global note (the “Permanent Global Note”), without interest coupons, not earlier than 40 days after the later of the date on which the Notes are first offered to persons other than distributors (as determined by Deutsche Bank Aktiengesellschaft) and the Closing Date of the Issue (the “Exchange Date”). Such exchange shall be made only upon certification that the owners of such Notes (i) are not United States persons, (ii) are persons described in United States Treas. Reg. § 1.163-5(c)2(i)(D)(6) or (iii) are financial institutions who have purchased such Notes for resale during the Restricted Period, and, in addition, if the owners are financial institutions described in clause (iii) (whether or not described in clause (i) or (ii)), have not acquired the Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States.

A holder of an interest in the Notes (a "Holder") must exchange its interest in the Temporary Global Note for an interest in the Permanent Global Note before any payment with respect thereto can be collected by the Holder.

No Notes will be mailed or otherwise delivered to any location in the United States at any time by the Issuer, the Guarantor, or the Paying Agents, or in connection with the original issuance of the Notes, by each Manager or each of such Manager's affiliates that acquires from it Notes. Terms used in the preceding sentence have the meanings given to them by the code and the regulations thereunder, including United States Treas. Reg. § 1.163-5(c)(2)(i)(D).

### **Information on Rating**

The Conditions of Issue (as set forth in § 4 (2) of the Conditions of Issue on page 18 hereof) provide for adjustment of the interest rate in case of specific changes in the rating of the outstanding long-term senior unsecured debt of Deutsche Telekom by the rating agencies Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("S&P", and together with Moody's the "Rating Agencies").

The current rating of Deutsche Telekom's outstanding long-term senior unsecured debt assigned by Moody's is 'A3' (outlook negative) and the one assigned by S&P is 'A-' (outlook: negative). Moody's and S&P have rating categories, whereby the levels range, in the case of Moody's from 'Aaa' to 'C' (with 'Aaa' being the highest level), and in the case of S&P from 'AAA' to 'D' (with 'AAA' being the highest level). Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from 'Aa' through 'B'. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of the generic category. S&P may modify its rating by attaching a plus (+) or minus (-) symbol to ratings from 'AA' to 'CCC' to show their relative standing within the rating categories.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, withdrawal or reduction of the rating assigned to the Notes may adversely affect the market price of the Notes.

### **Taxation**

Federal Republic of Germany

#### *General*

In the Federal Republic of Germany, interest payments in respect of Notes held in custody by a bank or financial services institution in Germany to persons who are tax residents of Germany (or non-residents provided that the interest income falls in a category of income from German sources, such as income effectively connected with a German trade or business; income from the letting and leasing of German property, etc.) are subject to an advanced interest income tax of 30% (*Zinsabschlagsteuer*), and an additional 5.5% solidarity-surcharge tax on the income tax (*Solidaritätszuschlag*), so that the total rate is 31.65%. The tax withheld may later be credited as a prepayment for purposes of income tax assessment.

Accrued interest for the time of ownership (so-called "*Stückzinsen*") is also subject to this advanced interest income tax and solidarity-surcharge tax.

#### *Special Regulations concerning Financial Innovation Instruments*

The financial authorities classify securities whose amount of income depends on an uncertain event as financial innovations pursuant to § 20 (2) sentence 1 no. 4 sentence 1 lit. c of the German Income Tax Act. Since the Notes are characterised by the fact that the interest rate may be adjusted in the case of specific changes in the rating of the outstanding long-term senior unsecured debt of Deutsche Tele-

kom by Moody's and S&P as set forth in § 4 (2) of the Conditions of Issue the Notes may be treated as financial innovation instruments for German tax purposes.

The following explanations are therefore based on the assumption that the financial authorities are of the opinion that the Notes should be treated as financial innovations within the meaning of § 20 (2) sentence 1 no. 4 sentence 1 lit. c of the German Income Tax Act.

In the event of a disposal or redemption of the Notes, as the case may be, the *Stückzinsen* received and the difference between the fee for the acquisition and the income from the disposal or redemption ("market yield") are deemed to be interest income. If the Notes are maintained in a custody account by a German bank or financial services institution (*inländische Depotverwahrung*) such institution is therefore also obligated to levy withholding tax (plus the solidarity-surcharge tax levied thereon) on the (positive) market yield in the event of a sale or disposal of the Notes, if the Notes were acquired through or from the German bank or financial services institution maintaining such Notes in a custody account and have been maintained or managed since the date of acquisition. If this is not the case, the bank or financial services institution is obligated to levy withholding tax (plus the solidarity-surcharge tax levied thereon) at an assessment rate of 30% of the income from the disposal or redemption of the Notes (flat assessment rate: *Pauschalbemessungsgrundlage*). The flat assessment rate only pertains to the levying of withholding tax, not to the assessment of personal or corporate income tax.

The above summary describes the principal applications of German advanced interest income tax and solidarity-surcharge tax. Investors should obtain individual tax advice regarding their particular circumstances.

#### The Netherlands

The information below is of a general nature based on current Dutch tax law and practice and is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers are urged to consult their professional advisers as to the overall tax consequences of purchasing, holding and/or selling the Notes.

Finance has been advised that:

- (1) all payments under the Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.
- (2) a holder of a Note will not be subject to Dutch taxation on income or capital gains in respect of any payment under the Notes or in respect of any gain realised on the disposal of The Notes, provided that:
  - (i) such holder is not a resident or a deemed resident of The Netherlands for Dutch tax law purposes; and
  - (ii) such holder is not an individual who opted to be taxed as a resident of The Netherlands for Dutch tax law purposes; and
  - (iii) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Notes are attributable; and
  - (iv) such holder is not an individual who performs other activities in respect of the Notes in The Netherlands, including (without limitation), activities which are beyond the scope of "normal investment activities"; and
  - (v) such holder is not an individual who has a substantial interest in the Issuer.



- (3) Dutch gift, estate or inheritance taxes will not be levied on the occasion of the acquisition of a Note by way of gift by, or on the death of, a holder of a Note unless:
- (i) the holder is, or is deemed to be, resident of The Netherlands for the purpose of the relevant provisions; or
  - (ii) the holder at the time of the gift has or at the time of his death had an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Notes are or were attributable; or
  - (iii) in the case of a gift of a Note by any individual who, at the date of the gift was not resident or deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands;
- (4) there is no Dutch registration tax, stamp duty or any other similar tax or duty other than court fees and contributions for the registration with the Trade Register of the Chamber of Commerce payable in The Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Notes or the performance by the Issuer or the Guarantor of its obligations under the Notes or under the Guarantee;
- (5) there is no Dutch capital tax payable in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Notes or the performance of the Issuer's obligation under the Notes, other than capital tax that may be due by the Issuer on capital contributions made or deemed to be made to the Issuer under the Guarantee;
- (6) there is no Dutch value added or turnover tax payable in consideration for the issue of the Notes, in respect of the payment by the Issuer of interest or principal under the Notes, or the transfer of a Note, or by the Guarantor under the Guarantee.

#### Proposed EU Savings Directive

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. According to the most recently available information it is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent within its jurisdiction to an individual resident in that other Member State, subject to the right of certain individual Member States (including Luxembourg but not including the United Kingdom) to opt instead of a withholding system for a transitional period in relation to such payments. The proposals are not yet final, and they may be subject to further amendment and/or clarification.

#### Litigation

Deutsche Telekom and its subsidiaries including Finance are involved in a number of legal proceedings in the ordinary course of their business. In addition, proceedings involving alleged abuse of a dominant market position by Deutsche Telekom and alleged antitrust violations are pending before competition and regulatory authorities. Except for the proceedings described below, neither Deutsche Telekom nor any of its subsidiaries including Finance is a party to any legal or arbitration proceedings and no such proceedings are known by Deutsche Telekom to be contemplated by governmental authorities or third parties, which, if adversely determined, could have a significant adverse effect on the Deutsche Telekom business or financial position taken as a whole.

## *Securities and Corporate Law-Related Proceedings*

A number of purported class action lawsuits have been filed and consolidated in the United States District Courts for the Southern District of New York by or on behalf of purported purchasers of Deutsche Telekom American Depositary Shares (ADSs) issued pursuant to a registration statement on Form F-3 filed with the Securities and Exchange Commission on May 22, 2000, and pursuant to a prospectus dated June 17, 2000, and purported purchasers of Deutsche Telekom ADSs during the period from June 19, 2000 to and including February 21, 2001. The operative complaint in these consolidated actions assert claims under U.S. federal securities statutes based on allegations that statements made in the registration statement and prospectus were materially false and misleading because they allegedly failed adequately to disclose detailed information relating to merger negotiations between Deutsche Telekom and VoiceStream Wireless Corporation and allegedly overstated the value of Deutsche Telekom's real estate portfolio. Another purported class action lawsuit filed on behalf of purported purchasers pursuant to the registration statement and prospectus is pending in the United States District Court for the Eastern District of New York; the complaint in that action asserts claims substantially the same as those claims asserted in the actions consolidated in the Southern District of New York that relate to the alleged failure adequately to disclose detailed information relating to the merger negotiations, and also alleges that statements in the registration statement and prospectus were materially false and misleading because they allegedly failed adequately to disclose the impact of increased costs incurred in competing for mobile telephone customers.

Press reports indicate that various private parties in Germany have been evaluating measures that might be taken against Deutsche Telekom, its management, or both, on the basis of allegations in the press and elsewhere that the book values recorded by Deutsche Telekom for its real property portfolio have been improperly established and maintained under applicable accounting principles. Deutsche Telekom disputes these allegations. Some purported shareholders have written to Deutsche Telekom raising claims for damages, and some purported purchasers of Deutsche Telekom shares have filed complaints with German courts. In at least one of these lawsuits, claims have been made with respect to the VoiceStream transaction analogous to those made in the purported U.S. class action lawsuits described above.

Deutsche Telekom intends to contest each of the aforementioned lawsuits vigorously. Because the lawsuits, which in the aggregate involve substantial damage claims, are in their very preliminary stages, Deutsche Telekom is not in a position to predict their outcome or impact. However, Deutsche Telekom believes that the allegations in the lawsuits do not provide a basis for recovery of damages because all required disclosures were made on a timely basis.

The lawyer for one of the aforementioned German plaintiffs has submitted a written protest (*Widerspruch*) to the Frankfurt Stock Exchange objecting to the admission to trading in Germany of Deutsche Telekom's shares newly issued in May 2001. The protest asserts that the listing application was defective and the new shares were inadmissible on the basis of issues arising out of the alleged misvaluation of Deutsche Telekom's real property. Deutsche Telekom is convinced that there is no legal basis for the protest and that the protest will have no effect on the admission to trading of its shares.

On June 26, 2000, two Deutsche Telekom shareholders filed a suit with the District Court in Bonn (*Landgericht Bonn*) seeking to have declared void the shareholders resolutions authorizing both the stock option plan and a related conditional capital increase. The case was dismissed by the District Court in Bonn on February 20, 2001. This decision has been appealed.

In July 2000, Deutsche Telekom entered into agreements finally settling all claims and counterclaims asserted in six arbitration proceedings under the Arbitration Rules of the International Chamber of Commerce and one legal proceeding with the District Court in Bonn variously involving France Telecom, Compagnie Générale des Communications S.A., Enel S.p.A, and Wind Telecomunicazioni S.p.A. All of these arbitration proceedings and legal proceedings have been withdrawn.

On October 21, 1999, T-Mobil commenced arbitration proceedings in Vienna, Austria, against Elektrim S.A. and certain small shareholders of PTC. T-Mobil's claim alleges that these companies wrongfully failed to recognize Deutsche Telekom's rights of first refusal over approximately 3% of PTC, and

that this failure was a material breach of the PTC shareholders' agreement. These companies have denied T-Mobil's claim, and Elektrim has filed a counterclaim against T-Mobil alleging that T-Mobil materially breached the shareholders' agreement by, among other things, attempting to purchase PTC shares from several small shareholders and obstructing Elektrim's purchase of PTC shares. T-Mobil has denied the allegations made in the counterclaim. A finding by the arbitration panel that a party has materially breached the PTC shareholder agreement would give the non-defaulting party the right to acquire the defaulting party's PTC shares at book value, which would be substantially below their current fair market value. In December 2000, T-Mobil filed a second proceeding against Elektrim claiming that Elektrim breached the terms of the Deed of Foundation of PTC by transferring all but one of its shares in PTC to Telco, a limited liability company under Polish law in which Elektrim has a shareholding of 51% and Vivendi S. A. a shareholding of 49%. In particular, T-Mobil claims that (i) the transfer of shares required approval by the Supervisory Board of PTC, (ii) the shareholder agreement permitted only the transfer of a party's entire interest and (iii) the consent of the Ministry of Telecommunications to the transfer was required but not obtained.

### *Investigations*

The Bonn public prosecutor is conducting an investigation (*Ermittlungsverfahren*) into allegations in the press and elsewhere asserting that the book values recorded by Deutsche Telekom for its real property portfolio have been improperly established and maintained under applicable accounting principles. Recently, the prosecutor orally advised Deutsche Telekom that he has expanded his investigation to include whether Deutsche Telekom's fixed assets in general, including technical equipment and machinery, were substantially overvalued in Deutsche Telekom's 1995 opening balance sheet and possibly also later balance sheets. Deutsche Telekom believes that the book values of its fixed assets have been correctly presented in all material respects and in accordance with applicable accounting principles, and disputes allegations to the contrary. Deutsche Telekom nonetheless has been cooperating fully in the investigation and is interested in seeing it expeditiously resolved. Deutsche Telekom expects, but cannot be sure, that the special € 2.0 billion writedown that it has recorded in respect of the book value of its real estate portfolio will be helpful in resolving the investigation. Deutsche Telekom cannot offer assurances as to the timing or outcome of the prosecutor's investigations. Deutsche Telekom believes that the investigation is being conducted with regard to certain individuals and is not directed against Deutsche Telekom itself. The public prosecutor has publicly identified Deutsche Telekom's former Chief Financial Officer, the former Chairman of the company's Supervisory Board and the current Chairman of its Management Board as being among the individuals under investigation. Adverse consequences for Deutsche Telekom could follow if any of the individuals who are the subject of the investigation were found to have violated the law.

The Bonn public prosecutor has conducted an investigation into whether Deutsche Telekom bore certain costs associated with the June 2000 global offering by KfW of Deutsche Telekom shares at a level not reasonably commensurate with the benefits Deutsche Telekom received. Deutsche Telekom is convinced that it acted appropriately. The Bonn public prosecutor has terminated the investigation due to insufficient evidence for a charge.

### *Proceedings against Decisions of the Regulatory Authority*

The Regulatory Authority issued an order in December 1999 that establishes the rates applicable to voice telephony interconnection services provided by Deutsche Telekom between January 1, 2000 and January 31, 2001. Because the decision of the Regulatory Authority in this matter was based on an international benchmark rather than on the cost information submitted by Deutsche Telekom, Deutsche Telekom filed a complaint against this order with the Cologne Administrative Court (*Verwaltungsgericht Köln*) in January 2000.

In two decisions published in September and November 1999, the Regulatory Authority took the position that regulatory approval is required for Deutsche Telekom's offers of services to service providers that purchase services for purposes of resale. This position relates to offers of both local calls and domestic and international long-distance calls. According to these decisions, these offers to resellers are seen as voice telephony services and Deutsche Telekom is seen as dominant in the market for those services. Deutsche Telekom's application for an injunction against the implementation of these

decisions was rejected by the Cologne Administrative Court, but these decisions were reversed by the Appellate Administrative Court in Münster (*Oberverwaltungsgericht Münster*) in August and October 2000 respectively, concluding the injunction proceedings. The proceedings in the main action are still pending.

In September 2000, the Regulatory Authority issued an order establishing a new tariff structure for interconnection, replacing the basically distance-based tariff structure with an element-based tariff structure. Deutsche Telekom has filed a legal challenge against this order as well as an application for an injunction against the implementation of this order with the Cologne Administrative Court in October 2000. In December 2000 the Cologne Administrative Court granted the requested injunction. The Regulatory Authority and one competitor (Mannesmann Arcor) applied for permission to appeal. In May 2001, the Appellate Administrative Court in Münster has rejected these appeals. The proceedings in the main action are still pending.

In response to complaints from prospective voice telephony competitors of Deutsche Telekom, in July 1997, the predecessor of the Regulatory Authority required Deutsche Telekom to allow the complainants unbundled access to end customer lines (the "local loop") within Deutsche Telekom's network for purposes of connecting their own customers. A motion for a temporary injunction against this order was rejected by the Cologne Administrative Court. In a hearing before the Appellate Administrative Court in Münster in September 1997, an agreement was reached substantially on the basis of the regulator's requirements, pursuant to which Deutsche Telekom now offers unbundled access to competitors. This agreement remains subject to the outcome of the litigation. Two administrative courts have dismissed Deutsche Telekom's challenge to this order, and Deutsche Telekom has appealed the issue to the Federal Administrative Court (Bundesverwaltungsgericht) in Berlin. In April 2001, the Federal Administrative Court rejected these appeals.

The Regulatory Authority issued an order on March 9, 1998, rejecting in part an application by Deutsche Telekom for the approval of charges for access to the local loop. The Regulatory Authority rejected Deutsche Telekom's cost calculations based on a purported lack of transparency in the calculations and the evaluation of the cost factors and prescribed lower charges (DM 20.65 plus VAT) than those Deutsche Telekom had sought. Deutsche Telekom filed a legal challenge to this order with the Cologne Administrative Court. In two decisions published in February 1999, the Regulatory Authority reset the charge for the monthly rate at DM 25.40 plus VAT for a period ending in March 2001. Deutsche Telekom and certain competitors filed complaints against this order with the Cologne Administrative Court in March 1999. The proceedings are still pending. In March 2001, the Regulatory Authority issued two decisions to reset the charge for the monthly rate at DM 24.40 plus VAT for a period ending in March 2003. Deutsche Telekom and certain competitors filed complaints against this order with the Cologne Administrative Court in April 2001.

On November 15, 2000, the Regulatory Authority ordered Deutsche Telekom to offer internet service providers and to other enterprises which demand Internet access, flat-rate access to its network by February 1, 2001. Additionally, the Regulatory Authority ordered Deutsche Telekom in this context to stop providing quantity discount and to eliminate different charges for peak / offpeak-connections. Deutsche Telekom filed a suit against this decision of the Regulatory Authority and filed a motion for a temporary injunction, claiming that the decision of the Regulatory Authority would not be in accordance with the relevant provisions of the Telecommunications Act. The motion for a temporary injunction against this order was rejected by the Cologne Administrative Court, but in March 2001 this decision was reversed by the Appellate Administrative Court in Münster concluding the injunction proceedings. The proceedings in the main action are still pending.

In March and May 2001, the Regulatory Authority issued an order providing for an obligation of Deutsche Telekom to offer subscriber network services (i. e. subscriber line, local calls and city calls) to one particular service provider for purposes of resale by the end of June 2001. Deutsche Telekom filed complaints against these orders with the Cologne Administrative Court and asked for a preliminary injunction. With respect to these proceedings the Regulatory Authority has extended the deadline to July 12, 2001.

In March and May 2001, the Regulatory Authority issued an order providing for an obligation of Deutsche Telekom to offer line sharing (product offering for shared access to the local loop regarding

Deutsche Telekom and its competitors) to these competitors by the end of May 2001. Deutsche Telekom filed complaints against these orders with the Cologne Administrative Court and asked for a preliminary injunction. This motion for an injunction was partly rejected by the Cologne Administrative Court. Deutsche Telekom asked for admission of a complaint against this decision with the Appellate Administrative Court in Münster. With respect to these proceedings the Regulatory Authority has extended the deadline to July 26, 2001.

In March 2001, the Regulatory Authority discontinued the formal proceeding relating to potential anti-competitive discount involved in Deutsche Telekom's offer of T-DSL (digital subscriber line) service, i. e. broadband internet access for end customers. One competitor filed a complaint against this decision with the Cologne Administrative Court.

#### *Proceedings before the European Commission*

On March 17, 1999, Mannesmann Arcor filed a complaint with the European Commission against the Federal Republic of Germany and against Deutsche Telekom. The complaint primarily relates to Deutsche Telekom's prices for unbundled access to the local loop, which were set by the Regulatory Authority in early 1999. According to Mannesmann Arcor, Deutsche Telekom's low retail prices for local calls and for subscriber lines combined with its high prices for interconnection and for unbundled access to the local loop do not allow competitors to provide customer services economically. With regard to the Federal Republic of Germany, Mannesmann Arcor alleges that the German Economics Ministry exerted undue influence over the decision of the Regulatory Authority regarding local loop access. Furthermore, in Mannesmann Arcor's view, legal protection offered to applicants by German administrative courts, in the form of interim relief, for instance, would not be efficient. Other competitors have jointly filed two further complaints to the European Commission containing similar reproaches. In addition, Telepassport and Viatel have filed complaints alleging that Deutsche Telekom has abused a dominant position by charging long distance off-peak prices that are lower than applicable interconnection tariffs. Deutsche Telekom believes that the complaints are without merit and has submitted replies to the European Commission.

T-Online announced a plan to introduce new Internet charges as of April 1, 1999. AOL Bertelsmann filed a complaint concerning the new charges with the European Commission on February 15, 1999. The complaint alleges the abuse by Deutsche Telekom of its dominant position (in particular, the bundling of Deutsche Telekom's local telephone charges with T-Online's Internet access charges and the use by T-Online of Deutsche Telekom's billing systems). AOL Bertelsmann has also filed a complaint with the German Regulatory Authority based on essentially the same allegations. On May 5, 1999, Mannesmann Mobilfunk filed a complaint with the European Commission alleging abuse by Deutsche Telekom of a dominant position on the fixed telephony retail market and on the market for termination services. According to the complaint, the alleged abuse consists of Deutsche Telekom's refusal to provide network services necessary for the implementation of Personal Communications Services similar to Deutsche Telekom's PCS. In addition, the price charged for this service is alleged to be abusive. Deutsche Telekom believes that the complaint is without merit and has submitted a reply to the European Commission.

#### *Other Proceedings*

In the first quarter of 2000, AOL Bertelsmann also brought three preliminary injunction proceedings against T-Online and Deutsche Telekom before the Hamburg District Court (*Landgericht Hamburg*) claiming that T-Online had engaged in anti-competitive practices. All these preliminary proceedings have been ended in favor of T-Online / Deutsche Telekom. In the main proceeding in which AOL Bertelsmann argued that T-Online had engaged in an anti-competitive practice by bundling its "By-Call" Internet access charge with Deutsche Telekom's ISDN telephone access, the Hamburg District Court decided in favor of Deutsche Telekom / T-Online. AOL Bertelsmann appealed to the Hamburg Court of Appeals.

