TAYLOR DIAN C
Form 4
December 08, 2010

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
TAYLOR DIAN C

(Last) (First) (Middle)

664 CHURCHMANS ROAD

(Street)

NEWARK, DE 19702

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ARTESIAN RESOURCES CORP [ARTNA]

3. Date of Earliest Transaction (Month/Day/Year)
12/07/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
__X__ Officer (give title below)
_____ Other (specify below)
C.E.O. President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Non-voting Common Stock	12/07/2010		X		800	A	$ 9.76	84,670	D	
Class A Non-voting Common Stock	12/07/2010		S		800	D	$ 19.06	83,870	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount o Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amo or Num of Share
Non-qualified Stock Option (Right to Buy)	$ 9.76	12/07/2010		X			800	05/30/2001	05/30/2011	Class A Non-voting Common Stock	80

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
TAYLOR DIAN C 664 CHURCHMANS ROAD NEWARK, DE 19702	X		C.E.O. President	

Signatures

Dian C. Taylor	12/08/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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)

257

329

(21.9

)

633

Adjusted EBITDA(1)

(28

)

(143

)(4)

(12

)

400

(6)

(103.0

)

(183

)(4)

939

(6)

(119.5

)

1,119

EBITDA

(28

)

(341

)

(12

)

1,289

(100.9

)

(381

)

2,784

(113.7

)

3,276

Depreciation and amortization

(233

)

(407

)

(307

)

(271

)

(13.3

)

(947

)

(819

)

(