In early 1999, the U.S.-based operator Carrier 1 lodged a formal complaint with the U.S. Trade Representative against the Federal Republic alleging, among other things, that the Regulatory Authority failed to create a regulatory framework that guarantees competitors interconnection without unrea-

sonable technical conditions on a timely basis and at cost-oriented prices. The complaint further alleges anti-competitive practices on the part of Deutsche Telekom (for example, delay in negotiating and implementing interconnection agreements). Deutsche Telekom believes the Carrier 1 complaint should be rejected on the merits. Two industry groups have also complained to U.S. authorities about interconnection in Germany.

In September 1998, Deutsche Post AG commenced an arbitration proceeding seeking contributions from Deutsche Telekom relating to the cost of employee housing for former Deutsche Bundespost employees, including a number of Deutsche Telekom employees. In 1995, responsibility for the housing of former employees of Deutsche Bundespost was assigned to Deutsche Post AG. The parties have different views as to the amount Deutsche Telekom is obliged to pay as cost reimbursement for the use of such employee housing for its employees. Deutsche Post AG currently is seeking payment in the amount of € 69.4 million from Deutsche Telekom, although Deutsche Telekom expects that Deutsche Post AG may claim further amounts in the event that its initial claim is successful. In March 2000, Deutsche Telekom raised counterclaims in the amount of € 62.6 million reclaiming down-payments from 1995 and 1996. The outcome of the arbitration proceeding is uncertain.

In March 1999, a German consumer association filed a complaint with the Cologne Regional Court concerning telephone cards with limited validity sold by Deutsche Telekom since October 1998. The Regional Court upheld the complaint with its ruling of October 27, 1999. The Cologne Higher Regional Court rejected Deutsche Telekom's appeal with its ruling of August 23, 2000. Deutsche Telekom has lodged an appeal with the Federal Court of Justice (*Bundesgerichtshof*). On June 12, 2001, the Federal Court of Justice dismissed such appeal and thereby invalidated the limitation of validity on telephone cards issued since October 1998 based on an unfair disadvantage of consumers.

On or about April 20, 2001, the U.S. company World Access, Inc., which purports to own a substantial minority interest in the German long-distance telecommunications carrier Teldafax, reportedly filed a complaint in the U.S. District Court for the Northern District of Georgia asserting claims for alleged damages in excess of \$ 600 million relating to, among other things, Deutsche Telekom's decision to cease providing interconnection services to Teldafax for nonpayment of invoices and alleged improper conversion by Deutsche Telekom of customers of Teldafax and World Access.

In April 2001, QPSX Europe GmbH filed suit for a permanent injunction with the District Court in Munich (*Landgericht München*) against Deutsche Telekom AG and Siemens AG, alleging that these companies are infringing plaintiff's patent by providing services using Asynchronous Transfer Mode (ATM) Technology. Deutsche Telekom intends to defend this action vigorously.

### **Use of Proceeds**

The net proceeds of the Notes amounting to approximately € 7,950 million will be used for general financing purposes of the Deutsche Telekom Group companies.

### **Listing Information**

Application has been made to list the Notes on the Luxembourg Stock Exchange. Listing Agent for this issue is Deutsche Bank Luxembourg S.A., 2, Boulevard Konrad Adenauer, L-1115 Luxembourg.

Prior to the listing, a legal notice containing information regarding the issue of the Notes, the Articles of Association and other facts regarding the Issuer and the Guarantor will be registered and deposited with the *Grefte du Tribunal d'Arrondissement de et à Luxembourg*, where copies thereof may be inspected and obtained.

The most recent Annual Financial Statements of the Issuer, containing its unconsolidated financial statements the most recent Annual Reports of Deutsche Telekom and its most recent Interim Reports, which are issued quarterly each year both containing its consolidated financial statements as well as the non-consolidated statements of the Guarantor, may be obtained without charge at Deutsche Bank Aktiengesellschaft, Grosse Gallusstrasse 10-14, D-60272 Frankfurt am Main, and at the head office of

the paying agent and listing agent in the City of Luxembourg, Deutsche Bank Luxembourg S.A., 2, Boulevard Konrad Adenauer, L-1115 Luxembourg, as long as any Notes are listed on the Luxembourg Stock Exchange. The Issuer publishes no Interim Report and no Consolidated Financial Statements. The Articles of Association of the Issuer and the Guarantor as well as copies of the Agency Agreement may also be inspected during usual business hours on any working date and as long as any of the Notes remain outstanding at the aforementioned addresses. Annual and Interim Reports of Deutsche Telekom can also be looked up and obtained via the Internet on [www.telekom.de](http://www.telekom.de).

### **Paying Agents**

The Paying Agents for the Notes are Deutsche Bank Aktiengesellschaft, Grosse Gallusstrasse 10-14, D-60262 Frankfurt am Main, (Principal Paying Agent) and Deutsche Bank Luxembourg S.A., 2, Boulevard Konrad Adenauer, L-1115 Luxembourg.

*The Issuer has undertaken to ensure service of the Notes through a credit institution located in Luxembourg as long as any Notes remain outstanding and are listed on the Luxembourg Stock Exchange. The Notes have been accepted for clearance through Euroclear and CBL.*

### **Security Codes**

	Tranche 1	Tranche 2
German Security Code:	695450	695451
Common Code:	013240841	013240795
ISIN Code:	XS0132408419	XS0132407957

The German wording of the Conditions of Issue of Tranche 1 and Tranche 2, respectively, is legally binding; the English text is a non-binding translation.

**DEUTSCHE TELEKOM INTERNATIONAL  
FINANCE B.V.**

**5,875 % Anleihe von 2001/2006 („Tranche 1“)  
6,625 % Anleihe von 2001/2011 („Tranche 2“)**

**Emissionsbedingungen**

**§ 1**

**Form und Nennbetrag**

- (1) Die Anleihe der Deutsche Telekom International Finance B.V., Amsterdam, Niederlande, (die „**Emittentin**“) im Gesamtnennbetrag von

[Tranche 1:] € 4.500.000.000 (Euro vier Milliarden fünfhundert Millionen)	[Tranche 2:] € 3.500.000.000 (Euro drei Milliarden fünfhundert Millionen)
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ist eingeteilt in

[Tranche 1:] 4.500.000	[Tranche 2:] 3.500.000
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auf den Inhaber lautende und untereinander gleichberechtigte Schuldverschreibungen im Nennbetrag von je € 1.000,- (die „**Schuldverschreibungen**“).

- (2) Die Schuldverschreibungen samt Zinsansprüchen sind anfänglich in einer vorläufigen Global-Inhaber-Schuldverschreibung ohne Zinsscheine (die „**vorläufige Globalurkunde**“) verbrieft, die am Tag der Begebung bei einer gemeinsamen Verwahrstelle von Euroclear Bank S.A./N.V. („**Euroclear**“) und Clearstream Banking, société anonyme, Luxembourg, („**CBL**“) (gemeinsam auch als die „**Clearing Systeme**“ bezeichnet) hinterlegt worden ist. Die vorläufige Globalurkunde wird, wie nachstehend bestimmt, gegen Schuldverschreibungen, die durch eine Dauer-Global-Inhaber-Schuldverschreibung ohne Zinsscheine (die „**Dauerglobalurkunde**“) (die vorläufige Globalurkunde und die Dauerglobalurkunde zusammen auch als „**Globalurkunde**“ bezeichnet) verbrieft sind, ausgetauscht. Effektive Schuldverschreibungen oder Zinsscheine werden nicht ausgegeben. Die Schuldverschreibungen sind als Miteigentumsanteile an der Globalurkunde übertragbar. Die Globalurkunde trägt die eigenhändige Unterschrift von zwei vertretungsberechtigten Personen der Emittentin und eines Kontrollleurs.
- (3) Die vorläufige Globalurkunde wird an einem Tag (der „**Austauschtag**“) gegen durch die Dauerglobalurkunde verbrieft Schuldverschreibungen ausgetauscht, der mindestens 40 Tage und nicht mehr als 180 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegt, und zwar nach Vorlage von Bescheinigungen durch den jeweiligen Kontoinhaber bei dem jeweiligen Clearing System sowie durch das Clearing System bei der Hauptzahlstelle, in der Form von für diese Zwecke bei der Hauptzahlstelle erhältlichen Formularen. Darin wird bescheinigt, daß der bzw. die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine US-Personen sind, ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten. Die Dauerglobalurkunde, die im Austausch für die vorläufige Globalurkunde geliefert wird,

**DEUTSCHE TELEKOM INTERNATIONAL  
FINANCE B.V.**

**5.875 % Notes of 2001/2006 (“Tranche 1“)  
6.625 % Notes of 2001/2011 (“Tranche 2“)**

**Conditions of Issue**

**§ 1**

**Form and Denomination**

- (1) The Issue of Deutsche Telekom International Finance B.V., Amsterdam, The Netherlands, (the „**Issuer**“) in the aggregate principal amount of

[Tranche 1:] € 4,500,000,000 (euro four billion five hundred million)	[Tranche 2:] € 3,500,000,000 (euro three billion five hundred million)
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is divided into

[Tranche 1:] 4,500,000	[Tranche 2:] 3,500,000
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Notes payable to bearer in the denomination of € 1,000 each, ranking *pari passu* with each other (the „**Notes**“).

- (2) The Notes, including the right to demand payment of interest shall initially be represented by a temporary global bearer note without coupons (the „**Temporary Global Note**“) which has been deposited with a common depository for Euroclear Bank S.A./N.V. („**Euroclear**“) and Clearstream Banking, société anonyme, Luxembourg, („**CBL**“) (together also referred to as „**Clearing Systems**“) on the issue date. The Temporary Global Note will be exchangeable, as provided below, for Notes represented by a permanent global bearer Note without coupons (the „**Permanent Global Note**“) (the Temporary Global Note and the Permanent Global Note together also referred to as „**Global Note**“). No definitive Notes or interest coupons will be issued. The Notes are transferable as co-ownership participations in the Global Note. The Global Note bears the handwritten signatures of two authorised officers of the Issuer and of a control officer.
- (3) The Temporary Global Note shall be exchanged for Notes represented by the Permanent Global Note on a date (the „**Exchange Date**“) not earlier than 40 days and not later than 180 days after the date of issue of the Temporary Global Note, upon delivery by the relevant account holder to the Clearing System, and by the relevant Clearing System to the Principal Paying Agent, of certificates in the form available from the Principal Paying Agent for such purpose, to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person other than certain financial institutions or certain persons holding through such financial institutions. The Permanent Global Note delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in subparagraph (1) of § 5).



wird ausschließlich außerhalb der Vereinigten Staaten (wie in § 5 Absatz 1 definiert) ausgeliefert.

## § 2 Status

Die Schuldverschreibungen begründen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind.

## § 3 Negativverpflichtung der Emittentin, Garantie und Negativverpflichtung der Garantin

- (1) *Negativverpflichtung.* Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind, weder ihr gegenwärtiges noch ihr zukünftiges Vermögen ganz oder teilweise in irgendeiner Weise zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit, die von der Emittentin oder einer anderen Person eingegangen oder gewährleistet ist, zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit im gleichen Rang und gleichen Verhältnis teilnehmen zu lassen. „**Kapitalmarktverbindlichkeit**“ ist jede Verbindlichkeit zur Zahlung aufgenommener Gelder, die durch Schuldscheine verbrieft, verkörpert oder dokumentiert ist oder durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können. Um etwaige Zweifel bezüglich von asset-backed financings der Emittentin zu vermeiden, schließen die in diesem § 3 benutzten Worte „**Vermögen**“ und „**Verbindlichkeiten zur Zahlung aufgenommener Gelder**“ nicht solche Vermögensgegenstände und Verbindlichkeiten der Emittentin ein, die im Einklang mit den Gesetzen und den in den Niederlanden anerkannten Regeln der Bilanzierung und Buchführung nicht in der Bilanz der Emittentin ausgewiesen werden müssen und darin auch nicht ausgewiesen werden.
- (2) *Garantie und Negativverpflichtung der Garantin.* Die Deutsche Telekom AG, Bonn, („**Deutsche Telekom**“ oder die „**Garantin**“) hat die unbedingte und unwiderrufliche Garantie (die „**Garantie**“) für die ordnungsgemäße und pünktliche Zahlung von Kapital und Zinsen und sonstiger auf die Schuldverschreibungen zahlbarer Beträge übernommen. Die Garantin hat sich außerdem in einer Negativverpflichtung (die „**Negativverpflichtung**“) verpflichtet, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind, weder ihr gegenwärtiges noch ihr zukünftiges Vermögen ganz oder teilweise in irgendeiner Weise zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit (wie vorstehend definiert), die von der Garantin oder einer anderen Person eingegangen oder gewährleistet ist, zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit im gleichen Rang und gleichem Verhältnis teilnehmen zu lassen. Die Garantie und die Negativverpflichtung stellen einen Vertrag zugunsten jedes Gläubigers als begünstigtem Dritten gemäß § 328 BGB dar, welcher das Recht jedes Gläubigers begründet, Erfüllung aus der Garantie und der Negativverpflichtung unmittel-

## § 2 Status

The Notes constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer.

## § 3 Negative Pledge of the Issuer, Guarantee and Negative Pledge of the Guarantor

- (1) *Negative Pledge.* So long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, the Issuer undertakes not to grant or permit to subsist any encumbrance over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness issued or guaranteed by the Issuer or by any other person, without at the same time having the Holders share equally and rateably in such security. „**Capital Market Indebtedness**“ means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, Notes, notes or other securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognized securities market. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Issuer, the expressions „**assets**“ and „**obligations for the payment of borrowed money**“ as used in this § 3 do not include assets and obligations of the Issuer which, pursuant to the requirements of law and accounting principles generally accepted in The Netherlands, need not, and are not, reflected in the Issuer's balance sheet.
- (2) *Guarantee and Negative Pledge of the Guarantor.* Deutsche Telekom AG, Bonn, („**Deutsche Telekom**“ or the „**Guarantor**“) has given its unconditional and irrevocable guarantee (the „**Guarantee**“) for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. The Guarantor has further undertaken in a negative pledge (the „**Negative Pledge**“), so long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, not to grant or permit to subsist any encumbrance over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness (as defined above) issued or guaranteed by the Guarantor or by any other person, without at the same time having the Holders share equally and rateably in such security. The Guarantee and Negative Pledge constitute a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328 of the German Civil Code, giving rise to the right of each Holder to require performance of the Guarantee and the Negative Pledge directly from the Guarantor and to enforce the Guarantee and the Negative Pledge directly against the Guarantor. For the purposes of avoiding any doubt in respect of asset-backed finan-

bar von der Garantin zu verlangen und die Garantie und die Negativverpflichtung unmittelbar gegen die Garantin durchzusetzen. Um etwaige Zweifel bezüglich von asset-backed financings der Garantin zu vermeiden, schließen die in diesem § 3 benutzten Worte „**Vermögen**“ und „**Verbindlichkeiten zur Zahlung aufgenommener Gelder**“ nicht solche Vermögensgegenstände und Verbindlichkeiten der Garantin ein, die im Einklang mit den Gesetzen und den in Deutschland anerkannten Regeln der Bilanzierung und Buchführung nicht in der Bilanz der Garantin ausgewiesen werden müssen und darin auch nicht ausgewiesen werden. Kopien der Garantie und Negativverpflichtung werden bei den bezeichneten Geschäftsstellen der Zahlstellen zur kostenlosen Ausgabe bereit gehalten.

#### § 4

##### Zinsen, Anpassung des Zinssatzes

- (1) *Zinssatz und Zinszahlungstage.* Vorbehaltlich der Bestimmungen von Absatz (2) werden die Schuldverschreibungen bezogen auf ihren Nennbetrag verzinst, und zwar vom 11. Juli 2001 (einschließlich) bis zum Fälligkeitstag (ausschließlich) mit jährlich

[Tranche 1:] 5,875%                      [Tranche 2:] 6,625%

(der „**anfängliche Zinssatz**“). Die Zinsen sind nachträglich am 11. Juli eines jeden Jahres zahlbar (jeweils ein „**Zinszahlungstag**“). Die erste Zinszahlung erfolgt am 11. Juli 2002.

- (2) *Anpassung des Zinssatzes.* Sofern am oder nach dem 9. Juli 2001 entweder Moody's Investors Service, Inc. oder ein etwaiger Nachfolger („**Moody's**“) oder Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc., oder ein etwaiger Nachfolger („**S&P**“, und, zusammen mit Moody's, die „**Rating-Agenturen**“) das Rating für langfristige nicht-nachrangige unbesicherte Verbindlichkeiten der Garantin dergestalt herabstufte, daß sowohl das Rating von Moody's niedriger als „A3“ als auch das Rating von S&P niedriger als „A-“ ist („**Rating-Herabstufung**“), werden die Schuldverschreibungen ab dem der Rating-Herabstufung unmittelbar folgenden Zinszahlungstag (einschließlich) mit dem anfänglichen Zinssatz zuzüglich 0,50% per annum verzinst. Sofern nach einer Rating-Herabstufung beide Rating-Agenturen ihr Rating für langfristige nicht-nachrangige unbesicherte Verbindlichkeiten der Garantin dergestalt heraufstufen, daß sowohl das Rating von Moody's wieder mindestens „A3“ als auch das Rating von S&P wieder mindestens „A-“ („**Rating-Heraufstufung**“) beträgt, werden die Schuldverschreibungen ab dem der Rating-Heraufstufung unmittelbar folgenden Zinszahlungstag wieder mit dem anfänglichen Zinssatz verzinst. Sofern nach einer Rating-Heraufstufung eine weitere Rating-Herabstufung erfolgt, werden die Bestimmungen dieses Absatzes erneut angewandt.
- (3) *Veröffentlichung der Anpassung des Zinssatzes.* Jede gemäß Absatz 2 erfolgte Anpassung des Zinssatzes wird gemäß § 13 veröffentlicht.
- (4) *Auflaufende Zinsen.* Der Zinslauf der Schuldverschreibungen endet mit Ablauf des Tages, der dem Tag vorangeht, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, endet die Verzinsung der Schuldverschreibungen erst mit Ablauf des Tages, der

originated by the Guarantor, the expressions „**assets**“ and „**obligations for the payment of borrowed money**“ as used in this § 3 do not include assets and obligations of the Guarantor which, pursuant to the requirements of law and accounting principles generally accepted in Germany, need not, and are not, reflected in the Guarantor's balance sheet. Copies of the Guarantee and Negative Pledge may be obtained free of charge at the specified offices of each of the Paying Agents.

#### § 4

##### Interest, Adjustment of the Interest Rate

- (1) *Rate of Interest and Interest Payment Dates.* Subject to the provisions of subparagraph (2) the Notes bear interest on their principal amount at the rate of

[Tranche 1:] 5.875%                      [Tranche 2:] 6.625%

per annum (the „**Initial Interest Rate**“) from (and including) 11 July 2001 to (but excluding) the Maturity Date. Interest shall be payable in arrear on 11 July in each year (each such date, an „**Interest Payment Date**“). The first payment of interest shall be made on 11 July 2002.

- (2) *Adjustment of the Interest Rate.* If at any time on or after 9 July 2001 either Moody's Investors Service, Inc., or any successor („**Moody's**“) or Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc., or any successor („**S&P**“, and together with Moody's the „**Rating Agencies**“) decreases the rating assigned to the Guarantor's long-term senior unsecured debt so that as a result the rating level of Moody's is below „A3“ and the rating level of S&P is below „A-“ („**Rating Decrease**“) the Notes shall bear interest at the Initial Interest Rate plus 0.50 per cent per annum with effect from (and including) the next Interest Payment Date immediately preceding the Rating Decrease. If at any time following a Rating Decrease both Rating Agencies increase their rating assigned to the Guarantor's long-term senior unsecured debt so that as a result the rating level of Moody's is at least equal to „A3“ and the rating level of S&P is at least equal to „A-“ („**Rating Increase**“) the Notes shall bear interest at the Initial Interest Rate with effect from (and including) the next Interest Payment Date immediately preceding the Rating Increase. If at any time following a Rating Increase another Rating Decrease shall occur, the provisions of this subparagraph shall reapply.
- (3) *Publication of Interest Rate Adjustment.* Any adjustment of the interest rate in accordance with subparagraph (2) will be published in accordance with § 13.
- (4) *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue until the expiry of the day preceding the day of actual redemption of the Notes.

dem Tag der tatsächlichen Rückzahlung der Schuldverschreibungen vorangeht.

- (5) *Berechnung der Zinsen für gebrochene Zeiträume.* Sofern Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen sind, erfolgt die Berechnung auf der Grundlage des Zinstagequotienten (wie nachstehend definiert).
- (6) *Zinstagequotient.* „**Zinstagequotient**“ bezeichnet im Hinblick auf die Berechnung des Zinsbetrages auf eine Schuldverschreibung für einen beliebigen Zeitraum (der „**Zinsberechnungszeitraum**“): die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch die tatsächliche Anzahl der Tage (365 oder 366) in der jeweiligen Zinsperiode.
- (5) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).
- (6) *Day Count Fraction.* „**Day Count Fraction**“ means, in respect of the calculation of an amount of interest on any Notes for any period of time (the „**Calculation Period**“): the actual number of days in the Calculation Period divided by the actual number of days (365 or 366) in the respective annual interest period.

## § 5 Zahlungen

- (1) *Zahlungen von Kapital.* Zahlungen von Kapital auf die Schuldverschreibungen erfolgen an das betreffende Clearing System oder dessen Order zur Gutschrift auf die Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und (Teilzahlungen ausgenommen) Einreichung der Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.

Für die Zwecke des § 1 Absatz 3 und dieses § 5 bezeichnet „**Vereinigte Staaten**“ die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Ricos, die U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

- (2) *Zahlung von Zinsen.* Die Zahlung von Zinsen auf die Schuldverschreibungen erfolgt an das betreffende Clearing System oder dessen Order zur Gutschrift auf die Konten der jeweiligen Kontoinhaber des Clearing Systems, gegen Vorlage der Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.
- (3) *Erfüllung der Zahlungspflicht.* Die Emittentin bzw. die Garantin wird durch Leistung der Zahlung an das betreffende Clearing System oder deren Order von ihrer Zahlungspflicht befreit.
- (4) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in bezug auf die Schuldverschreibungen auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag am jeweiligen Geschäftsort. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

Für diese Zwecke bezeichnet „**Zahltag**“ einen Tag (außer einem Samstag oder Sonntag), an dem alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer („**TARGET**“) System betriebsbereit sind, um die betreffende Zahlung auszuführen.

- (5) *Bezugnahmen auf Zahlungen von Kapital und Zinsen.* Bezugnahmen in diesen Emissionsbedingungen auf Kapital der Schuldverschreibungen sollen, soweit anwendbar, jeden Aufschlag sowie sonstige auf oder in bezug auf die Schuldverschreibungen zahlbare Beträge, einschließen.

Bezugnahmen in diesen Emissionsbedingungen auf Zinszahlungen auf Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 8 zahlbaren zusätzlichen Beträge einschließen.

## § 5 Payments

- (1) *Payment of Principal.* Payment of principal in respect of the Notes shall be made to the relevant Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and (except in the case of partial payment) surrender of the Global Note at the specified office of any Paying Agent outside the United States.

For purposes of subparagraph (3) of § 1 and this § 5, „**United States**“ means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

- (2) *Payment of Interest.* Payment of interest in respect of the Notes represented by a Global Note shall be made to the relevant Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System against presentation of the Global Note, at the specified office of any Paying Agent outside the United States.
- (3) *Discharge.* The Issuer or, as the case may be, the Guarantor, shall be discharged by payment to, or to the order of, the relevant Clearing System.
- (4) *Payment Business Day.* If the date for payment of any amount in respect of any Notes is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, „**Payment Business Day**“ means any day (other than a Saturday or a Sunday) on which all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer („**TARGET**“) System are operational to effect the relevant payment.

- (5) *References to Principal and Interest.* Reference in these Conditions of Issue to principal in respect of the Notes shall be deemed to include also any premium and any other amounts which may be payable under or in respect of the Notes.

Reference in these Conditions of Issue to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 8.

(6) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Frankfurt am Main Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die Ansprüche der Gläubiger gegen die Emittentin.

## § 6 Rückzahlung, Ankauf

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Nennbetrag am

[Tranche 1:] 11. Juli 2006 [Tranche 2:] 11. Juli 2011 zurückgezahlt.

(2) *Ankauf.* Die Emittentin ist jederzeit berechtigt, Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach ihrer Wahl von ihr gehalten, weiterverkauft oder bei einer Zahlstelle zwecks Entwertung eingereicht werden. Sofern diese Käufe durch öffentliches Angebot erfolgen, muß dieses Angebot allen Gläubigern gemacht werden.

(3) *Vorzeitige Rückzahlung aus Steuergründen.* Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Hauptzahlstelle und gemäß § 13 gegenüber den Gläubigern vorzeitig gekündigt und zu ihrem Nennbetrag zuzüglich bis zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin oder die Garantin, die aus von ihr nicht zu verantwortenden Gründen die Leistung der Zahlung durch die Emittentin nicht bewirken kann, als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften der Niederlande oder der Bundesrepublik Deutschland oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt diese Änderung oder Ergänzung wird am oder nach dem 9. Juli 2001 wirksam) zur Zahlung von zusätzlichen Beträgen (wie in § 8 dieser Bedingungen bzw. in der Garantie definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen der Emittentin oder der Garantin zur Verfügung stehender und ihr zumutbarer Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin oder die Garantin verpflichtet wäre, solche zusätzlichen Beträge zu zahlen, und (ii) zu dem Zeitpunkt, zu dem die Kündigung erfolgt, muß die Verpflichtung zur Zahlung von zusätzlichen Beträgen noch wirksam sein.

Vor der Veröffentlichung einer Kündigung gemäß dieses Absatzes 3 muß die Emittentin der Hauptzahlstelle eine Bescheinigung vorlegen, die von einem Vorstandsmitglied der Garantin unterschrieben ist und welche darlegt, daß die Voraussetzungen dieses Kündigungsrechts vorliegen, und außerdem eine Stellungnahme eines unabhängigen und anerkannten Rechtsberaters enthält, in der festgestellt wird, daß

(6) *Deposit of Principal and Interest.* The Issuer may deposit with the Amtsgericht in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

## § 6 Redemption, Purchases

(1) *Redemption at Maturity.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their principal amount on

[Tranche 1:] 11 July 2006. [Tranche 2:] 11 July 2011.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to any Paying Agent for cancellation. If purchases are made by tender, tenders for such Notes must be made available to all Holders alike.

(3) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of The Netherlands or the Federal Republic of Germany or any political subdivision or taxing authority thereof or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after 9 July 2001 the Issuer or the Guarantor being unable for reasons outside its control to procure payment by the Issuer, will become obligated to pay Additional Amounts (as defined in § 8 herein and in the Guarantee, respectively) and this obligation cannot be avoided by the use of measures reasonably available to the Issuer or the Guarantor, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Principal Paying Agent and, in accordance with § 13 to the Holders, at their principal amount, together with interest accrued to the date fixed for redemption.

No such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obligated to pay such Additional Amounts, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Prior to the publication of any notice of redemption pursuant to this subparagraph (3), the Issuer shall deliver to the Principal Paying Agent a certificate signed by a director of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advis-

die Emittentin oder die Garantin verpflichtet ist oder sein wird, solche zusätzlichen Beträge aufgrund einer solchen Rechts- oder Auslegungsänderung zu zahlen.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich, muß den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die Umstände darlegt, die das Rückzahlungsrecht der Emittentin begründen.

#### § 7 Zahlstellen

- (1) *Ernennung; bezeichnete Geschäftsstellen.* Die anfänglich bestellte Hauptzahlstelle und die anfänglich bestellten Zahlstellen (zusammen die „Zahlstellen“) und deren bezeichnete Geschäftsstellen lauten wie folgt:

Hauptzahlstelle: Deutsche Bank Aktiengesellschaft  
Grosse Gallusstraße 10 – 14  
D-60325 Frankfurt am Main

Zahlstelle: Deutsche Bank Luxembourg S.A.  
2, Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Luxembourg

Die Zahlstellen behalten sich das Recht vor, jederzeit ihre jeweiligen bezeichneten Geschäftsstellen durch andere bezeichnete Geschäftsstellen in derselben Stadt zu ersetzen.

- (2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung einer Zahlstelle zu ändern oder zu beenden oder zusätzliche oder andere Zahlstellen zu bestellen. Die Emittentin wird jedoch zu jedem Zeitpunkt (i) eine Hauptzahlstelle unterhalten und (ii) solange die Schuldverschreibungen an der Luxemburger Börse notiert sind, eine Zahlstelle (die die Hauptzahlstelle sein kann) mit bezeichneter Geschäftsstelle in Luxemburg und/oder an einem anderen gemäß den Vorschriften dieser Börse hierfür vorgesehenen Ort ernannt halten. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird (außer im Insolvenzfall, wo eine solche Änderung sofort wirksam wird) nur wirksam, sofern die Gläubiger hierüber gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und höchstens 45 Tagen informiert wurden.
- (3) *Beauftragte der Emittentin.* Die Zahlstellen handeln ausschließlich als Beauftragte der Emittentin und es besteht kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern.

#### § 8 Steuern

Kapital und Zinsen werden von der Emittentin ohne Abzug oder Einbehalt wegen gegenwärtiger oder zukünftiger Steuern, Abgaben oder amtlicher Gebühren gleich welcher Art gezahlt, die von oder in den Niederlanden oder der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde auferlegt, erhoben oder eingezogen werden (nachstehend zusammen „**Quellensteuern**“), es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. In diesem letzteren Fall wird die Emittentin die zusätzlichen Beträge an Kapital und Zinsen zahlen, die erforderlich

ers of recognised standing to the effect that the Issuer or the Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

Any such notice of redemption shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

#### § 7 Paying Agents

- (1) *Appointment; Specified Offices.* The initial Principal Paying Agent and paying agents (together, the “**Paying Agents**”) and their respective initial specified offices are:

Principal Paying Agent: Deutsche Bank Aktiengesellschaft  
Grosse Gallusstrasse 10 – 14  
D-60325 Frankfurt am Main

Paying Agent: Deutsche Bank Luxembourg S.A.  
2, Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Luxembourg

The Paying Agents reserve the right at any time to change their respective specified offices to some other specified office in the same city.

- (2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent or any Paying Agent and to appoint another Principal Paying Agent or additional or other Paying Agents. The Issuer shall at all times maintain (i) a Principal Paying Agent and (ii) so long as the Notes are listed on the Luxembourg Stock Exchange, a Paying Agent (which may be the Principal Paying Agent) with a specified office in Luxembourg and/or in such other place as may be required by the rules of such stock exchange. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days’ prior notice thereof shall have been given to the Holders in accordance with § 13.
- (3) *Agents of the Issuer.* The Paying Agents act solely as agents of the Issuer and do not have any relationship of agency or trust to any Holder.

#### § 8 Taxation

Principal and interest shall be payable by the Issuer without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of The Netherlands or the Federal Republic of Germany or by or on behalf of any political subdivision or authority therein having power to tax (together called “**Withholding Taxes**”), unless such deduction or withholding is required by law. In such event, the Issuer shall pay such additional amounts of principal and interest as may be necessary in order that the net amounts received by the Holder after such deduction or withholding shall

sind, damit der dem Gläubiger nach diesem Abzug oder Einbehalt zufließende Nettobetrag jeweils den Beträgen an Kapital und Zinsen entspricht, die ihm zustehen würden, wenn der Abzug oder Einbehalt nicht erforderlich wäre. Solche zusätzlichen Beträge sind jedoch nicht zahlbar wegen Steuern, Abgaben oder amtlicher Gebühren, die:

- (a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, daß die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt, oder
- (b) wegen gegenwärtiger oder früherer persönlicher oder geschäftlicher Beziehungen des Gläubigers zu den Niederlanden oder der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb weil Zahlungen auf die Schuldverschreibungen aus den Quellen in den Niederlanden oder der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland, die Niederlande oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind, oder
- (d) aufgrund einer Rechtsänderung zahlbar sind, die später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 13 wirksam wird.

**§ 9  
Vorlegungsfrist**

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre abgekürzt.

**§ 10  
Kündigung**

- (1) *Kündigungsrecht.* Jeder Gläubiger ist berechtigt, seine Schuldverschreibungen zu kündigen und deren sofortige Tilgung zu ihrem Nennbetrag zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls einer der folgenden Kündigungsgründe („**Kündigungsgründe**“) vorliegt:
  - (a) die Emittentin zahlt Kapital oder Zinsen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag; oder
  - (b) die Emittentin unterläßt die ordnungsgemäße Erfüllung irgendeiner anderen Verpflichtung aus den Schuldverschreibungen oder die Garantin unterläßt die Erfüllung einer Verpflichtung aus der Garantie, auf die in § 3 Bezug genommen wird, und diese Unterlassung, falls sie geheilt werden kann, länger als 60 Tage fort dauert, nachdem die Hauptzahlstelle hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder
  - (c) eine Kapitalmarktverbindlichkeit (wie in § 3 Absatz 1 definiert) der Emittentin oder der Garantin vorzeitig zahlbar wird aufgrund einer Nicht- oder

equal the respective amounts of principal and interest which would have been receivable had no such deduction or withholding been required. No such additional amounts shall, however, be payable on account of any taxes, duties or governmental charges which:

- (a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it, or
- (b) are payable by reason of the Holder having, or having had, some personal or business connection with The Netherlands or the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, The Netherlands or the Federal Republic of Germany, or
- (c) are deducted or withheld pursuant to (i) any European Union directive or regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany, The Netherlands or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or
- (d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with § 13, whichever occurs later.

**§ 9  
Presentation Period**

The presentation period provided in § 801 paragraph 1, sentence 1 BGB (German Civil Code) is reduced to ten years for the Notes.

**§ 10  
Acceleration**

- (1) *Right of Acceleration.* Each Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at their principal amount, together with accrued interest (if any) to the date of repayment, in the event that any of the following events (each, an “**Acceleration Event**“) occurs:
  - (a) the Issuer fails to pay principal or interest within 30 days from the relevant due date, or
  - (b) the Issuer fails duly to perform any other obligation arising from the Notes or the Guarantor fails to perform any obligation arising from the Guarantee referred to in § 3 which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 60 days after the Principal Paying Agent has received notice thereof from a Holder, or
  - (c) any Capital Market Indebtedness (as defined in § 3 (1)) of the Issuer or the Guarantor becomes prematurely repayable as a result of a default in respect

Schlechterfüllung des dieser Kapitalmarktverbindlichkeit zugrundeliegenden Vertrages, oder die Emittentin oder die Garantin einer Zahlungsverpflichtung in Höhe oder im Gegenwert von mehr als € 25.000.000 aus einer Kapitalmarktverbindlichkeit oder aufgrund einer Garantie oder Gewährleistung, die für eine Kapitalmarktverbindlichkeit Dritter gegeben wurde, nicht innerhalb von 30 Tagen nach ihrer Fälligkeit bzw. im Falle einer Garantie oder Gewährleistung nicht innerhalb von 30 Tagen nach Inanspruchnahme aus dieser Garantie oder Gewährleistung nachkommt, es sei denn, die Emittentin oder die Garantin bestreitet in gutem Glauben, daß diese Zahlungsverpflichtung besteht oder fällig ist bzw. diese Garantie oder Gewährleistung berechtigterweise geltend gemacht wird, oder falls eine für solche Verbindlichkeiten bestellte Sicherheit für die oder von den daraus berechtigten Gläubiger(n) in Anspruch genommen wird, oder

- (d) die Emittentin oder die Garantin ihre Zahlungsunfähigkeit bekanntgibt oder ihre Zahlungen einstellt, oder
- (e) ein Gericht ein Insolvenzverfahren gegen die Emittentin oder die Garantin eröffnet, oder die Emittentin oder die Garantin ein solches Verfahren einleitet oder beantragt, oder eine allgemeine Schuldenregelung zugunsten ihrer Gläubiger anbietet oder trifft, oder die Emittentin ein „*surseance van betaling*“ (Schuldenmoratorium im Sinne des niederländischen Insolvenzrechts) beantragt, oder
- (f) die Emittentin oder die Garantin in Liquidation tritt, es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und diese Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin oder die Garantin im Zusammenhang mit diesen Schuldverschreibungen eingegangen ist, oder
- (g) in den Niederlanden oder in der Bundesrepublik Deutschland irgendein Gesetz, eine Verordnung oder behördliche Anordnung erlassen wird oder ergeht, aufgrund derer die Emittentin oder die Garantin daran gehindert wird, die von ihr gemäß diesen Emissionsbedingungen bzw. der Garantie übernommenen Verpflichtungen in vollem Umfang zu beachten und zu erfüllen und diese Lage nicht binnen 90 Tagen behoben ist, oder
- (h) die Garantie aus irgendeinem Grund nicht mehr gilt.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

- (2) *Quorum*. In den Fällen des § 10 Absatz 1 (b) oder 1 (c) wird eine Kündigung, sofern nicht bei deren Eingang zugleich einer der in § 10 Absatz 1 (a), 1 (d), 1 (e), 1 (f), 1 (g) oder 1 (h) bezeichneten Kündigungsgründe vorliegt, erst wirksam, wenn bei der Hauptzahlstelle Kündigungserklärungen von Gläubigern von Schuldverschreibungen im Nennbetrag von mindestens 1/10 der dann ausstehenden Schuldverschreibungen eingegangen sind.
- (3) *Form der Erklärung*. Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß vorstehendem Absatz 1 ist schriftlich gegenüber der Hauptzahlstelle zu erklären und per-

of the terms thereof, or the Issuer or the Guarantor fails to fulfil any payment obligation in excess of € 25,000,000 or the equivalent thereof under any Capital Market Indebtedness or under any guarantee or suretyship given for any Capital Market Indebtedness of others within 30 days from its due date or, in the case of a guarantee or suretyship, within 30 days after the guarantee or suretyship has been invoked, unless the Issuer or the Guarantor shall contest in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked, or if a security granted therefor is enforced on behalf of or by the creditor(s) entitled thereto, or

- (d) the Issuer or the Guarantor announces its inability to meet its financial obligations or ceases its payments, or
- (e) a court opens insolvency proceedings against the Issuer or the Guarantor, or the Issuer or the Guarantor applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or the Issuer applies for a “*surseance van betaling*” (within the meaning of the Statute of Bankruptcy of The Netherlands), or
- (f) the Issuer or the Guarantor goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer or the Guarantor, as the case may be, in connection with this Issue, or
- (g) any governmental order, decree or enactment shall be made in or by The Netherlands or the Federal Republic of Germany whereby the Issuer or the Guarantor is prevented from observing and performing in full its obligations as set forth in these Conditions of Issue and in the Guarantee, respectively, and this situation is not cured within 90 days, or
- (h) the Guarantee ceases to be valid and legally binding for any reason whatsoever.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

- (2) *Quorum*. In the events specified in § 10 subparagraph (1) (b) or subparagraph (1) (c), any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in § 10 subparagraph (1) (a), (1) (d), (1) (e), (1) (f), (1) (g) or (1) (h) entitling Holders to declare their Notes due has occurred, become effective only when the Principal Paying Agent has received such notices from the Holders of at least one-tenth in principal amount of Notes then outstanding.
- (3) *Form of Notice*. Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) shall be made by means of a written declaration delivered by hand or registered mail to the speci-

sönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln.

### § 11 Ersetzung der Emittentin

- (1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger, entweder die Garantin oder eine Tochtergesellschaft (wie nachstehend definiert) der Garantin an ihrer Stelle als Hauptschuldnerin (die „**Nachfolgeschuldnerin**“) für alle Verpflichtungen aus und im Zusammenhang mit dieser Emission einzusetzen, vorausgesetzt, daß:
- (a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in bezug auf die Schuldverschreibungen übernimmt;
  - (b) die Nachfolgeschuldnerin alle erforderlichen Genehmigungen erhalten hat und berechtigt ist, an die Hauptzahlstelle die zur Erfüllung ihrer Zahlungsverpflichtungen aus den Schuldverschreibungen zahlbaren Beträge in Euro zu zahlen, ohne verpflichtet zu sein, in dem Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat, erhobene Steuern oder sonstige Abgaben jeder Art, abzuziehen oder einzubehalten;
  - (c) die Garantin, sofern sie nicht selbst die Nachfolgeschuldnerin ist, unwiderruflich und unbedingt gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge garantiert, wobei diese Garantie im wesentlichen die Form der „**Garantie**“ hat und diese Garantie eine Verpflichtung der Garantin gemäß den Bestimmungen des § 3 enthält;
  - (d) der Hauptzahlstelle ein oder mehrere Rechtsgutachten von anerkannten Rechtsanwälten vorgelegt wurden, die bestätigen, daß die Bestimmungen in vorstehenden Unterabsätzen (a), (b) und (c) erfüllt wurden.

Im Sinne dieser Emissionsbedingungen bedeutet „**Tochtergesellschaft**“ eine Kapital- oder Personengesellschaft, an der die Garantin direkt oder indirekt insgesamt nicht weniger als 90% des Kapitals jeder Klasse oder der Stimmrechte hält.

- (2) *Bekanntmachung.* Jede solche Ersetzung wird gemäß § 13 bekanntgegeben.
- (3) *Änderung von Bezugnahmen.* Im Falle einer solchen Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin, und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat.

### § 12 Begebung weiterer Schuldverschreibungen

*Begebung weiterer Schuldverschreibungen.* Die Emittentin behält sich vor, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Ausgabetermins, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, daß sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

fied office of the Principal Paying Agent.

### § 11 Substitution

- (1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal of or interest on any of the Notes is in default, at any time substitute for the Issuer either the Guarantor or any Subsidiary (as defined below) of the Guarantor as principal debtor in respect of all obligations arising from or in connection with this Issue (the “**Substituted Debtor**”) provided that:
- (a) the Substituted Debtor assumes all obligations of the Issuer in respect of the Notes;
  - (b) the Substituted Debtor has obtained all necessary authorisations and may transfer to the Principal Paying Agent in euro and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substituted Debtor has its domicile or tax residence, all amounts required for the fulfillment of the payment obligations arising under the Notes;
  - (c) the Guarantor if it is not itself the Substituted Debtor irrevocably and unconditionally guarantees in favour of each Holder the payment of all sums payable by the Substituted Debtor in respect of the Notes, such guarantee being substantially in the form of the Guarantee and such guarantee contains a covenant by the Guarantor corresponding to the provisions in § 3.
  - (d) there shall have been delivered to the Principal Paying Agent an opinion or opinions of lawyers of recognised standing to the effect that paragraphs (a), (b) and (c) above have been satisfied.

For purposes of these Conditions of Issue “**Subsidiary**” shall mean any corporation or partnership in which the Guarantor directly or indirectly in the aggregate holds not less than 90% of the capital of any class or of the voting rights.

- (2) *Notice.* Any notice of such substitution shall be published in accordance with § 13.
- (3) *References.* In the event of such substitution, any reference in these Conditions of Issue to the Issuer shall from then on be deemed to refer to the Substituted Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substituted Debtor.

### § 12 Further Issues

*Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single series with the Notes.



**§ 13**  
**Mitteilungen**

*Bekanntmachung.* Alle die Schuldverschreibungen betreffenden Mitteilungen sind in einer führenden Tageszeitung mit allgemeiner Verbreitung in Luxemburg, voraussichtlich dem Luxemburger Wort, zu veröffentlichen. Jede derartige Mitteilung gilt mit dem Tag der Veröffentlichung als wirksam erfolgt.

**§ 14**  
**Anwendbares Recht, Erfüllungsort,  
Gerichtsstand und gerichtliche Geltendmachung**

- (1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.
- (2) *Erfüllungsort.* Erfüllungsort ist Frankfurt am Main.
- (3) *Gerichtsstand.* Gerichtsstand für alle Rechtsstreitigkeiten aus oder im Zusammenhang mit den Schuldverschreibungen ist Frankfurt am Main. Die Gläubiger können ihre Ansprüche jedoch auch vor anderen zuständigen Gerichten geltend machen. Die Emittentin unterwirft sich hiermit der Gerichtsbarkeit der nach diesem Absatz zuständigen Gerichte.
- (4) *Ernennung von Zustellungsbevollmächtigten.* Für etwaige Rechtsstreitigkeiten oder sonstige Verfahren vor deutschen Gerichten bestellt die Emittentin die Deutsche Telekom AG, Bonn, zu ihrem Zustellungsbevollmächtigten in Deutschland.
- (5) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen, darf in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage geltend machen: Er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, daß die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält. Im Vorstehenden bezeichnet „**Depotbank**“ jede Bank oder ein sonstiges anerkanntes Kreditinstitut, das berechtigt ist, das Wertpapierverwahrgeschäft zu betreiben und bei dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich der Clearing Systeme.

**§ 15**  
**Sprache**

Diese Emissionsbedingungen sind in deutscher Sprache abgefaßt und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Text ist bindend und maßgeblich. Die englische Übersetzung ist unverbindlich.

**§ 13**  
**Notices**

*Publication.* All notices concerning the Notes shall be published in a leading daily newspaper having general circulation in Luxembourg, which is expected to be the Luxemburger Wort. Any notice so given will be deemed to have been validly given on the date of such publication.

**§ 14**  
**Applicable Law, Place of Performance,  
Place of Jurisdiction and Enforcement**

- (1) *Applicable Law.* The Notes as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law.
- (2) *Place of Performance.* Place of performance shall be Frankfurt am Main.
- (3) *Submission to Jurisdiction.* The place of jurisdiction for all legal proceedings arising out of or in connection with the Notes shall be Frankfurt am Main. Each Holder, however, may pursue his claims also before any other court of competent jurisdiction. The Issuer hereby submits to the jurisdiction of the courts referred to in this subparagraph.
- (4) *Appointment of Authorized Agent.* For any legal disputes or other proceedings before German courts, the Issuer appoints Deutsche Telekom AG, Bonn, as its authorized agent for service of process in Germany.
- (5) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b). For purposes of the foregoing, “**Custodian**” means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing Systems.

**§ 15**  
**Language**

The Conditions of Issue are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

<b>Garantie</b>	<b>Guarantee</b>
und	and
<b>Negativverpflichtung</b>	<b>Negative Pledge</b>
der	of
DEUTSCHE TELEKOM AG Bonn, Bundesrepublik Deutschland, (die „Garantin“),	DEUTSCHE TELEKOM AG Bonn, Federal Republic of Germany, (the “Guarantor”)
zugunsten der Gläubiger von Schuldverschreibungen (die „Schuldverschreibungen“),	for the benefit of the Holders of Notes (the “Notes”)
der € 4.500.000.000 5,875 % Anleihe von 2001/2006 (die „Anleihe“)	of the € 4,500,000,000 5.875 % Notes of 2001/2006 (the “Issue”)
der	issued by
DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (einer mit beschränkter Haftung in den Niederlanden errichteten Gesellschaft) (die „Emittentin“)	DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (incorporated with limited liability in The Netherlands) (the “Issuer”)
<p>(1) (a) Die Garantin übernimmt gegenüber jedem Gläubiger („Gläubiger“) der Schuldverschreibungen die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße und pünktliche Zahlung von Kapital und Zinsen auf die Schuldverschreibungen sowie von allen sonstigen Beträgen, die gemäß den Emissionsbedingungen auf die Schuldverschreibungen zahlbar sind, bei deren Fälligkeit gemäß den Emissionsbedingungen.</p> <p>(b) Diese Garantie begründet eine unbedingte, unbesicherte und nicht nachrangige Verbindlichkeit der Garantin, die mit allen anderen jeweils bestehenden, nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig ist.</p> <p>(c) Sämtliche Zahlungen aufgrund dieser Garantie sind ohne Abzug oder Einbehalt wegen gegenwärtiger oder zukünftiger Steuern, Abgaben oder amtlicher Gebühren gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde auferlegt, erhoben oder eingezogen werden (nachstehend zusammen „Quellensteuern“ genannt), es sei</p>	<p>(1) (a) The Guarantor unconditionally and irrevocably guarantees to the holder of each Note (each a “Holder“), the due and punctual payment of the principal of, and interest on, the Notes and any other amounts which may be expressed to be payable under the Notes, in accordance with the Conditions of Issue, as and when the same shall become due in accordance with the Conditions of Issue.</p> <p>(b) This Guarantee constitutes an unconditional, unsecured and unsubordinated obligation of the Guarantor and ranks pari passu with all other unsecured and unsubordinated obligations of the Guarantor from time to time outstanding.</p> <p>(c) All payments under this Guarantee shall be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of the Federal Republic of Germany or by or on behalf of any political subdivision or authority therein having power to tax (hereinafter together called “Withholding Taxes“), unless such deduction or withholding is required by</p>

denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. In diesem letzteren Fall wird die Garantin die zusätzlichen Beträge zahlen, die erforderlich sind, damit der dem Gläubiger nach diesem Abzug oder Einbehalt zufließende Nettobetrag jeweils den Beträgen an Kapital und Zinsen entspricht, die ihm zustehen würden, wenn der Abzug oder Einbehalt nicht erforderlich wäre. Solche zusätzliche Beträge sind jedoch nicht zahlbar wegen Steuern, Abgaben oder amtlicher Gebühren, die

- (i) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, daß die Garantin aus den von ihr zu leistenden Zahlungen einen Abzug oder Einbehalt vornimmt; oder
  - (ii) wegen gegenwärtiger oder früherer persönlicher oder geschäftlicher Beziehungen des Gläubigers zu der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
  - (iii) aufgrund (x) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (y) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (z) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder
  - (iv) aufgrund einer Rechtsänderung zahlbar sind, die später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß den Emissionsbedingungen wirksam wird.
- (d) Die Verpflichtungen der Garantin aus dieser Garantie (i) sind selbständig und unabhängig von den Verpflichtungen der Emittentin aus den Schuldverschreibungen, (ii) bestehen unabhängig von der Rechtmäßigkeit, Gültigkeit, Verbindlich-

law. In such event, the Guarantor shall pay such additional amounts as may be necessary in order that the net amounts received by the Holder after such deduction or withholding shall equal the respective amounts which would have been receivable had no such deduction or withholding been required. No such additional amounts shall, however, be payable on account of any taxes, duties or governmental charges which

- (i) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Guarantor from payments made by it; or
  - (ii) are payable by reason of the Holder having, or having had, some personal or business connection with the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in the Federal Republic of Germany; or
  - (iii) are deducted or withheld pursuant to (x) any European Union directive or regulation concerning the taxation of interest income, or (y) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (z) any provision of law implementing, or complying with, or introduced to conform with such directive, regulation, treaty or understanding; or
  - (iv) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with the Conditions of Issue whichever occurs later.
- (d) The obligations of the Guarantor under this Guarantee (i) shall be separate and independent from the obligations of the Issuer under the Notes, (ii) shall exist irrespective of the legality, validity and binding effect or enforceability of the Notes,

keit und Durchsetzbarkeit der Schuldverschreibungen und (iii) werden nicht durch Ereignisse, Bedingungen oder Umstände tatsächlicher oder rechtlicher Art berührt, außer durch die vollständige, endgültige und unwiderrufliche Erfüllung sämtlicher in den Schuldverschreibungen eingegangenen Zahlungsverpflichtungen.

- (e) Die Verpflichtungen der Garantin aus dieser Garantie erstrecken sich, ohne daß eine weitere Handlung vorgenommen wird oder ein weiterer Umstand eintreten muß, auf die Verpflichtungen einer nicht mit der Garantin identischen Nachfolgeschuldnerin, die infolge einer Schuldnerersetzung gemäß den Emissionsbedingungen in bezug auf die Schuldverschreibungen entstehen.
- (2) Die Garantin verpflichtet sich gegenüber jedem Gläubiger, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind, weder ihr gegenwärtiges noch ihr zukünftiges Vermögen ganz oder teilweise in irgendeiner Weise zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit, die von der Garantin oder einer anderen Person eingegangen oder gewährleistet ist, zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit im gleichen Rang und gleichem Verhältnis teilnehmen zu lassen. „Kapitalmarktverbindlichkeit“ ist jede Verbindlichkeit zur Zahlung aufgenommener Gelder, die durch Schuldscheine verbrieft, verkörpert oder dokumentiert ist oder durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können. Um etwaige Zweifel bezüglich von *asset-backed financings* der Garantin zu vermeiden, schließen die in diesem Absatz (2) benutzten Worte „Vermögen“ und „Verbindlichkeiten zur Zahlung aufgenommener Gelder“ nicht solche Vermögensgegenstände und Verbindlichkeiten der Garantin ein, die im Einklang mit den Gesetzen und den in Deutschland anerkannten Regeln der Bilanzierung und Buchführung nicht in der Bilanz der Garantin ausgewiesen werden müssen und darin nicht ausgewiesen werden.
- (3) Dieser Vertrag und alle darin enthaltenen Vereinbarungen stellen einen Vertrag zugunsten der Gläubiger als begünstigte Dritte ge-
- and (iii) shall not be affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed to be assumed under the Notes.
- (e) The obligations of the Guarantor under this Guarantee shall, without any further act or thing being required to be done or to occur, extend to the obligations of any Substituted Debtor which is not the Guarantor arising in respect of any Note by virtue of a substitution pursuant to the Conditions of Issue.
- (2) The Guarantor undertakes towards each Holder, so long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, not to grant or permit to subsist any encumbrance over any or all of its present or future assets, as security of any present or future Capital Market Indebtedness issued or guaranteed by the Guarantor or by any other person, without at the same time having the Holders share equally and rateably in such security. “Capital Market Indebtedness” means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Guarantor, the expressions “assets” and “obligations for the payment of borrowed money” as used in this subparagraph (2) do not include assets and obligations of the Guarantor which, pursuant to the requirements of law and accounting principles generally accepted in Germany, need not, and are not, reflected in the Guarantor’s balance sheet.
- (3) This Agreement and all undertakings herein contained constitute a contract for the benefit of the Holders from time to time as third party

mäß § 328 Absatz 1 BGB dar. Sie begründen das Recht eines jeden Gläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen.

beneficiaries pursuant to § 328 (1) of the German Civil Code. They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Guarantor and to enforce such obligations directly against the Guarantor.

- |   |  |
|---|--|
| (4) Die Deutsche Bank Aktiengesellschaft handelt nicht als Treuhänder oder in einer ähnlichen Eigenschaft für die Gläubiger.  | (4) Deutsche Bank Aktiengesellschaft does not act as fiduciary or in any similar capacity for the Holders.   |
| (5) Die in diesem Vertrag verwendeten und darin nicht anders definierten Begriffe haben die ihnen in den Emissionsbedingungen zugewiesene Bedeutung.  | (5) Terms used in this Agreement and not otherwise defined herein shall have the meanings attributed to them in the Conditions of Issue.   |
| (6) Dieser Vertrag unterliegt deutschem Recht.  | (6) This Agreement shall be governed by, and construed in accordance with, German law.   |
| (7) Dieser Vertrag ist in deutscher Sprache abgefaßt und ihm ist eine unverbindliche Übersetzung in die englische Sprache beigefügt.  | (7) This Agreement is written in the German language and attached hereto is a non-binding English language translation.  |
| (8) Das Original dieses Vertrages wird der Deutsche Bank Aktiengesellschaft ausgehändigt und von dieser verwahrt.   | (8) The original version of this Agreement shall be delivered to, and kept by, Deutsche Bank Aktiengesellschaft.   |
| (9) Gerichtsstand für alle Rechtsstreitigkeiten aus oder im Zusammenhang mit diesem Vertrag ist Frankfurt am Main. Jeder Gläubiger kann seine Ansprüche jedoch auch vor jedem anderen zuständigen Gericht geltend machen.   | (9) The place of jurisdiction for all legal proceedings arising out of or in connection with this Agreement shall be Frankfurt am Main. Each Holder, however, may pursue his claims also before any other court of competent jurisdiction.   |
| (10) Jeder Gläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine Rechte aus diesem Vertrag auf der Grundlage einer von einer vertretungsberechtigten Person der Deutsche Bank Aktiengesellschaft beglaubigten Kopie dieses Vertrages ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen. | (10) Each Holder may in any legal proceedings against the Guarantor or to which such Holder and the Guarantor are parties protect and enforce in his own name his rights arising under this Agreement on the basis of a copy of this Agreement certified as being a true copy by a duly authorised officer of Deutsche Bank Aktiengesellschaft, without the need for production in such proceedings of this Guarantee. |

Bonn, 9. Juli 2001

Bonn, July 9, 2001

DEUTSCHE TELEKOM AG

DEUTSCHE TELEKOM AG

Wir nehmen die Bedingungen der vorstehenden Garantie ohne Obligo, Gewährleistung oder Haftung an.

We accept the terms of the above Guarantee without recourse, warranty or liability.

9. Juli 2001

July 9, 2001

DEUTSCHE BANK AKTIENGESELLSCHAFT

DEUTSCHE BANK AKTIENGESELLSCHAFT

<b>Garantie</b>	<b>Guarantee</b>
und	and
<b>Negativverpflichtung</b>	<b>Negative Pledge</b>
der	of
DEUTSCHE TELEKOM AG Bonn, Bundesrepublik Deutschland, (die „Garantin“),	DEUTSCHE TELEKOM AG Bonn, Federal Republic of Germany, (the “Guarantor”)
zugunsten der Gläubiger von Schuldverschreibungen (die „Schuldverschreibungen“),	for the benefit of the Holders of Notes (the “Notes”)
der € 3.500.000.000 6,625 % Anleihe von 2001/2011 (die „Anleihe“)	of the € 3,500,000,000 6.625 % Notes of 2001/2011 (the “Issue”)
der	issued by
DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (einer mit beschränkter Haftung in den Niederlanden errichteten Gesellschaft) (die „Emittentin“)	DEUTSCHE TELEKOM INTERNATIONAL FINANCE B.V. (incorporated with limited liability in The Netherlands) (the “Issuer”)
<p>(1) (a) Die Garantin übernimmt gegenüber jedem Gläubiger („Gläubiger“) der Schuldverschreibungen die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße und pünktliche Zahlung von Kapital und Zinsen auf die Schuldverschreibungen sowie von allen sonstigen Beträgen, die gemäß den Emissionsbedingungen auf die Schuldverschreibungen zahlbar sind, bei deren Fälligkeit gemäß den Emissionsbedingungen.</p> <p>(b) Diese Garantie begründet eine unbedingte, unbesicherte und nicht nachrangige Verbindlichkeit der Garantin, die mit allen anderen jeweils bestehenden, nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig ist.</p> <p>(c) Sämtliche Zahlungen aufgrund dieser Garantie sind ohne Abzug oder Einbehalt wegen gegenwärtiger oder zukünftiger Steuern, Abgaben oder amtlicher Gebühren gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde auferlegt, erhoben oder eingezogen werden (nachstehend zusammen „Quellensteuern“ genannt), es sei</p>	<p>(1) (a) The Guarantor unconditionally and irrevocably guarantees to the holder of each Note (each a “Holder”), the due and punctual payment of the principal of, and interest on, the Notes and any other amounts which may be expressed to be payable under the Notes, in accordance with the Conditions of Issue, as and when the same shall become due in accordance with the Conditions of Issue.</p> <p>(b) This Guarantee constitutes an unconditional, unsecured and unsubordinated obligation of the Guarantor and ranks pari passu with all other unsecured and unsubordinated obligations of the Guarantor from time to time outstanding.</p> <p>(c) All payments under this Guarantee shall be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of the Federal Republic of Germany or by or on behalf of any political subdivision or authority therein having power to tax (hereinafter together called “Withholding Taxes”), unless such deduction or withholding is required by</p>

denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. In diesem letzteren Fall wird die Garantin die zusätzlichen Beträge zahlen, die erforderlich sind, damit der dem Gläubiger nach diesem Abzug oder Einbehalt zufließende Nettobetrag jeweils den Beträgen an Kapital und Zinsen entspricht, die ihm zustehen würden, wenn der Abzug oder Einbehalt nicht erforderlich wäre. Solche zusätzliche Beträge sind jedoch nicht zahlbar wegen Steuern, Abgaben oder amtlicher Gebühren, die

- (i) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, daß die Garantin aus den von ihr zu leistenden Zahlungen einen Abzug oder Einbehalt vornimmt; oder
  - (ii) wegen gegenwärtiger oder früherer persönlicher oder geschäftlicher Beziehungen des Gläubigers zu der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
  - (iii) aufgrund (x) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (y) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (z) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder
  - (iv) aufgrund einer Rechtsänderung zahlbar sind, die später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß den Emissionsbedingungen wirksam wird.
- (d) Die Verpflichtungen der Garantin aus dieser Garantie (i) sind selbständig und unabhängig von den Verpflichtungen der Emittentin aus den Schuldverschreibungen, (ii) bestehen unabhängig von der Rechtmäßigkeit, Gültigkeit, Verbindlich-

law. In such event, the Guarantor shall pay such additional amounts as may be necessary in order that the net amounts received by the Holder after such deduction or withholding shall equal the respective amounts which would have been receivable had no such deduction or withholding been required. No such additional amounts shall, however, be payable on account of any taxes, duties or governmental charges which

- (i) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Guarantor from payments made by it; or
  - (ii) are payable by reason of the Holder having, or having had, some personal or business connection with the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in the Federal Republic of Germany; or
  - (iii) are deducted or withheld pursuant to (x) any European Union directive or regulation concerning the taxation of interest income, or (y) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (z) any provision of law implementing, or complying with, or introduced to conform with such directive, regulation, treaty or understanding; or
  - (iv) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with the Conditions of Issue whichever occurs later.
- (d) The obligations of the Guarantor under this Guarantee (i) shall be separate and independent from the obligations of the Issuer under the Notes, (ii) shall exist irrespective of the legality, validity and binding effect or enforceability of the Notes,

keit und Durchsetzbarkeit der Schuldverschreibungen und (iii) werden nicht durch Ereignisse, Bedingungen oder Umstände tatsächlicher oder rechtlicher Art berührt, außer durch die vollständige, endgültige und unwiderrufliche Erfüllung sämtlicher in den Schuldverschreibungen eingegangenen Zahlungsverpflichtungen.

- (e) Die Verpflichtungen der Garantin aus dieser Garantie erstrecken sich, ohne daß eine weitere Handlung vorgenommen wird oder ein weiterer Umstand eintreten muß, auf die Verpflichtungen einer nicht mit der Garantin identischen Nachfolgeschuldnerin, die infolge einer Schuldnerersetzung gemäß den Emissionsbedingungen in bezug auf die Schuldverschreibungen entstehen.
- (2) Die Garantin verpflichtet sich gegenüber jedem Gläubiger, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind, weder ihr gegenwärtiges noch ihr zukünftiges Vermögen ganz oder teilweise in irgendeiner Weise zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit, die von der Garantin oder einer anderen Person eingegangen oder gewährleistet ist, zu belasten oder eine solche Belastung zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit im gleichen Rang und gleichem Verhältnis teilnehmen zu lassen. „Kapitalmarktverbindlichkeit“ ist jede Verbindlichkeit zur Zahlung aufgenommener Gelder, die durch Schuldscheine verbrieft, verkörpert oder dokumentiert ist oder durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können. Um etwaige Zweifel bezüglich von *asset-backed financings* der Garantin zu vermeiden, schließen die in diesem Absatz (2) benutzten Worte „Vermögen“ und „Verbindlichkeiten zur Zahlung aufgenommener Gelder“ nicht solche Vermögensgegenstände und Verbindlichkeiten der Garantin ein, die im Einklang mit den Gesetzen und den in Deutschland anerkannten Regeln der Bilanzierung und Buchführung nicht in der Bilanz der Garantin ausgewiesen werden müssen und darin nicht ausgewiesen werden.
- (3) Dieser Vertrag und alle darin enthaltenen Vereinbarungen stellen einen Vertrag zugunsten der Gläubiger als begünstigte Dritte ge-
- and (iii) shall not be affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed to be assumed under the Notes.
- (e) The obligations of the Guarantor under this Guarantee shall, without any further act or thing being required to be done or to occur, extend to the obligations of any Substituted Debtor which is not the Guarantor arising in respect of any Note by virtue of a substitution pursuant to the Conditions of Issue.
- (2) The Guarantor undertakes towards each Holder, so long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, not to grant or permit to subsist any encumbrance over any or all of its present or future assets, as security of any present or future Capital Market Indebtedness issued or guaranteed by the Guarantor or by any other person, without at the same time having the Holders share equally and rateably in such security. “Capital Market Indebtedness” means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes or other securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognised securities market. For the purposes of avoiding any doubt in respect of asset-backed financings originated by the Guarantor, the expressions “assets” and “obligations for the payment of borrowed money” as used in this subparagraph (2) do not include assets and obligations of the Guarantor which, pursuant to the requirements of law and accounting principles generally accepted in Germany, need not, and are not, reflected in the Guarantor’s balance sheet.
- (3) This Agreement and all undertakings herein contained constitute a contract for the benefit of the Holders from time to time as third party



mäß § 328 Absatz 1 BGB dar. Sie begründen das Recht eines jeden Gläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen.

beneficiaries pursuant to § 328 (1) of the German Civil Code. They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Guarantor and to enforce such obligations directly against the Guarantor.

- |   |  |
|---|--|
| (4) Die Deutsche Bank Aktiengesellschaft handelt nicht als Treuhänder oder in einer ähnlichen Eigenschaft für die Gläubiger.  | (4) Deutsche Bank Aktiengesellschaft does not act as fiduciary or in any similar capacity for the Holders.   |
| (5) Die in diesem Vertrag verwendeten und darin nicht anders definierten Begriffe haben die ihnen in den Emissionsbedingungen zugewiesene Bedeutung.  | (5) Terms used in this Agreement and not otherwise defined herein shall have the meanings attributed to them in the Conditions of Issue.   |
| (6) Dieser Vertrag unterliegt deutschem Recht.  | (6) This Agreement shall be governed by, and construed in accordance with, German law.   |
| (7) Dieser Vertrag ist in deutscher Sprache abgefaßt und ihm ist eine unverbindliche Übersetzung in die englische Sprache beigefügt.  | (7) This Agreement is written in the German language and attached hereto is a non-binding English language translation.  |
| (8) Das Original dieses Vertrages wird der Deutsche Bank Aktiengesellschaft ausgehändigt und von dieser verwahrt.   | (8) The original version of this Agreement shall be delivered to, and kept by, Deutsche Bank Aktiengesellschaft.   |
| (9) Gerichtsstand für alle Rechtsstreitigkeiten aus oder im Zusammenhang mit diesem Vertrag ist Frankfurt am Main. Jeder Gläubiger kann seine Ansprüche jedoch auch vor jedem anderen zuständigen Gericht geltend machen.   | (9) The place of jurisdiction for all legal proceedings arising out of or in connection with this Agreement shall be Frankfurt am Main. Each Holder, however, may pursue his claims also before any other court of competent jurisdiction.   |
| (10) Jeder Gläubiger kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine Rechte aus diesem Vertrag auf der Grundlage einer von einer vertretungsberechtigten Person der Deutsche Bank Aktiengesellschaft beglaubigten Kopie dieses Vertrages ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen. | (10) Each Holder may in any legal proceedings against the Guarantor or to which such Holder and the Guarantor are parties protect and enforce in his own name his rights arising under this Agreement on the basis of a copy of this Agreement certified as being a true copy by a duly authorised officer of Deutsche Bank Aktiengesellschaft, without the need for production in such proceedings of this Guarantee. |

Bonn, 9. Juli 2001

Bonn, July 9, 2001

DEUTSCHE TELEKOM AG

DEUTSCHE TELEKOM AG

Wir nehmen die Bedingungen der vorstehenden Garantie ohne Obligo, Gewährleistung oder Haftung an.

We accept the terms of the above Guarantee without recourse, warranty or liability.

9. Juli 2001

July 9, 2001

DEUTSCHE BANK AKTIENGESELLSCHAFT

DEUTSCHE BANK AKTIENGESELLSCHAFT

# Deutsche Telekom International Finance B.V.

– The Issuer –

## Incorporation, Seat and Objects

Finance was incorporated on October 30, 1995 under the laws of the Netherlands as a private company with limited liability for an unlimited duration. Finance is a 100% subsidiary of Deutsche Telekom. The company has its corporate seat in Amsterdam and is registered with the Trade Register in Amsterdam under number 33274743. Its address is World Trade Center, Strawinskylaan 1243, NL-1077 XX Amsterdam, The Netherlands.

According to the Articles of Association of Finance the objects of the company are:

1. (a) The issue and acquisition of debt instruments issued by the company or of debt instruments issued by a limited partnership or a general partnership of which the company is the general partner with full liability;
  - (b) to participate in, to establish and to administer and/or manage, to finance and to render services to companies, firms and enterprises;
  - (c) to lend and/or borrow moneys, to provide guarantees, and to commit itself with respect to the commitments of third parties.
2. To do anything which is connected with the provisions of paragraph 1 of this article or which may be promotive thereof, all this in the broadest sense.

## Share Capital

The authorised share capital of Finance amounts to NLG 5,000,000 and is divided into 5,000 ordinary shares with a nominal value of NLG 1,000 each, of which NLG 1,000,000 are issued and fully paid in.

## Capitalisation

The following table shows the unaudited capitalisation of Finance as at March 31, 2001 adjusted for the Notes to which this Offering Circular pertains:

	equivalent in €
Bonds and MTN's	
• with a maturity of less than 1 year .....	6,154,888,000
• with a maturity of more than 1 year and less than 5 years .....	7,481,300,000
• with a maturity of more than 5 years .....	10,610,084,000
Liabilities to banks .....	728,049,000
Total .....	<u>24,974,321,000</u>
Shareholders' equity .....	<u>7,573,000</u>
Total capitalisation as of March 31, 2001 .....	<u>24,981,894,000</u>
Bonds and MTN'S issued after March 31, 2001	
EUR 81,500,000 5.035% Notes due 2002 .....	81,500,000
EUR 500,000,000 5% Notes due 2002 .....	500,000,000
JPY 5,000,000,000 0.32% Notes due 2002 .....	46,150,000
JPY 2,000,000,000 Floating Rate Notes due 2002 .....	18,160,000
JPY 6,500,000,000 0.36% Notes due 2002 .....	60,110,000
adjusted for the Notes to which this Offering Circular pertains:	
€ 4,500,000,000 5.875% Notes of 2001/2006 .....	4,500,000,000
€ 3,500,000,000 6.625% Notes of 2001/2011 .....	3,500,000,000
less redemptions .....	<u>1,958,000,000</u>
Total capitalisation .....	<u>31,729,814,000</u>
Contingent liabilities .....	0

Save as disclosed herein there has been no material change in the capitalisation and the contingent liabilities of Finance since March 31, 2001.

### **Supervisory Board**

The members of the Supervisory Board of Finance are at present as follows:

Gerhard Mischke

Senior Executive Vice President, Finance, Deutsche Telekom AG

Dieter Cazzonelli

Senior Executive Vice President, Taxes and Risk Management, Deutsche Telekom AG

Dr. Maximilian Hirschberger

Member of the Board of Management, Corporate Affairs, Deutsche Telekom AG

Jürgen Roeder

Vice President, Syndicated Transactions, Rating, Deutsche Telekom AG

### **Board of Management**

The members of the Board of Management of Finance are at present as follows:

Yorck von Reuter

Roland Buss

### **General Meeting of Shareholders**

The ordinary general meeting shall be held annually not later than six months after the end of the fiscal year.

### **Auditors**

The auditors of Finance are PricewaterhouseCoopers N.V., Marten Meesweg 25, NL-3068 AV Rotterdam, The Netherlands. They have audited the financial statements of Finance for the years 1998, 1999 and 2000 and have issued their unqualified opinion in each case.

### **Fiscal Year**

The fiscal year of Finance is the calendar year.

## Financial Statements of Deutsche Telekom International Finance B.V. (audited)

(after appropriation)

### Unconsolidated Balance Sheet

	December 31, 2000	December 31, 1999
	(€ thousands)	
<b>ASSETS</b>		
<b>Fixed assets</b> .....	50	24
<b>Financial fixed assets</b> .....	19,550,593	2,312,135
<b>Current assets</b>		
Receivables from affiliated companies ...	5,013,344	641,842
Interest receivable from affiliated companies .....	265,246	73,627
Other interest receivable .....	-	7
	5,278,590	715,476
<b>Cash at banks</b> .....	413	1,200
<b>Prepaid expenses</b> .....	170,310	66,616
	24,999,956	3,095,451
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital .....	454	454
Retained earnings .....	6,463	2,414
	6,917	2,868
<b>Bonds and MTN's</b> .....	23,830,185	2,950,000
<b>Bank loans</b> .....	721,964	0
<b>Liabilities to affiliated companies</b> .....	34,566	4,663
<b>Other liabilities</b> .....	240,992	71,087
<b>Deferred income</b> .....	165,332	66,833
	24,999,956	3,095,451

### Unconsolidated Profit and Loss Account for the fiscal years ended December 31, 1999 and 2000

	2000	1999
	(€ thousands)	
Income from financing activities .....	1,005,537	138,854
Direct costs of financing activities .....	(998,901)	(135,765)
<b>Added value</b> .....	6,636	3,089
Personnel costs .....	(338)	(230)
Other operating expenses .....	(213)	(118)
<b>Total operating expenses</b> .....	(551)	(348)
<b>Operating Result</b> .....	6,085	2,741
Financial income and expenses .....	142	30
<b>Result from ordinary operations</b> .....	6,227	2,771
Corporate income tax .....	(2,178)	(970)
<b>Net profit</b> .....	4,049	1,801

# Deutsche Telekom AG

- Issuer and Guarantor -

## Incorporation and Seat

Pursuant to the Second Postal Reform Law (*"Gesetz zur Neuordnung des Postwesens und der Telekommunikation"*), Deutsche Bundespost TELEKOM, a public law entity and the predecessor of Deutsche Telekom AG, was transformed into a private law stock corporation, with effect from January 1, 1995. Deutsche Telekom is registered in the Commercial Register of Bonn under No. HRB 6794. The Second Postal Reform Law also provided the framework for the privatisation of the company. In November 1996, Deutsche Telekom's capital was increased and the new shares were offered internationally to the general public. Due to a series of transfers of shares to Kreditanstalt für Wiederaufbau commencing in January 1998, a second capital increase in June 1999, a third public offering of shares in June 2000 and a fourth capital increase in May 2001, now approximately 56.96% of the current share capital is held by institutional and private investors.

Deutsche Telekom is the parent company of Deutsche Telekom group which is a full-service telecommunications group whose major lines of business include providing public fixed-network voice telephony, mobile communications services, cable transmission services, leased lines, text and data services, on-line services, corporate network design and supply, and network management services within the German market and in certain international markets.

Its registered office is at Friedrich-Ebert-Allee 140, D-53113 Bonn, Germany.

## Objects

According to its Articles of Incorporation, the object of Deutsche Telekom is activity in all areas of telecommunications and in related areas in Germany and abroad.

In addition, the Company shall be entitled to enter into all other transactions and take all other measures deemed appropriate to serve the above object. It may also set up, acquire and participate in other undertakings of the same or similar kind in Germany and abroad, as well as run such undertakings or confine itself to the administration of its participation. It may spin off its operations wholly or partly to affiliated undertakings.

## Share Capital

As of May 31, 2001, the share capital of Deutsche Telekom amounted to € 10,746,246,208 divided into 4,197,752,425 registered ordinary shares without par value. All shares have been issued and are fully paid.

As of May 31, 2001, the Federal Republic of Germany directly holds around 30.91 %, and Kreditanstalt für Wiederaufbau (*"KfW"*) holds 12.13% of the share capital of Deutsche Telekom. The capital of KfW is held by the Federal Republic of Germany (80%) and the German federal states (20%).

## Capitalisation

The following table shows the unaudited consolidated capitalisation of Deutsche Telekom at March 31, 2001:

	March 31, 2001 (€ in millions)
<b>Debt</b>	
Bonds, notes and debentures .....	52,458
Liabilities to banks .....	9,102
Total debt (*) .....	<u>61,560</u>
<b>Shareholders' equity</b>	
Capital stock .....	7,756
Additional paid-in capital .....	24,290
Retained earnings (deficit) .....	539
Unappropriated net income carried forward from previous year .....	5,970
Net income (current) .....	(358)
Minority interest .....	4,495
Total shareholders' equity .....	<u>42,692</u>
Total capitalisation .....	<u>104,252</u>

(\*) € 25.6 million of this indebtedness is originally pertaining to the Deutsche Bundespost Special Fund which in accordance with § 2 subpara. (2) and (4) of the Post Transformation Act (*Postumwandlungsgesetz*) is guaranteed by the Federal Republic of Germany.

Save for the increase in the capital stock in the aggregate principal amount of € 2,990 million, the issue of bonds and debentures in the principal amount of € 7.95 billion and the issuance of the Notes to which this Offering Circular pertains, the repayment of bonds and debentures in the amount of € 8.82 billion, and the taking over of net debt (total debt minus cash) in the aggregate principal amount of about U.S.\$ 6 billion in connection with the acquisition of VoiceStream and Powertel, there has been no material change in the consolidated capitalisation of Deutsche Telekom since March 31, 2001.

## Supervisory Board

*The members of the Supervisory Board of Deutsche Telekom are as follows:*

<b>Representatives of the shareholders:</b>	<b>Representatives of the personnel:</b>
Dr. Hans-Dietrich Winkhaus Chairman Member of the Shareholders' Committee of Henkel KGaA	Rüdiger Schulze Vice Chairman Member of the Central Executive Committee of the Deutsche Postgewerkschaft trade union
Gert Becker Former Chairman of the Board of Management of Degussa AG	Josef Falbisoner District Chairman (Bavaria) of Deutsche Postgewerkschaft trade union
Dr. Hubertus von Grünberg Member of the Supervisory Board of Continental AG and other organizations	Rainer Koch Chairman of the Central Works Council of DeTe Immobilien Service GmbH
Dr. sc. techn. Dieter Hundt Managing Shareholder of Allgaier-Werke GmbH & Co. KG	Waltraud Litzenberger Chairperson of the Works Council at Deutsche Telekom's Bad Kreuznach Branch
Dr. h.c. André Leysen Chairman of the Board of Directors of Agfa-Gevaert N.V.	Michael Löffler Chairman of the Works Council at Deutsche Telekom's Leipzig Branch Office
Hans-W. Reich Spokesman of the Board of Management of Kreditanstalt für Wiederaufbau	Rainer Röhl Vice Chairman of the Central Works Council at Deutsche Telekom

Prof. Dr. Helmut Sihler  
Vice Chairman of the Administrative  
Board of Novartis AG

Prof. Dr. h.c. Dieter Stolte  
Director General  
of Zweites Deutsches Fernsehen

Bernhard Walter  
Former Chairman of the Board of Managing  
Directors of Dresdner Bank Aktiengesellschaft

Prof. Dr. Heribert Zitzelsberger  
State Secretary (*Staatssekretär*)  
in the Federal Ministry of Finance

Wolfgang Schmitt  
Head of Regional Directorate Freiburg im Breisgau  
Regional Director

Michael Sommer  
Vice Chairman of  
*Deutsche Postgewerkschaft* trade union

Ursula Steinke  
Chairperson of the Works Council  
of Deutsche Telekom Computer Service GmbH

Wilhelm Wegner  
Chairman of the Central Works Council  
at Deutsche Telekom

### **Board of Management**

The members of the Board of Management of Deutsche Telekom are as follows:

Dr. Ron Sommer, Chairman  
Josef Brauner  
Dr. Karl-Gerhard Eick  
Jeffrey A. Hedberg  
Dr. Max Hirschberger  
Dr. Heinz Klinkhammer  
Kai-Uwe Ricke  
Dipl.-Ing. Gerd Tenzer

### **General Meeting of Shareholders**

The ordinary shareholders' meeting shall take place within the first eight months of each fiscal year at the head quarters of Deutsche Telekom, or at the location of a German stock exchange or in a German city with over 500,000 inhabitants.

### **Auditors**

The auditors of Deutsche Telekom are PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Olof-Palme-Strasse 35, D-60439 Frankfurt am Main, Federal Republic of Germany have audited the consolidated and the non-consolidated financial statements of Deutsche Telekom for the years 1999 and 2000 and have issued their unqualified opinion. They carry on the business of C&L Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft who have audited the consolidated and the non-consolidated financial statements of Deutsche Telekom for the years 1996, 1997 and 1998 and have issued their unqualified opinion in each case.

### **Fiscal Year**

The fiscal year of Deutsche Telekom is the calendar year.

## Description of Business

### Overview of Deutsche Telekom's Revenues By Business Area

Deutsche Telekom's consolidated net revenues are derived principally from telephone network communications services, which consist primarily of domestic and international public fixed network voice telephony services. Deutsche Telekom also obtains revenues from interconnection services for domestic and international network operators, domestic and international services in the field of data communications and systems solutions, and mobile communications services. Broadcasting and broadband cable, the supply and sale of terminal equipment, value-added services, and other ancillary services, including the online services offered by T-Online and other multimedia services, round out the range of products and services offered by Deutsche Telekom. Revenues from activities outside Germany are generated by Deutsche Telekom's foreign subsidiaries. The following table shows Deutsche Telekom's consolidated net revenues broken down by major business areas and as a percentage of consolidated net revenues for the year 2000:

	Year ended December 31, 2000	
	millions of €	percentages
Network communications .....	15,051	36.8
Mobile communications <sup>(1)</sup> .....	9,253	22.6
International <sup>(1)</sup> .....	2,175	5.3
Carrier services .....	3,983	9.7
Data communications .....	3,352	8.2
Broadcasting and broadband cable .....	1,861	4.6
Value-added services .....	1,802	4.4
Terminal equipment .....	1,036	2.5
Other services (including multimedia) .....	2,426	5.9
Net revenues .....	<u>40,939</u>	<u>100.0</u>

<sup>(1)</sup> Since the start of the Fiscal Year 2000 the revenues of max. mobil and One 2 One are not longer shown in the International business area, but are included in the Mobile Communication business area.

### Network Communications

Network communications – in essence, the provision of voice telephony services through the Deutsche Telekom fixed line network – continues to be the main contributor to Deutsche Telekom's consolidated revenues and profits. In 2000, Deutsche Telekom generated net revenues of € 15.1 billion (36.8% of Deutsche Telekom's net consolidated revenues) representing a decrease of 10.1% as compared to 1999. The network communications business area includes access services and local, national long distance and international calling services as well as connections to mobile and online service providers.

#### Access

Deutsche Telekom's access services include providing homes, businesses and agencies in Germany with analog access lines, digital (ISDN) access lines and various supplementary services.

Analog access lines are connected to Deutsche Telekom's network through digital exchanges. Each analog access line provides a single telecommunications channel. Deutsche Telekom offers both basic ISDN access lines with two channels and primary ISDN access lines with thirty channels. ISDN allows a single access line to be used for a number of purposes, including voice, video telephony, data and facsimile transmission. ISDN also provides higher quality connections with faster transmission of signals and increases the capacity of the access network. Deutsche Telekom offers ISDN access lines nationwide and has the largest ISDN network in the world measured in terms of access lines.



As of December 31, 2000, Deutsche Telekom provided over 32 million analog access lines. In addition to these analog access lines, as of December 31, 2000, Deutsche Telekom had installed over seven million ISDN access lines, representing a total of 17.3 million channels. Of this number, 8.5 million were connected with business customers and 8.8 million with residential customers. While business customers continue to account for a majority of the ISDN channels in service, ISDN channel growth is strongest among residential customers. In 2000, Deutsche Telekom achieved overall ISDN channel growth of 22.9%, representing 16.8% growth among business customers and 45.2% growth among residential customers.

*T-ISDN.* In 2000, Deutsche Telekom maintained special traffic charges for calls initiated from telephones connected to ISDN lines. These special traffic charges were first implemented in 1999. Since customers with ISDN lines pay a higher monthly access fee and tend to make more and longer telephone calls than customers with analog lines, increasing the ISDN penetration rate among its customers is an important element of Deutsche Telekom's fixed-line strategy. While an increase in ISDN lines tends to result in a decline in the number of analog lines, due to a substitution effect, increased ISDN penetration contributes overall to higher fixed-line revenues.

Deutsche Telekom intends to use ISDN access lines as the basis for introducing innovative products. For example, in 1999, with its T-ISDN AktivMobil service, Deutsche Telekom became one of the first providers worldwide to introduce a "genuine" bundled product that integrates ISDN and mobile phone services. With this product, a customer has the same phone number for a fixed-line phone and a mobile phone, receives a single phone bill and can answer calls on either phone, according to the customer's preference.

*T-DSL.* ADSL technology (Asymmetrical Digital Subscriber Line) is a telecommunications technology that allows for the transmission of data at very high rates using conventional telephone lines. Deutsche Telekom continued to develop the potential of ADSL-based broadband communications for its customers in 2000 under the general brand name "T-DSL". Due to the relatively low cost of this access technology, T-DSL enables Deutsche Telekom to bring the benefits of fast Internet communications and innovative multimedia applications to the mass market. At December 31, 2000, over 600,000 customers had placed orders with Deutsche Telekom for T-DSL service and over 100,000 had received T-DSL connections at that time.

### *Overview of Calling Services*

Deutsche Telekom provides comprehensive local, national and international long distance fixed-line calling service to customers throughout Germany. In 2000, net revenues from fixed-line calling services amounted to € 8.6 billion. Residential customers provided 70.3% of call revenue, while 29.7% was generated by business customers. Revenue from calls to mobile numbers rose 9.9% over the previous year's figure.

### *Tariffs*

Tariffs charged by Deutsche Telekom for its fixed-line voice telephony services are subject to regulatory approval. Under the German Telecommunications Act (the "TKG"; *Telekommunikationsgesetz*), Deutsche Telekom will continue to be subject to prior approval of its tariffs for public fixed-network voice telephony so long as it is considered to be a market-dominating provider of such services in a particular market. Effective January 1, 1998, tariffs for the Company's public fixed-line voice telephony services became subject to a price-cap regime.

Telephone subscribers are charged an initial connection fee, monthly subscription fee and traffic charges. Prices are set according to the distance called, the time of day and whether the day is a business day, a weekend or a public holiday. In the residential market, traffic charges are now mostly based on minute prices, except for local calls, where traffic charges are still based on charging units.

## Traffic

*Domestic Traffic.* In 2000, Deutsche Telekom's customers generated 1.3% more domestic traffic minutes than in 1999. This growth was attributable largely to a substantial increase in minutes to online services and an increase in fixed-to-mobile traffic. Adjusted for calls to T-Online, minutes on domestic traffic decreased by approximately 6%, as the increase in fixed-to-mobile traffic was more than offset by a decline in long-distance minutes, which was due to a decrease in market share resulting from competition, and by a decline in local traffic that resulted from the entry of competitors into this market and from competition from mobile networks.

*Outbound International Traffic.* The following table sets forth an estimate of the outbound international traffic in millions of minutes broken down by geographic regions:

	Year ended December 31, 2000 <sup>(1)</sup>
European Union .....	1,700
USA/Canada .....	285
Others .....	1,825
Total .....	<u>3,810</u>

(<sup>1</sup>) Estimated outgoing minutes.

During 2000, Deutsche Telekom continued its marketing efforts for virtual private networks solutions for business customers under the brand name T-VPN. The T-VPN package consists of value added modules that can be combined in different configurations to produce applications that are tailored to the needs of particular customers.

T-VPN Global, the new international voice product, offers sophisticated state of the art solutions to the international needs of Deutsche Telekom key accounts all over the world, enabling them to carry out all of their national and international communications with Deutsche Telekom within a closed user group.

To address the needs of business customers, Deutsche Telekom offers products designed for small and medium enterprises and larger business customers under the brand "Business call" products.

## Competition

Domestic and international public fixed-line voice telephony was opened to full competition on January 1, 1998. This market opening was the final step in a multi-step liberalization process that formally commenced in 1989. The size and affluence of the German telecommunications market and a decidedly pro-competitive telecommunications regulatory environment have combined to make Germany one of the world's most open and competitive telecommunications markets.

An important feature of the German telecommunications regulatory structure is that it essentially allows for an unlimited number of market entrants. From 1998 to 2000, many competitors crowded into Germany's fully liberalized fixed-line market. By the end of 2000, the Regulatory Authority for Telecommunications and Posts (*Regulierungsbehörde für Telekommunikation und Post – the "Regulatory Authority"*) had issued over 250 regional and nationwide licenses for voice telephony service. The licensees include providers of subscriber lines and local services (subscriber network operators) and providers of long-distance and international services (long-distance carriers). Competition in the markets for calls to mobile networks and regional calls is also intensifying.

The focus of competition in the fixed-line market has been on long-distance and international calls. In this battle, which has been waged almost exclusively on the basis of price, Deutsche Telekom's competitors have been able to gain significant market share. According to a report published by the Regulatory Authority Deutsche Telekom had a market share of approximately 60% in the combined domestic long-distance and international calling markets at year-end 2000.

Fixed terms for interconnection, which particularly favor competitors that have not invested in infrastructure, have enabled providers to profit from Deutsche Telekom's investments, at low prices, and to use them in designing their own products and services. The Regulatory Authority ordered reductions of up to 24% in interconnection rates in December 1999 and ordered further reductions in September 2000 which, *if upheld by the courts*, are to take effect in June 2001. As a result, Deutsche Telekom expects that there may be further price competition in the long-distance and international markets.

Because Deutsche Telekom is required to provide its competitors with unbundled access to the telephone lines running into its customers' premises at prices based on the cost of providing such service, Deutsche Telekom is facing increasing competition in the access line market. Technological innovations that may allow competitors economically to provide telecommunications services to customers without using existing telephone lines (particularly cable television but also wireless, satellite or power lines access) are expected to have the effect of further stimulating such competition. Regulatory measures of the European Union that are intended to increase competition in the access line market took effect in 2000 and in 2001, and similar regulatory initiatives of the Federal Republic are currently pending.

Deutsche Telekom's decision to divide its broadband cable business into regional companies and to seek investors to assume majority ownership and operating control over those companies may in time lead to additional competition from parties seeking to provide telecommunications services, including access services, and multimedia services through a broadband cable network.

### ***Carrier Services***

Since the full liberalization of the market at the beginning of 1998, a great number of new providers has entered the German telecommunications market. At the end of 2000, 566 providers had obtained class 3 licenses for transmission paths and 177 providers had obtained class 4 licenses for voice telephony. Most of these competitors use Deutsche Telekom's network and related services as the basis for providing their own services to their customers. These special services to competitors are provided by the carrier services business area. This business area is also responsible for Deutsche Telekom's international inter-carrier business, which includes terminating incoming international calls to its customers. This business area's net revenue in 2000 was € 4.0 billion, or 9.7% of the consolidated revenues of Deutsche Telekom. This represents an increase of 38.1% over 1999.

#### *Domestic Interconnection and Local Loop Access*

The products and services provided by the carrier business area consist primarily of interconnection services for operators of fixed networks and mobile communications networks, carrier-specific transmission paths and access to the so-called "unbundled" subscriber line (or "unbundled local loop").

The terms for interconnection of Deutsche Telekom's telephone network with networks of other national providers are contained in bilateral contracts. At the end of 2000, Deutsche Telekom had signed 111 such agreements. The total number of leased lines provided to carriers, i. e., transmission paths that are made available to competitors in the fixed-line network, rose by 55% from year end 1999 to year end 2000. The terms of interconnection established by the Regulatory Authority are very important, since they strongly influence the level of competition in the market.

In the national market, the terms on which Deutsche Telekom provides services to competitors are essentially determined by the Regulatory Authority. In addition, Deutsche Telekom is required to offer competitors so-called "unbundled" access to the subscriber line ("bare wire") so that they have direct access to the customer.

#### *International Call Termination*

Carrier Services business area offers international network operators the opportunity to deliver their voice traffic to parties in Germany via Deutsche Telekom's network. In addition, this business area purchases termination services from foreign carriers for Deutsche Telekom's outbound international

traffic, provides interconnection services to domestic competitors for termination of outgoing international calls and provides carrier transit services to other carriers for calls that originate outside Germany and are routed through Deutsche Telekom's network for termination in a third country. At the end of 2000, Deutsche Telekom maintained business relationships with more than 300 foreign telephone companies.

Since Deutsche Telekom is viewed by the Regulatory Authority as a market-dominant provider in many markets, prices charged by Deutsche Telekom for most services provided to service providers and carriers are subject to regulatory approval. The Regulatory Authority has determined, however, that Deutsche Telekom is no longer dominant in the market for interconnection of outgoing calls to foreign countries.

Deutsche Telekom pays for the use of networks of carriers in foreign countries for outgoing international calls and receives payments from other carriers for the use of its network for incoming international calls. Traditionally, these payments have been made pursuant to settlement arrangements under the general auspices of the International Telecommunications Union ("ITU"). Deutsche Telekom has historically been a net debtor under these arrangements (i.e., payments made by Deutsche Telekom for outgoing international traffic have exceeded payments received for incoming international traffic) and, consequently, has benefited from the lowering of settlement rates in recent years. Deutsche Telekom expects further reductions in the settlement rates. Settlement payments are calculated using a currency basket in which the U.S. Dollar has the greatest weight and settlement payments themselves are generally denominated in U.S. Dollars. In 2000, Deutsche Telekom's average bilateral settlement rates per minute decreased by 25% in comparison with the previous year.

### ***Data Communications***

Deutsche Telekom's data communications business area involves the use of Deutsche Telekom's network for the transport of large quantities of data and the use of modern data communications technology in the design of information and communications systems solutions for large, complex business customers as well as small and medium enterprises.

Data transmission services and systems solutions based on those services represent one of the fastest growing areas in the telecommunications industry, and Deutsche Telekom is therefore focusing on this area as part as one of the four pillars of its growth strategy. As a result of expanding Internet usage and an increase in the number of companies that have multiple offices connected via company intranets, the volume of data traffic in global telecommunications networks is growing rapidly and this growth is expected to exceed the volume of voice traffic in those network in the future. Deutsche Telekom is responding to increasing customer requirements in this area by expanding its network platforms for data transmission and by offering a broad portfolio of products and services and customized solutions. The data communications services offered by Deutsche Telekom are increasingly incorporated into integrated services such as corporate networks and business-to-business Internet services.

This business area's net revenue in 2000 was € 3.4 billion (or 8.2% of the consolidated revenues of Deutsche Telekom). This represents an increase of 18.5% over 1999 that was achieved despite very strong downward pressures on price in the data communications area.

*Leased Lines.* Deutsche Telekom is one of the leading provider of leased lines in Germany. Deutsche Telekom markets fixed data connections under the product name "LeasedLink". This product line includes standard leased lines, managed leased lines for data communications and international leased lines. Leased lines are used by business customers to assemble their own private networks and by telecommunications service resellers to establish networks to offer telecommunications services.

The trend among Deutsche Telekom's customers toward the use of digital leased lines, which permit much higher transmission rates than analog connections, continued in 2000. As a result, the Leased-Link product line has seen a strong trend toward broadband transmission. Among the data communications services that Deutsche Telekom offers are dedicated leased lines and data transmission services ranging from packet switching to state-of-the-art frame relay and Asynchronous Transfer Mode (ATM) communications, as well as Internet applications for business customers. ATM is a data transmission technology that permits data transmission at a rapid rate. Packet switching is a classical

and common data transmission technology. While customers can obtain packet switched data transmission services less expensively than ATM services, packet switched data transmission is not as fast and flexible as ATM. Frame relay is a type of data transmission technology that also is not as fast as ATM.

In cooperation with international partners, Deutsche Telekom offers international leased lines to its multinational customers, with the convenience of single-end ordering and billing.

*T-InterConnect.* Deutsche Telekom offers a high-performance IP-based network platform for Internet and Intranet/Extranet communications applications under the brand name "T-InterConnect." This platform is based on "Internet Protocol" technology, which forms the basis for the world-wide Internet network. The T-InterConnect platform can be used as the basis for private corporate networks. At December 31, 2000, the platform consisted of 74 national network nodes redundantly connected via 2.4 Gbit/s links in the core network. T-InterConnect, which can be accessed nationwide at the more favorable "City" (local) rates, features access bandwidth ranging from 64 kbit/s to 155 Mbit/s to support Internet and intranet solutions for the customers of Deutsche Telekom.

In 2000, Deutsche Telekom was one of Germany's largest Internet service providers for business customers. The volume of traffic transported on the T-InterConnect platform strongly increased from 1999 to 2000, primarily due to substantial growth in Internet usage. Deutsche Telekom significantly reduced its rates for T-InterConnect services in 2000.

To achieve better integration with the international Internet network, Deutsche Telekom increased the "peering capacity" of its network several times over in 2000 and entered into additional "peering" agreements with major Internet service providers worldwide. "Peering" refers to the exchange of information between two separate Internet networks.

*T-ATM.* Deutsche Telekom's offers a high speed ATM data transmission service by means of its "T-ATM" service, which was accessible nationwide throughout Germany at 70 locations as of December 31, 2000. Since 1998, Deutsche Telekom has offered switched connections via T-ATM. Significant growth in the number of T-ATM connections took place in 2000, while average prices for T-ATM services began a downward trend. T-ATM is one of the world's most modern telecommunications services. Deutsche Telekom is one of the market leaders in Germany in the use of ATM technology, which permits voice, text, data and video communications over one line and which supports flexible, cost-effective use of bandwidth resources.

*FrameLink Plus.* Deutsche Telekom's FrameLink Plus service – which is based on frame relay technology—is especially designed to accommodate data communications that include high-volume bursts. FrameLink Plus is suitable both for linking LANs (Local Area Networks) and for building corporate networks. Instead of leasing a high-capacity leased line in order to accommodate occasional or intermittent traffic bursts, customers using FrameLink Plus pay for sufficient capacity to satisfy their day-to-day data requirements and are provided burst capacity up to the access rate to accommodate peaks in their data communications needs. Through FrameLink Plus, Deutsche Telekom offers frame relay service at a variety of access rates, ranging from 19.2 kbit/sec to 2 Mbit/sec.

In 1999, Deutsche Telekom further simplified FrameLink Plus rates structures for its customers and implemented price reductions in response to intense competition in this market. Deutsche Telekom also extended the FrameLink Plus portfolio by introducing a broader range of transmission speeds. Deutsche Telekom continued to upgrade and optimize the existing frame relay network. Due to an increase in the number of local access points, customers are now able to obtain better performance at a lower price. In 2000, FrameLink Plus had a marked increase in international connections.

*T-LAN.* Deutsche Telekom provides complete enterprise network solutions and local area networks (LANs) for its business customers under the brand name T-LAN. As both internal and external communication needs of business customers increase, networks have quickly become the most important single element within a company's IT infrastructure. T-LAN comprises a wide range of services such as consulting, network planning and design, network integration, documentation, maintenance and support, network management and training.

*Network Solutions.* Using its products T-InterConnect, T-ATM and FrameLink Plus as components, Deutsche Telekom provides its customers with customized intranet solutions under the general product name "Intranet Solution". In addition, Deutsche Telekom provides extranet solutions to its customers, which link business customers to their customers or suppliers or link different locations of a single business customer over the world-wide web.

*Telekom Designed Networks.* Telekom Designed Networks (TDN) are a central component of the data communications systems solutions services offered by Deutsche Telekom. With TDNs, Deutsche Telekom offers its large corporate customers communications solutions that are tailored to specific customer requirements. Under TDN contracts, Deutsche Telekom takes charge of the design and installation of the network and provision of comprehensive operational services, including network management and complete ongoing service.

*International Activities.* Deutsche Telekom is in the process of expanding its own international network as the basis for providing international systems solutions for its customers. This process involves the expansion of Deutsche Telekom's existing data communications networks, with the highest priority given to the countries in which Deutsche Telekom has large German business customers. Deutsche Telekom's foreign subsidiaries, such as SIRIS, Multilink, Pragonet and MATÁV, are working intently on the expansion of the international network. In addition, debis Systemhaus' subsidiaries are being integrated into the expansion program.

*Competition.* The field of data communications has been open to competition in Germany since the beginning of 1990. Competition in the business, based on price, quality and service, is rigorous and pricing pressures are intense.

### **Mobile Communications**

Mobile communications is one of the most rapidly expanding areas of the global telecommunications industry. Deutsche Telekom expects that both mobile voice telephony and, to an increasing extent, mobile data communications and multimedia applications have considerable potential for further growth in coming years. As a result, Deutsche Telekom is developing its business with a focus on the mobile communications area as one of the four pillars of its growth strategy. The first major step in this direction was the bundling of several of Deutsche Telekom's most significant European mobile telecommunications companies under a newly formed holding company, T-Mobile International AG ("TMO"), which took retroactive effect from January 1, 2000.

For 2000, Deutsche Telekom's mobile communications business area included the activities of T-Mobil, Deutsche Telekom's German mobile communications subsidiary, the British company One2One and the Austrian company max.mobil., as well as Deutsche Telekom's interests in the Dutch company BEN Nederlands B.V. ("BEN"), the Czech company RadioMobil, the Polish company Polska Telefonía Cyfrowa ("PTC") and the Russian company OJSC Mobile TeleSystems ("MTS"). All of these subsidiaries and affiliates were directly or indirectly held by T-Mobile International AG, with the exception of Deutsche Telekom's interest in PTC, which is held in part through T-Mobile International and in part directly by Deutsche Telekom AG.

Deutsche Telekom's mobile communications business area generated revenues of € 9.3 billion (22.6% of the consolidated revenues of Deutsche Telekom) in 2000. Approximately 83% of the consolidated revenues of this business area in 2000 were derived from mobile telephone service, with the remaining 17% derived from handset sales and from other services.

In 2000 Deutsche Telekom's mobile communications business area exhibited strong growth in terms of the number of subscribers. In Germany, the number of subscribers on Deutsche Telekom's T-D1 network increased by 111% to 19.1 million from 1999 to 2000. Taking into account the subscribers of One 2 One and max. mobil, the number of subscribers totalled 29.547 million as of December 31, 2000. A significant part of this increase is due to the increasing popularity of prepay packages. Prepay customers are counted as continuing subscribers for the fifteen-month period since the last time they used their prepay access services.

### *T-Mobil, Germany*

T-Mobil offers digital mobile telephone services by means of its T-D1 digital network, which is based on the GSM (Global System for Mobile Communications) standard. Approximately 55% of revenues from Deutsche Telekom's mobile communications business segment were derived from T-Mobil in 2000.

Network quality is one of the key factors affecting T-Mobil's business. To maintain the high network quality in light of strong growth in numbers of customers, T-Mobil continued to expand its GSM network during 2000. In the course of the year, the number of base stations in the T-D1 network increased from about 24,500 to about 34,400. At year-end 2000, the T-D1 network had 672 base station controllers and 67 mobile switching centers.

In 2000, Deutsche Telekom entered into roaming agreements with 66 operators, which in principle allow T-D1 subscribers to make and receive calls while abroad on the same mobile phone they use in Germany thereby further expanding the global coverage of the T-D1 network with particular emphasis on operators of GSM 1800 networks in Europe and GSM 1900 networks in the United States. Thus the number of roaming agreements totalled 253.

Demand for mobile data communications services increased substantially during 2000. During December 2000, for example, the T-D1 network carried approximately 650 million "short messages" as compared to 300 million in December 1999. Since March 1999, T-D1 customers can use their mobile phones to access a number of programs that provide information, such as news, stock quotes, travel information or schedules for entertainment events. Since November 1999, these types of information, as well as further services such as e-mail and electronic banking, are also available based on "WAP" or Wireless Application Protocol. These WAP services were used by approximately 1.3 million subscribers during 2000. Deutsche Telekom expects that demand for mobile data services will grow substantially in the coming years.

T-Mobil had a monthly churn rate in 2000 of approximately 1.0%, as compared to 1.1% in 1999. The churn rate for any given period represents the number of T-Mobil customers whose service was discontinued during that period due to a payment default or who voluntarily gave up a mobile telephony service during that period, expressed as a percentage of the average number of customers during that period.

*Traffic.* Outgoing traffic on T-Mobil's mobile network increased substantially from 1999 to 2000, primarily as a result of the substantial increase in the number of mobile subscribers of T-Mobil. Average monthly traffic per subscriber decreased from 1999 to 2000. One of the reasons for this development was the increasing number of prepay customers.

*Tariffs.* The customers T-Mobil serves directly are billed one-time installation charges, monthly rental charges and call charges for outgoing traffic. Independent service providers purchase mobile telephone services from T-Mobil at a discount, resell those services and bill subscribers directly at rates they set independently. During 2000, traffic charges (including those paid by independent service providers) accounted for approximately 77% and monthly rental charges and initial connection fees together accounted for approximately 23% of net revenues generated by T-D1 (excluding revenues from sales of digital handsets).

*Data Services.* T-Mobil offers specialized mobile data transmission services under the name "Modacom". T-Mobil has continued to provide these services, while offering possibilities for Modacom customers to migrate to the new General Packet Radio Service (GPRS) platform beginning in the year 2001. The GPRS service has been commercially marketed since February 1, 2001.

### *One 2 One, United Kingdom*

In the fall of 1999, Deutsche Telekom purchased One 2 One, the fourth largest provider of mobile communications services in the United Kingdom, for a purchase price of British pounds 6.9 billion (including the assumption of outstanding shareholder loans).

At year-end 2000, One 2 One had approximately 8.3 million subscribers, representing a share of approximately 21% of the mobile telecommunications market in the United Kingdom, according to the British telecommunications regulator. One 2 One increased its market share by approximately 4% as compared to year-end 1999. The total of 8.3 million subscribers, of which approximately 675,000 are customers of One 2 One's Virgin Mobile joint venture, represents an increase of 4.2 million subscribers as compared to the prior year. Monthly churn rate in 2000 was approximately 1.7%, and could be reduced by 0.4 percentage points in comparison to the year 1999 due to a lower churn rate for prepay.

#### *max.mobil., Austria*

In April 2001 Deutsche Telekom acquired full ownership of max.mobil. Telekommunikation Service GmbH ("max.mobil."), the second largest Austrian mobile telecommunications company. In Austria, max.mobil. provides nationwide mobile telephony service through its digital GSM network, which covered approximately 97% of the Austrian population at year end 2000. In addition, max.mobil. has entered the fixed-line telephony business. max.mobil. has also offered virtual private network services to business customers since 1998. At year-end 2000, max.mobil. had more than 2.0 million GSM subscribers, representing a share of approximately 37% in the Austrian GSM telecommunications market, according to max.mobil. estimates. The average monthly churn rate was 1.5% in 2000. In 2000, max.mobil. generated revenues of € 1.0 billion, as compared to € 811 million in 1999.

#### *BEN, The Netherlands*

In October 2000, T-Mobile International acquired an equity interest of 50% minus one share in BEN, one of five operators in the Dutch mobile communications market. The acquisition of the stake in BEN took place after TMO acquired a third generation UMTS licence ("UMTS") in The Netherlands in July 2000 in a consortium with Belgacom and Tele Danmark called 3-G Blue, which subsequently merged with BEN. At year-end 2000, BEN had approximately 0.8 million subscribers, representing a share of approximately 7% of the mobile telecommunications market in The Netherlands, according to BEN's estimates. BEN generated revenues of EUR 248 million in 2000.

#### *RadioMobil, Czech Republic*

Deutsche Telekom has an 87.3% interest in a company called CMobil, which in turn owns a 49% stake in the Czech mobile communications network operator RadioMobil. CMobil has exercised an option which allows it to increase its stake to 60.8%. The transfer of the related shares in RadioMobil to CMobil is expected to occur in the first half of 2001.

Primarily due to strong subscriber growth in the year 2000, which resulted in an increase of approximately 986,000 subscribers in comparison to year-end 1999, RadioMobil increased its revenues from € 297 million at year-end 1999 to € 499 million at year-end 2000. Compared to Western Europe, the penetration rate for the Czech Republic of approximately 42% is relatively low. RadioMobil's network covers 99% of the population in the Czech Republic.

#### *PTC, Poland*

According to PTC's estimates, it held a share of about 42% of the Polish mobile communications market at year-end 2000, with approximately 2.8 million subscribers. PTC's revenue grew by 40% to € 907 million in 2000.

#### *MTS, Russia*

Deutsche Telekom holds an equity interest of approximately 36.2% in MTS, a Russian mobile telephone company. MTS increased its subscriber base from more than 300,000 at year-end 1999 to more than one million subscribers at year-end 2000. The areas covered by MTS's mobile licenses is



inhabited by approximately 67 million people, of which MTS's mobile network currently covers approximately 41 million people. In 2000, MTS generated revenues of US\$ 535 million.

#### *T-Motion, United Kingdom*

In March 2000, Deutsche Telekom bundled its mobile multimedia activities into a newly established company, T-Motion, located in London. T-Motion is a joint venture between T-Mobile International (60%) and T-Online International (40%). T-Motion provides products and services for customers who access the Internet by mobile phone. In September 2000, T-Motion launched its first products and services for customers in Germany, which included information and entertainment services. T-Motion subsequently launched in the United Kingdom in February 2001.

#### *Acquisition of UMTS licences*

On August 17, 2000, T-Mobil emerged as one of six successful bidders for an UMTS license in Germany. With an aggregate bid of € 8.54 billion, T-Mobil acquired a UMTS license for two paired frequency blocks (2 x 10 MHz) and one unpaired block (5 MHz). T-Mobil conducted first field tests with UMTS technology during the spring of 2000, and plans to introduce UMTS services on a commercial basis at the end of 2002.

Deutsche Telekom acquired a UMTS license in the United Kingdom via its One 2 One subsidiary in May 2000 for 4 billion British pounds. In November 2000, Deutsche Telekom's subsidiary max. mobil. acquired a UMTS license in Austria for € 170 million. In July 2000, a consortium, in which Deutsche Telekom participated, was awarded a UMTS license in the Netherlands for € 395 million. The latest UMTS license acquisition was completed in Poland in December 2000, where PTC was awarded a UMTS license for € 650 million.

In December 2000, Deutsche Telekom announced that it had entered into agreements with several suppliers for the purchase of equipment needed for the construction of its UMTS network. In the construction of UMTS networks, Deutsche Telekom will depend on the timely delivery of network components and price-competitive handsets from its suppliers, and failure of these suppliers to deliver in a timely manner could cause a delay in Deutsche Telekom's ability to offer UMTS services to subscribers. Technical difficulties in constructing the UMTS network or taking the network into operation could have an adverse effect on Deutsche Telekom's plans to increase the mobile business. The economic success of Deutsche Telekom's investment in UMTS licenses and technology will depend upon the availability of services based on UMTS technology that will be attractive enough to customers to generate sufficient traffic volume and sufficiently high prices. The level of demand for such UMTS services that will prevail in the future is unknown, however, and may not justify the cost of providing UMTS services, which include the costs to Deutsche Telekom of acquiring UMTS licenses and constructing, maintaining and upgrading its UMTS network.

#### ***Broadband Cable/Broadcasting***

Deutsche Telekom's broadband cable and broadcasting activities include operating Germany's largest cable transmission network, providing services to other cable network operators and program providers and offering broadcasting services to public and private television and radio stations. The broadband cable/broadcasting business area generated revenues of approximately EUR 1.9 billion, or approximately 4.6% of the consolidated revenues of Deutsche Telekom, in 2000.

#### *Broadband Cable*

Through its wholly-owned subsidiary Kabel Deutschland GmbH („Kabel Deutschland“), Deutsche Telekom currently owns substantial interests in regional cable companies that provide cable service to all of Germany.

*Penetration and Coverage.* In areas where Deutsche Telekom owns and operates a cable transmission network, cable subscribers are served either directly by Deutsche Telekom or by other cable opera-

tors which provide the connection from the end of Deutsche Telekom's transmission line into the cable socket on the customer's premises. In some areas where Deutsche Telekom does not own and operate complete cable systems, local cable companies establish and operate systems from signal reception to the customer.

As of December 31, 2000, 12.2 million households received cable television service from regional cable companies that were wholly owned indirect subsidiaries of Deutsche Telekom. At December 31, 2000, the cable network of the regional cable companies in which Deutsche Telekom held a minority interest served 5.4 million households.

*Cable Television Service Offerings.* Deutsche Telekom's cable network transmits analog and digital programming. Beginning in 1999, Deutsche Telekom has placed significant emphasis on digital programming through its MediaVision marketing platform, which offers a broad range of digital TV and radio programs from which each subscriber can assemble a tailored program package.

Deutsche Telekom is also seeking to expand the transmission capacity of the broadband cable network. In a pilot project started in 1998 with nearly 700,000 households in Berlin, Deutsche Telekom has begun to expand the capacity of the network to 862 megahertz and to implement back channel capability that will allow customers to receive multimedia services as well as an expanded range of digital cable programming.

*The Separation and Sale of the Cable Business.* To begin placing its cable business on a new economic and regulatory footing, Deutsche Telekom transferred the core of its broadband cable business, along with its non-current assets, to Kabel Deutschland at the turn of the year 1998/1999. Kabel Deutschland then created nine regional subsidiaries in 2000 to operate the cable business of Deutsche Telekom. At March 31, 2001, Kabel Deutschland was the 100% owner of seven regional cable companies that provide service to approximately 85% of the geographic area and approximately 71% of the population of Germany.

In February 2000, Deutsche Telekom reached an agreement to sell a 55% equity interest in the regional cable company for the German federal state of North Rhine-Westphalia to a consortium of investors led by Callahan Associates LLC, a communications development and operating company based in Denver and London. This sale closed in July 2000. In March 2000, Deutsche Telekom reached a further agreement for the sale of a 65% equity interest in the regional company for the German federal state of Hesse to a consortium of investors led by London-based Klesch & Company Limited. This sale closed in August 2000. In addition, in May 2000, Deutsche Telekom agreed to sell a 55% equity interest in the regional company for the German state of Baden-Württemberg to a consortium led by Callahan Associates LLC. This sale is expected to close in 2001, subject to certain conditions, including the arrangement of financing and the completion of ongoing negotiations.

In February 2001, Deutsche Telekom signed a letter of intent with a consortium of investors consisting of Klesch & Company Limited and Liberty Media relating to the purchase by the consortium of a 55% equity interest in each of the remaining six regional cable companies as well as MSG MediaServices GmbH and the respective regional parts of DeTe KabelService, Deutsche Telekom Kabel Service and an option to acquire an additional 20% minus one vote in these companies.

### *Broadcasting Services*

Deutsche Telekom operates a terrestrial broadcasting network with over 8,000 radio and television transmitters in over 3,000 locations at December 31, 2000. Deutsche Telekom does not produce content for its broadcast networks.

In 2000, Deutsche Telekom reached agreements to provide terrestrial broadcasting facilities to the German public broadcasting organizations ARD and ZDF, through the end of 2006. In addition, Deutsche Telekom made significant progress in digitalizing its broadcast network on the basis of Asynchronous Transfer Mode technology.

*Competition.* Although, pending sale of majority interests in the remaining regional cable companies, Deutsche Telekom operates by far the largest cable network in Germany, its cable television

business is subject to competition from a number of smaller cable companies and, more significantly, from the use of private satellite dishes. Increasing competition from digital terrestrial telecommunications systems will also be possible. Under the TKG, competitors of Deutsche Telekom have been permitted to operate cable transmission lines in Germany since August 1996.

As Deutsche Telekom sells majority interests in its regional cable companies, the cable companies can be expected to seek to use their network to compete against Deutsche Telekom in a number of telecommunications areas.

### ***Supply and Service of Terminal Equipment***

Through its terminal equipment business area, Deutsche Telekom distributes an extensive range of telecommunications equipment, ranging from individual telephone sets and facsimile machines targeted at private customers to more complex telephone and facsimile terminals, private branch exchanges (PBXs) and complex network systems targeted at business customers. Deutsche Telekom also provides installation and repair services. With most of Deutsche Telekom's terminal equipment, customers have the choice of purchasing or leasing. Deutsche Telekom also provides installation and repair services. In 2000, the terminal equipment business area generated revenues of € 1.0 billion (2.5% of the consolidated revenues of Deutsche Telekom in that year), as compared to € 1.2 billion in 1999.

The telecommunications equipment sector has been open to full competition since 1990 and is characterised by falling prices, low margins, rapid technological innovation and intense competition. Deutsche Telekom believes, however, that the supply and service of telecommunications equipment is an integral part of being a full service telecommunications provider and contributes to customer loyalty. Financial results in the terminal equipment business area improved in 2000. This was accomplished through the continuation of measures implemented in 1998 and prior years, including internal cost reductions, streamlining of the product portfolio and the discontinuation of operations in unattractive market segments. In 2000, the development of new products and services, which offer integrated solutions to customers' needs, have effectively contributed to attract customers to Deutsche Telekom's core business.

*Competition.* In 2000, Deutsche Telekom purchased approximately 87% of its terminal equipment, including accessories, from its ten most important national and international suppliers. The total value of all orders was over € 600 million. Siemens AG, with a share of approximately 45% of all orders in 2000, is both Deutsche Telekom's most important supplier of terminal equipment and its largest competitor in the terminal equipment market.

### ***Value Added Services***

Through its Value Added Services business area, Deutsche Telekom offers a range of sales and service phone numbers for business and private use, provides directory assistance, has state-of-the-art call centers and offers messaging services. In addition, the value added services business area manages Deutsche Telekom's network of public telephones and produces telephone directories as well as prepaid calling cards. This business area is also responsible for providing customers with comprehensive solutions to their telecommunications-based dialogue marketing needs.

Deutsche Telekom offers toll-free, shared-cost, and premium rate numbers to its customers. In 2000, the number of calls made to service phone numbers provided by Deutsche Telekom was 12.8% higher than in 1999. This service accounted for more than half of the revenues of the value added services business area in 2000.

Deutsche Telekom is Germany's largest provider of directory assistance services. This business has become highly competitive in Germany. In the wake of increasing competition, price adjustments and the growing importance of online directory services, the number of calls to the service decreased again in 2000, from 325 million in 1999 to around 252 million in 2000. In 2000, Deutsche Telekom completed a substantial outsourcing program, which contributed significantly to an improvement in the profitability of the directory services without loss of quality.

The publication of telephone directories is another function of the value added services business area. DeTeMedien GmbH, a 100% subsidiary, publishes "Yellow Pages", "White Pages" and a directory on CD-ROM and also produces additional CD-ROM based products. In addition, DeTeMedien is a provider of dialogue marketing.

Call center solutions provided by the Value Added Services business area include tele-sales and direct marketing services tailored to the needs of particular customers, such as billing and collection services.

Messaging services offered by the Value Added Service business area include the T-NetBox, a digital voice mail system in the network of Deutsche Telekom. The number of users increased significantly from 700,000 at the end of 1999 to more than 1 million at the end of 2000. In 2000, this business area generated revenue of € 1.8 billion, or 4.4% of the consolidated net revenue of Deutsche Telekom.

As of December 1, 2000, Deutsche Telekom operated approximately 128,000 payphones, representing a penetration rate of 1.5 payphones per 1,000 inhabitants. In 2000, Deutsche Telekom continued its efforts to improve performance in the area of payphones and other public communications. "Telestations", which are payphones that can accept both telephone cards and coins, constitute one important new initiative in this regard. Another important initiative is the introduction of "Telekiosks", multifunctional terminals that offer telephone, fax and internet services. Deutsche Telekom intends to place Telekiosks in busy public areas such as airports, train stations and shopping areas. Another important element in Deutsche Telekom's consolidation strategy has been to optimize placement of public telephones, in order to ensure that the public phone system both remains cost-effective and provides nationwide coverage. Deutsche Telekom plans to continue its site-optimization program in 2001.

The Value Added Services business area is also responsible for producing and marketing telephone cards by DeTeCardService GmbH, a wholly-owned subsidiary of Deutsche Telekom. The product offering includes chipless calling cards useable all over the world as well as chip based prepaid cards for use in Deutsche Telekom's 91,000 card based pay phones.

Deutsche Telekom offers traffic information and various telematic services for the automobile industry through its 50% owned subsidiary Tegarom Telematics GmbH.

### ***Other Services***

Deutsche Telekom's Other Services area primarily consists of internet access and multimedia activities as well as the activities of debis Systemhaus for the fourth quarter of 2000. This business area had revenues of € 2.4 billion in 2000, representing 5.9% of the consolidated revenue of Deutsche Telekom in that year.

Deutsche Telekom offers Internet access in Europe for residential customers and for small and medium size business customers through its subsidiary T-Online International AG and also offers multimedia applications and services for business customers under the T-Mart brand name.

### ***T-Online***

At December 31, 2000, T-Online had approximately 7.9 million customers (including customers of companies acquired in 2000) as compared to 4.2 million customers at December 31, 1999. The T-Online service, which is operated, developed and marketed by T-Online International AG, is Europe's leading online-service and Internet-service provider based on number of subscribers. T-Online offers cost-effective, high performance Internet access primarily to consumers. Average monthly minutes per subscriber increased by approximately 82% in 2000 as compared to 1999. In 2000, subscribers connected to the service a total of some 3.2 billion times, or approximately 110% more often than in the previous year. T-Online became listed in the Neuer Markt segment of the Frankfurt Stock Exchange on April 17, 2000, through a public offering of newly issued shares representing approximately 10% of its equity capitalization. As of December 31, 2000, Deutsche Telekom had a controlling ownership interest of approximately 81.7% in T-Online.

In addition to Internet access, T-Online offers customers access to a number of value-added online services. The available applications cover a spectrum that includes database research, information and entertainment, and online banking.

T-Online significantly expanded portal site activities in 2000, making T-Online the gateway to a wide range of information and entertainment services. T-Online offers a Shopping portal, through which customers have access to electronic commerce. Currently about 250 vendors present products and services from various industries on the Shopping portal. The Fun & Action portal is geared primarily toward younger T-Online customers.

Subject to applicable regulatory constraints, T-Online's service offerings include products that bundle Internet access with services offered by other companies in the Deutsche Telekom group, such as T-DSL or access to the Internet via Deutsche Telekom's fixed-line telephone network. T-Online also seeks to promote Internet usage in Germany through special promotional offers, such as an offer of free Internet access and related software and customer service to schools in Germany.

To further its market leadership position in Germany, T-Online entered into an online banking relationship with comdirect bank AG, the online banking subsidiary of Commerzbank AG, in April 2000. As part of this relationship, T-Online agreed to take a 25% equity interest in comdirect (which was diluted to 21.35% as a result of comdirect bank's initial public offering in 2000), and Commerzbank took an equity stake in T-Online of approximately 2.0% (after giving effect to the listing of T-Online shares that took place in April 2000 and to the acquisition of Club Internet). In addition, T-Online also acquired a 51% ownership interest in Atrada Trading Network AG for € 26 million. This company specializes in e-commerce and was purchased in order to achieve synergies in technology.

*International Internet Activities* T-Online took a significant step in the development of its international business in March 2000, when it acquired a 99.9% equity interest in Club Internet, the online service business of the French Lagardère group, in exchange for shares of T-Online representing an equity interest of approximately 5.8% in T-Online (after giving effect to the listing of T-Online shares that took place in April 2000 and to the acquisition of an interest in comdirect). Club Internet had approximately 580,000 customers in France at December 31, 2000.

In October 2000, T-Online acquired ya.com, a leading Spanish Internet service provider, in exchange for shares and cash of T-Online representing an equity interest of approximately 1.25% in T-Online. ya.com had approximately 680,000 customers in Spain and Portugal at December 31, 2000.

*Competition.* The German and European markets for Internet access and portal services have been and will continue to be extremely competitive. In the market for the provision of Internet access services, particularly in Germany, strong competitors (including AOL) have pursued aggressive marketing strategies that have led to a substantial decrease in prices for Internet access. Competition in this market depends on a variety of factors, including pricing, brand recognition, network speed and reliability, customer support and time to market with new products and services. Regulation also can exert a significant influence on the level of competition in this market. In the market for portal services, competition is intense due to low barriers to entry. Deutsche Telekom faces competition in this market from websites maintained by Internet service providers, Internet information retrieval services, online community websites, home page services and shopping portals, as well as from traditional media including newspapers, magazines, radio and television.

#### *Multimedia/Information and Communications Systems*

Deutsche Telekom offers a comprehensive range of multimedia applications and services for business customers, including complete service, consultation, implementation, training and operation.

*Multimedia.* Deutsche Telekom offers business customers a variety of solutions for presenting their company in the Internet, and these solutions represent one of Deutsche Telekom's core activities in the multimedia area at present.

Convenient solutions that provide maximum security for payment transactions and sensitive data transmissions in the Internet represent another core activity in the multimedia area at present. For

example, Secure Pay Services supports the use of credit cards complying with the SET (Secure Electronic Transaction) standard, an internationally recognized method of handling credit card transactions in the Internet. The acquisition of a majority interest in debis Systemhaus is expected to complement Deutsche Telekom's consulting expertise in the area of secure payment transactions and data transmissions.

Deutsche Telekom is focusing on the development of "electronic marketplaces" that are expected to optimize trading between suppliers and their business customers. Deutsche Telekom's goal is to establish an open business-to-business marketplace called "T-Mart," which is intended to be a marketplace for products required by businesses in a wide range of industries. Deutsche Telekom's electronic market services are based on technology licensed from Commerce One under an agreement signed in January 2000.

*Information and Communications Systems.* Deutsche Telekom is positioning itself as an application service provider (ASP), which means that it provides standardized software so that business customers can lease and manage daily business processes. "ASPO", or Application Services Portal Online, is one of the first ASP services offered by Deutsche Telekom. The Application Services Portal technology offers standard software applications from a single source to many users within a company. Deutsche Telekom intends to offer applications that would assist customers with customer relation management, supply chain management and enterprise resource planning.

*debis Systemhaus.* In October 2000, Deutsche Telekom acquired from DaimlerChrysler Services AG a 50.1% interest in debis Systemhaus GmbH by means of a capital increase as part of a strategic joint venture in the systems solutions field. Under the agreements relating to this transaction, Deutsche Telekom invested approximately € 4.6 billion in debis Systemhaus for the new shares and assumed day-to-day management control over debis Systemhaus. Deutsche Telekom has agreed that there will be a minimum annual dividend rising to up to € 70 million paid on the DaimlerChrysler Services AG interest in debis Systemhaus in respect of each financial year through 2004. The agreement also contains call/put provisions, the exercise when of which is possible at the earliest on January 1, 2002, might result in an increase of the interest of up to 100%.

debis Systemhaus is one of Europe's largest systems solutions companies. It produces software for corporate communications systems and develops the infrastructure needed for communications among computers. The strategic engagement is expected to strengthen Deutsche Telekom's systems solutions business – which is one of the four pillars of its growth strategy – and provide Deutsche Telekom with access to debis Systemhaus' global data network.

### **International**

Deutsche Telekom took important steps in 2000 in the implementation of its internationalization strategy, including:

- the increase in Deutsche Telekom's stake in the Polish mobile provider PTC to 45% in 2000;
- the acquisition through T-Online International of Club Internet, one of the leading Internet service providers and web portals in France, which was completed in April 2000;
- the increase of its interest in max.mobil., the Austrian mobile company, from 91% to 100% in April 2000;
- the acquisition of 51% of Slovenské Telekomunikácie ("Slovak Telecom"), the state owned telecommunications company of Slovakia, which was completed in July 2000;
- the increase of its interest in MATÁV, Hungary's leading telecommunications provider, from 29.8% to 59.5% in July 2000;
- the acquisition through T-Online International of a 92.7% interest in ya.com, a leading Spanish Internet service provider, which was completed in October 2000;
- the acquisition of 50% minus one share of BEN, one of five operators in the Dutch mobile communications market, in October 2000;

- the acquisition of a 50.1% interest in debis Systemhaus, a leading European IT/systems solutions company with a global data network, which was completed in October 2000; and
- the acquisition through a MATÁV-led consortium of 51% of Makedonski Telekomunikacii (“Macedonia Telecom”), the state owned telecommunications company of Macedonia, which was completed in January 2001.

These steps followed the significant steps taken by Deutsche Telekom in 1999 and earlier years to implement its internationalization strategy, which included:

- the acquisition of the British mobile telecommunications service provider One 2 One in 1999;
- the increase of Deutsche Telekom’s interest in max.mobil. to 91% in 1999;
- the acquisition of a 35% equity stake in the principal Croatian telecommunications provider Hrvatske Telecomunicacije in 1999 (“Croatia Telekom”);
- the purchase of full ownership of the French fixed line and data communications provider SIRIS S. A. S. in 1999; and
- the acquisition from Media One International of equity interests in certain Central European mobile operators, including Westel Radiotelefon and Westel 900 in Hungary.

Taken together with investments made by Deutsche Telekom prior to 1999, Deutsche Telekom’s internationalization strategy resulted in an increase in the percentage of Deutsche Telekom’s revenues that are derived from sources outside Germany to approximately 19% in 2000.

The following discussion provides further detail regarding Deutsche Telekom’s international subsidiaries and investments.

### *International Mobile Operations*

*European Union and the United States.* In 2000, Deutsche Telekom transferred its international mobile telecommunications subsidiaries One 2 One and max.mobil. from its international segment to its mobile communications segment. These companies are subsidiaries of T-Mobile International. In Summer 2000, Deutsche Telekom announced that it had entered into an agreement with VoiceStream Wireless Corporation (“VoiceStream”) and Powertel, Inc. pursuant to which each of VoiceStream and Powertel, Inc. would merge with a wholly-owned subsidiary of Deutsche Telekom, subject to the satisfaction of certain conditions. These acquisitions closed at the end of May 2001.

*Eastern Europe.* Deutsche Telekom has held a 22.50% stake in PTC since December 1995, which is accounted for in Deutsche Telekom’s mobile communications segment, and acquired an additional 22.50% stake in March 2000, which is held through MediaOne Int. B.V., a 100% subsidiary of Deutsche Telekom.

Deutsche Telekom has a significant indirect interest in the Czech mobile communications network operator RadioMobil. In addition, as of December 31, 2000, Deutsche Telekom held an equity interest of approximately 36% in MTS, the leading Russian mobile telephone company.

Deutsche Telekom owns a 49% indirect equity stake in Westel 900, the leading digital cellular phone network operator in Hungary, and a 49% direct equity stake in Westel Radiotelefon, the Hungarian analog cellular phone network operator. The other shareholder in Westel Radiotelefon and Westel 900 is MATÁV, in which Deutsche Telekom owns a 59.5% interest. MATÁV has an option to acquire Deutsche Telekom’s interests in the two Westel companies. MATÁV can exercise this option by purchasing the shares owned by Deutsche Telekom in up to three tranches at any time between July 1, 2000 and September 30, 2001. MATÁV has publicly indicated that it intends to exercise this option. Prior to the exercise of the call option, MATÁV has the right to vote Deutsche Telekom’s Westel shares pursuant to a proxy granted by Deutsche Telekom.

Westel 900 held an approximate 53% share of the GSM market in Hungary, with approximately 1.6 million customers at year-end 2000, up from approximately 842,000 at year-end 1999.

In addition, Deutsche Telekom holds smaller investments in several other Eastern European mobile telecommunications companies.

#### *Fixed-line and data communications companies*

*MATÁV.* Deutsche Telekom holds a 59.5% equity interest in MATÁV. This interest is held through MagyarCom Holding GmbH ("MagyarCom"), a wholly-owned subsidiary of Deutsche Telekom. In 2000, MATÁV had consolidated revenues of € 1.7 billion, which represented an increase in revenues of 12.6% over 1999. In 2000, MATÁV continued to expand and modernize Hungary's telecommunications infrastructure.

MATÁV currently has approximately one billion common shares outstanding and a single Series B share, which is held by the Republic of Hungary. Although MagyarCom has the power to appoint a majority of MATÁV's board of directors, the Republic of Hungary retains significant influence over MATÁV's activities as the holder of the Series B share, the regulator of the Hungarian telecommunications sector and MATÁV's largest customer. The Series B share gives the Hungarian state certain special rights in the election of MATÁV's boards and with respect to certain decisions taken at shareholders' meetings. The MagyarCom shares held by Deutsche Telekom and the MATÁV shares held by MagyarCom are subject to substantial transfer restrictions.

MATÁV's monopoly in the Hungarian market for long-distance and international telecommunications services will expire at the end of 2001.

*Hrvatske Telekomunikacije.* In October 1999, Deutsche Telekom acquired a 35% equity interest in the state-owned Hrvatske Telekomunikacije, the leading full-service telecommunications service provider in Croatia, for a purchase price of US\$ 850 million. Hrvatske Telekomunikacije operates modern, largely digitized fixed-line and mobile networks and is the leading provider of online and data communications services in Croatia. In 2000, Hrvatske Telekomunikacije had revenues of EUR 763 million as compared to EUR 694 million in 1999.

*SIRIS.* In December 1999, Deutsche Telekom acquired 100% ownership of SIRIS S. A. S., a leading provider of fixed-line voice telephony and data communication services in France, for a purchase price of € 732 million. Measured in terms of revenues, SIRIS was one of the largest providers of fixed-line services to business customers and telecommunications operators in France in 2000. SIRIS had revenues of approximately € 167 million in 2000.

*Pragonet.* In May 2000, Deutsche Telekom acquired a 51% holding in Pragonet for approximately US\$ 25 million. Pragonet has an approximately 60 kilometer long glass fiber network underlying the City of Prague.

*Slovak Telecom.* In July 2000, Deutsche Telekom acquired a 51% equity interest in the formerly state-owned Slovak Telecom, the leading full-service telecommunications service provider in Slovakia, for a purchase price of € 1 billion. Slovak Telecom offers local, long-distance and international telephone services, data communications services, telex and telegraph services, distribution and broadcasting of radio and television signals and mobile communications services and is the leading provider of online services in Slovakia. In 2000, Slovak Telecom had revenues of € 128 million.

The Slovak Telecom shares held by Deutsche Telekom are subject to substantial transfer restrictions. In addition, Deutsche Telekom has agreed to meet targets relating to fixed-line penetration and digitalization of the fixed-line network and to cause Slovak Telecom to invest at least € 1 billion in its core business by the end of 2004.

*Macedonia Telecom.* In January 2001, MATÁV acquired a 51% equity interest in the formerly state-owned Macedonia Telecom for a purchase price of € 343 million. Macedonia Telecom is the principal communications provider in Macedonia. The Macedonian telecommunications market is at an early stage of development in terms of penetration of services, with fixed line penetration of approximately 25% and mobile penetration of 5% at the end of 2000.



### *European Internet Operations*

In 2000, T-Online acquired Club Internet and Ya.com Internet Factory S.A. ("ya.com") as well as a 25% interest (since diluted to 21.35%) in comdirect bank. These businesses are subsidiaries or affiliates of T-Online International, and Deutsche Telekom therefore accounts for them in the "other services" segment.

### *Asian Investments*

The Asian Investments of Deutsche Telekom are held through DeTeAsia, a wholly owned subsidiary of Deutsche Telekom. In Indonesia, DeTeAsia holds a 25% stake in Satelindo, a mobile and international telecommunications operator, which was initially acquired by T-Mobil in 1995. In Malaysia, DeTeAsia owns an approximate 21% interest in the Malaysian telecommunications provider Technology Resources Industries Bhd. ("TRI"). In the Philippines, DeTeAsia owns approximately 42% interest in Globe Telecom, Inc., a leading national mobile communications provider.

### *Disengagement from France Telecom and Sprint*

Through mid 1999, Deutsche Telekom's principal international engagement was an alliance with France Telecom.

The alliance with France Telecom was supported by a cross-shareholding established in late 1998, in which Deutsche Telekom and France Telecom each purchased 2% of the other's issued share capital. In 2000, Deutsche Telekom, France Telecom and KfW entered into an agreement pursuant to which KfW acquired the Deutsche Telekom shares held by France Telecom, and France Telecom may elect or be required to acquire the France Telecom shares held by Deutsche Telekom. Pursuant to a put/call arrangement, France Telecom may elect to acquire its shares from Deutsche Telekom on a date during the period from mid-January 2002 through the end of January 2003, as selected by France Telecom. If France Telecom does not exercise its call right, Deutsche Telekom may elect to require France Telecom to acquire the France Telecom shares on January 31, 2003.

## Consolidated Financial Statements of Deutsche Telekom AG

### Consolidated Balance Sheet

(audited)

	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 1998
	millions of €	millions of €	millions of €
<b>Assets</b>			
<b>Noncurrent assets</b>			
Intangible assets .....	35,754	15,002	1,081
Property, plant and equipment .....	54,137	59,036	59,793
Financial assets .....	16,715	7,945	5,646
	<u>106,606</u>	<u>81,983</u>	<u>66,520</u>
<b>Current assets</b>			
Inventories, materials and supplies .....	1,587	1,046	595
Receivables .....	7,159	5,666	4,118
Other assets .....	3,671	2,069	725
Marketable securities .....	2,370	1,770	1,370
Liquid assets .....	1,893	1,172	5,086
	<u>16,680</u>	<u>11,723</u>	<u>11,894</u>
Prepaid expenses, deferred charges and deferred taxation .....	956	931	877
	<u>124,242</u>	<u>94,637</u>	<u>79,291</u>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Capital stock .....	7,756	7,756	7,014
Additional paid-in capital .....	24,290	24,121	14,250
Retained earnings (deficit) .....	398	1,558	786
Unappropriated net income carried forward from previous year	44	13	6
Net income .....	5,926	1,253	2,243
Minority interest .....	4,302	988	765
	<u>42,716</u>	<u>35,689</u>	<u>25,064</u>
<b>Accruals</b>			
Pensions and similar obligations .....	3,330	3,109	3,130
Other accruals .....	8,055	6,181	5,224
	<u>11,385</u>	<u>9,290</u>	<u>8,354</u>
<b>Liabilities</b>			
Debt .....	60,357	42,337	39,933
Other .....	9,130	6,593	5,547
	<u>69,487</u>	<u>48,930</u>	<u>45,480</u>
Deferred income .....	654	728	393
	<u>124,242</u>	<u>94,637</u>	<u>79,291</u>

**Consolidated Statement of Income for the fiscal year ended December 31 of the years indicated**  
(audited)

	2000	1999	1998
	millions of €	millions of €	millions of €
Net revenue .....	40,939	35,470	35,144
Changes in inventories and other own capitalized costs .....	864	947	990
<b>Total operating performance</b> .....	<u>41,803</u>	<u>36,417</u>	<u>36,134</u>
Other operating income .....	11,002	1,871	2,069
Goods and services purchased .....	(11,950)	(7,667)	(5,540)
Personnel costs .....	(9,718)	(9,210)	(9,170)
Depreciation and amortization .....	(12,991)	(8,466)	(9,037)
Other operating expenses .....	(10,424)	(6,872)	(6,068)
Financial income (expense), net .....	(1,230)	(2,889)	(3,288)
<b>Results from ordinary business activities</b> .....	6,492	3,184	5,100
Extraordinary income (losses) .....	(159)	(240)	-
Taxes .....	(318)	(1,420)	(2,654)
<b>Income after taxes</b> .....	6,015	1,524	2,446
(Income) losses applicable to minority shareholders .....	(89)	(271)	(203)
<b>Net income</b> .....	<u><u>5,926</u></u>	<u><u>1,253</u></u>	<u><u>2,243</u></u>
Earnings per share in Euro .....	<u><u>1.96</u></u>	<u><u>0.43</u></u>	<u><u>0.82</u></u>

**Consolidated Statement of Cash Flows for the fiscal year ended December 31 of the years indicated**  
(audited)

	2000	1999	1998
	millions of €	millions of €	millions of €
Net income .....	5,926	1,253	2,243
Income applicable to minority shareholders .....	89	271	203
<b>Income after taxes</b> .....	<u>6,015</u>	<u>1,524</u>	<u>2,446</u>
Depreciation and amortization .....	12,991	8,466	9,037
Income tax expense .....	194	1,380	2,477
Net interest expense .....	3,097	2,546	2,962
Net losses from the disposition of noncurrent assets .....	(4,796)	540	516
Results from associated companies .....	(1,890)	265	382
Other noncash income .....	(2,661)	28	(50)
(Increase)/decrease in capitalized working capital <sup>(1)</sup> .....	(1,791)	(1,399)	403
(Increase)/decrease in accruals .....	1,078	478	151
Increase/(decrease) in working capital carried as a liability <sup>(2)</sup> ..	1,391	243	-
Income taxes paid .....	(871)	(2,040)	(2,012)
Dividends received .....	189	172	110
<b>Cash generated from operations</b> .....	<u>12,946</u>	<u>12,203</u>	<u>16,422</u>
Interest paid .....	(3,873)	(3,100)	(3,403)
Interest received .....	927	485	472
<b>Net cash provided by operating activities</b> .....	<u>10,000</u>	<u>9,588</u>	<u>13,491</u>
Cash outflows from investments in			
– intangible assets .....	(15,980)	(881)	(528)
– property, plant and equipment .....	(7,556)	(5,093)	(4,263)
– financial assets .....	(8,487)	(3,480)	(2,733)
– consolidated companies .....	(4,343)	(12,633)	-
Cash inflows from disposition of			
– intangible assets .....	10	14	8
– property, plant and equipment .....	655	171	183
– financial assets .....	4,474	888	524
– shareholdings in consolidated companies and business units	3,114	2	-
Net change in short-term investments and marketable securities .....	401	2,328	(701)
Other .....	6	-	(1)
<b>Net cash used for investing activities</b> .....	<u>(27,706)</u>	<u>(18,684)</u>	<u>(7,511)</u>
Issuance of short-term debt .....	34,959	4,682	80
Repayments of short-term debt .....	(35,739)	(5,759)	(4,860)
Issuance of medium and long-term debt .....	19,708	1,833	1,595
Repayments of medium and long-term debt .....	(2,408)	(1,687)	(1,830)
Dividends .....	(1,914)	(1,718)	(1,764)
Proceeds from share offering .....	3,255	10,613	-
Changes in minority interests .....	2	1	(18)
<b>Net cash provided by (used for) financing activities</b> .....	<u>17,863</u>	<u>7,965</u>	<u>(6,797)</u>
Effect of foreign exchange rate changes on cash and cash equivalents .....	(29)	(55)	6
<b>Net increase (decrease) in cash and cash equivalents</b> .....	<u>128</u>	<u>(1,186)</u>	<u>(811)</u>
<b>Cash and cash equivalents, at beginning of year</b> .....	<u>878</u>	<u>2,064</u>	<u>2,875</u>
<b>Cash and cash equivalents, at end of year</b> .....	<u>1,006</u>	<u>878</u>	<u>2,064</u>
<b>Liquid assets as shown in the balance sheet</b>			
Cash and cash equivalents, Dec. 31, .....	1,006	878	2,064
Temporary cash investments, Dec. 31, .....	887	294	3,022
<b>Total</b> .....	<u>1,893</u>	<u>1,172</u>	<u>5,086</u>

<sup>(1)</sup> Change in liabilities, other assets, inventories, materials and supplies and prepaid expenses and deferred charges.

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

## Recent Developments

### Summary of the consolidated financial statements of Deutsche Telekom as at March 31, 2001

#### *Consolidated balance sheet*

	March 31, 2001	Dec. 31, 2000	Change in %	March 31, 2000
	millions of €	millions of €		millions of €
<b>Assets</b>				
Noncurrent assets .....	105,779	106,606	- 0.8	83,336
Current assets <sup>(1)</sup> .....	20,464	17,636	16.0	18,141
	<u>126,243</u>	<u>124,242</u>	<u>1.6</u>	<u>101,477</u>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity .....	42,692	42,716	- 0.1	37,709
Liabilities <sup>(2)</sup> .....	83,551	81,526	2.5	63,768
	<u>126,243</u>	<u>124,242</u>	<u>1.6</u>	<u>101,477</u>

<sup>(1)</sup> Including prepaid expenses, deferred charges and deferred taxation.

<sup>(2)</sup> Including accruals and deferred income.

#### *Consolidated statement of income*

	1st quarter 2001	1st quarter 2000	Change in %	Total 2000
	millions of €	millions of €		millions of €
<b>Net revenue</b> .....	<u>11,082</u>	<u>9,539</u>	<u>16.2</u>	<u>40,939</u>
Changes in inventories and other own capitalized costs .....	157	232	- 32.3	864
<b>Total operating performance</b> .....	<u>11,239</u>	<u>9,771</u>	<u>15.0</u>	<u>41,803</u>
Other operating income .....	699	3,338	- 79.1	11,002
Goods and services purchased .....	(2,992)	(2,588)	15.6	(11,950)
Personnel costs .....	(2,779)	(2,346)	18.5	(9,718)
Depreciation and amortization .....	(2,581)	(2,551)	1.2	(12,991)
Other operating expenses .....	(2,545)	(2,527)	0.7	(10,424)
Financial income (expense), net .....	(1,029)	(761)	35.2	(1,230)
of which: net interest expense .....	(977)	(713)	37.0	(3,097)
<b>Results from ordinary business activities</b> .....	<u>12</u>	<u>2,336</u>	<u>- 99.5</u>	<u>6,492</u>
Extraordinary income (losses) .....	(0)	(47)	- 100.0	(159)
Taxes .....	(341)	(265)	28.7	(318)
<b>Income (loss) after taxes</b> .....	<u>(329)</u>	<u>2,024</u>	<u>- 116.3</u>	<u>6,015</u>
(Income) losses applicable to minority shareholders .....	(29)	(64)	- 54.7	(89)
<b>Net income (loss)</b> .....	<u>(358)</u>	<u>1,960</u>	<u>- 118.3</u>	<u>5,926</u>

#### **Acquisition of VoiceStream and Powertel**

In the summer of 2000, Deutsche Telekom entered into agreements pursuant to which it intended to acquire all of the outstanding equity securities of VoiceStream Wireless Corporation and of Powertel, Inc.. The board of directors and the shareholders of VoiceStream have approved the merger of their company with a wholly-owned subsidiary of Deutsche Telekom AG, by which VoiceStream will become a wholly-owned subsidiary of Deutsche Telekom. VoiceStream stockholders approved this transaction on March 13, 2001. Following the U. S. Department of Justice, the U. S. Federal Communications Commission (FCC) and the Committee on Foreign Investment in the United States (CFIUS)

have approved the acquisition of the two U.S. mobile communications companies VoiceStream and Powertel. The transactions closed on May 31, 2001. The transactions, having a volume of approximately U.S.\$ 28 billion, resulted in an increase of the share capital of Deutsche Telekom by approximately € 2,990 million.

The acquisition will affect significantly the consolidated balance sheet and the consolidated statement of income of Deutsche Telekom. VoiceStream and Powertel will be consolidated for the first time as of June 2001. The accounting effects of the acquisition are illustrated on the next page in the form of a pro-forma combined consolidated balance sheet and a pro-forma combined consolidated statement of income for Deutsche Telekom based on the balance sheets and statements of income of Deutsche Telekom, VoiceStream and Powertel as of December 31, 2000.

The balance sheets and statements of income of each of Deutsche Telekom, VoiceStream and Powertel have been prepared in accordance with the requirements of the German Commercial Code (*HGB*) and, where indicated in the table, reconciled to U.S. GAAP. The respective balance sheets and statements of income of VoiceStream and Powertel were originally prepared in U.S.\$.. The amounts in the statement of income as amended in accordance with HGB have been calculated at an average exchange rate for the year 2000 of € 1.0863 per 1 U.S.\$.. The amounts in the balance sheet as of December 31, 2000 amended in accordance with HGB have been calculated by using an exchange rate of € 1.075 per 1 U.S.\$..

### **Sale of Sprint FON shares**

Deutsche Telekom has taken further steps as part of its strategy of moving away from non-core activities and sold its entire stake in Sprint FON, the long distance and local telephone group of the U.S. telecommunications operator Sprint. The transaction closed on June 4, 2001.

### **Agreement on co-operation between TMO and BT Wireless**

TMO and BT Wireless ("BT") have agreed a co-operation for building and operating their UMTS networks in Germany and the United Kingdom. Separate Memoranda of Understanding have been signed between TMO's German subsidiary T-Mobil and BT's German subsidiary Viag Interkom as well as between TMO's UK subsidiary One 2 One and BT's UK subsidiary BT Cellnet which set out the way the companies intend to co-operate on the roll-out of third generation, or "3 G" infrastructure and shared use of new and existing locations. By sharing antennas and site equipment (passive network infrastructure) instead of each company building its own, TMO and BT Wireless believe that the shared use of UMTS infrastructures will enable them to expand the networks of the next mobile phone generation much faster and at less cost.

The Memoranda of Understanding, which are not yet binding, serve as a legal basis for the negotiation of binding agreements which will then be submitted to the appropriate authorities. The co-operation is considered to be in line with the respective regulatory conditions and will safeguard the independence of the licensees.

TMO and BT Wireless intend to build and use the infrastructure together in their respective countries in line with the obligations to provide service. In each country the national partners will be granted national roaming rights. In this way, T-Mobile wants to exceed coverage obligations for UMTS and thus create one of the most densely intermeshed, 3G networks in Europe.

### **Sale of broadband cable network**

On June 21, 2001, Deutsche Telekom announced that it will sell its entire interest in six of nine regional cable companies to Liberty Media Corporation. In addition, the activities of Deutsche Kabel-Services GmbH (DeTeKS) and MediaServices GmbH (MSG), two wholly owned subsidiaries of Kabel Deutschland, in the respective regions are also being sold. The respective Boards of Management have approved a key element agreement to this effect. Negotiations on the detailed contracts of the transaction will be completed in the coming weeks and the approval of the relevant supervisory bodies sought. Separately, Liberty Media Corporation has reached an agreement to grant Klesch & Company Limited an option to acquire up to 24.9% interest in a Liberty Media Entity related to Liberty Media's cable activities in Germany.

The definitive agreements are intended to be executed in July 2001. The transfer of control will follow the approval from the antitrust authorities.

### **Negotiations with Croatian Government on sale of additional stake in Croatia Telekom**

In the negotiation between Deutsche Telekom and the Croatian Government regarding the acquisition of a further 16% stake in Croatia Telekom, the parties have reached a basic agreement on the terms thereof. Subject to the successful completion of the negotiations of the detailed contracts of the transaction, the approval of the Supervisory Board of Deutsche Telekom and the establishment of the Croatian legal and regulatory prerequisites, Deutsche Telekom expects the transaction to close in the fourth quarter of 2001.

**Pro-Forma combined consolidated  
Balance sheet of Deutsche Telekom as of December 31, 2000  
(unaudited)**

	Deutsche Telekom	VoiceStream	Adjust- ments concerning VoiceStream as a result of the acqui- sition	Powertel	Adjust- ments concerning Powertel as a result of the acqui- sition	Deutsche Telekom, VoiceStream and Powertel (adjusted)
	thousands of €	thousands of €	thousands of €	thousands of €	thousands of €	thousands of €
<b>Assets</b>						
<b>Noncurrent assets</b>						
Intangible Assets . . . . .	35,754,000	13,623,231	22,562,358	359,572	3,845,744	76,144,905
Property, Plant and Equipment . . . . .	54,137,000	3,426,196	–	670,164	–	58,233,360
Financial Assets . . . . .	16,715,000	559,784	(5,600,000)	36,247	–	11,711,031
	<u>106,606,000</u>	<u>17,609,211</u>	<u>16,962,358</u>	<u>1,065,983</u>	<u>3,845,744</u>	<u>146,089,296</u>
<b>Current assets</b>						
Inventories, materials and supplies . . . . .	1,587,000	593,481	–	38,014	–	2,218,495
Receivables . . . . .	7,159,000	504,686	–	67,913	–	7,731,599
Other assets . . . . .	3,671,000	226,558	–	11,074	–	3,908,632
Marketable Securities . . . . .	2,370,000	1,269,371	–	–	–	3,639,371
Liquid Assets . . . . .	1,893,000	1,241,513	–	181,204	–	3,315,717
	<u>16,680,000</u>	<u>3,835,609</u>	<u>–</u>	<u>298,205</u>	<u>–</u>	<u>20,813,814</u>
<b>Prepaid Expenses, deferred charges and deferred taxation . . . . .</b>	<b>956,000</b>	<b>24,945</b>	<b>–</b>	<b>17,079</b>	<b>–</b>	<b>998,024</b>
	<u>124,242,000</u>	<u>21,469,765</u>	<u>16,962,358</u>	<u>1,381,267</u>	<u>3,845,744</u>	<u>167,901,134</u>
<b>Liabilities and shareholders' equity</b>						
<b>Shareholders' equity</b>						
Preferred shares . . . . .	–	5,375,000	(5,375,000)	163,639	(163,639)	–
Capital Stock . . . . .	7,756,000	270	2,484,087	339	350,074	10,590,770
Additional paid-in capital . . . . .	24,290,000	12,439,719	11,363,707	563,102	2,799,660	51,456,188
Deferred compensation . . . . .	–	(9,043)	(77,190)	–	(5,161)	(91,394)
Retained earnings (deficit) . . . . .	398,000	(8,035)	8,035	–	–	398,000
Unappropriated net income carried forward from previous year . . . . .	44,000	(1,394,320)	1,394,320	(616,757)	616,757	44,000
Net income (loss) . . . . .	5,926,000	(2,359,224)	2,328,224	(237,302)	234,077	5,891,775
Minority interest . . . . .	4,302,000	353,757	(353,757)	–	–	4,302,000
	<u>42,716,000</u>	<u>14,398,124</u>	<u>11,772,426</u>	<u>(126,979)</u>	<u>3,831,768</u>	<u>72,591,339</u>
<b>Accruals</b>						
Pensions and similar obligations . . . . .	3,330,000	–	–	–	–	3,330,000
Other Accruals . . . . .	8,055,000	400,199	98,000	86,364	13,976	8,653,539
	<u>11,385,000</u>	<u>400,199</u>	<u>98,000</u>	<u>86,364</u>	<u>13,976</u>	<u>11,983,539</u>
<b>Liabilities</b>						
Debt . . . . .	60,357,000	6,183,400	5,091,932	1,351,126	–	72,983,458
Other . . . . .	9,130,000	488,042	–	54,067	–	9,672,109
	<u>69,487,000</u>	<u>6,671,442</u>	<u>5,091,932</u>	<u>1,405,193</u>	<u>–</u>	<u>82,655,567</u>
<b>Deferred Income . . . . .</b>	<b>654,000</b>	<b>–</b>	<b>–</b>	<b>16,689</b>	<b>–</b>	<b>670,689</b>
	<u>124,242,000</u>	<u>21,469,765</u>	<u>16,962,358</u>	<u>1,381,267</u>	<u>3,845,744</u>	<u>167,901,134</u>
<b>Shareholders' equity in accordance with German Commercial Code (HGB) . . . . .</b>						
	42,716,000	14,398,124	11,772,426	(126,979)	3,831,768	72,591,339
Reconciliation to U.S. GAAP . . . . .	3,330,000	(5,396,418)	5,056,660	(153,624)	2,671,789	5,508,407
<b>Shareholders' equity in accordance with U.S. GAAP . . . . .</b>	<b>46,046,000</b>	<b>9,001,706</b>	<b>16,829,086</b>	<b>(280,603)</b>	<b>6,503,557</b>	<b>78,099,746</b>



**Pro-Forma combined consolidated  
Statement of Income of Deutsche Telekom for the year 2000**

(in thousands of €, except for amounts per share)

	Deutsche Telekom	VoiceStream	Adjust- ments concerning VoiceStream as a result of the acqui- sition	Powertel	Adjust- ments concerning Powertel as a result of the acqui- sition	Deutsche Telekom, VoiceStream and Powertel (adjusted)
	thousands of €	thousands of €	thousands of €	thousands of €	thousands of €	thousands of €
Net revenue . . . . .	40,939,000	2,291,793	–	504,239	–	43,735,032
Changes in inventories and other own capitalized costs . . . . .	864,000	139,363	–	–	–	1,003,363
Total operating performance . . . . .	41,803,000	2,431,156	–	504,239	–	44,738,395
Other operating income . . . . .	11,002,000	106,466	–	1,261	–	11,109,727
Goods and services purchased . . . . .	(11,950,000)	(1,241,175)	–	(204,003)	–	(13,395,178)
Personnel costs . . . . .	(9,718,000)	(576,957)	(39,197)	(107,023)	(4,377)	(10,445,554)
Depreciation and amortization . . . . .	(12,991,000)	(1,162,520)	(1,174,204)	(113,371)	(201,977)	(15,643,072)
Other operating expenses . . . . .	(10,424,000)	(1,514,647)	–	(194,133)	–	(12,132,780)
Financial income (expense), net . . . . .	(1,230,000)	(706,287)	(593,007)	(125,084)	–	(2,654,378)
Results from ordinary business activities . . . . .	6,492,000	(2,663,964)	(1,806,408)	(238,114)	(206,354)	1,577,160
Extraordinary income (losses) . . . . .	(159,000)	(3,558)	–	–	–	(162,558)
Taxes . . . . .	(318,000)	(24,833)	237,203	(1,579)	–	(107,209)
Income after taxes . . . . .	6,015,000	(2,692,355)	(1,569,205)	(239,693)	(206,354)	1,307,393
Income (losses) applicable to minority shareholders . . . . .	(89,000)	(22,383)	–	(10,591)	–	(121,974)
Net Income . . . . .	5,926,000	(2,714,738)	(1,569,205)	(250,284)	(206,354)	1,185,419
Reconciliation to U.S. GAAP . . . . .	3,321,000	119,160	(244,559)	9,158	(130,785)	3,073,974
Net income after Reconciliation to U.S. GAAP . . . . .	9,247,000	(2,595,578)	(1,813,764)	(241,126)	(337,139)	4,259,393
Earnings per share in euro . . . . .	1.96					0.29

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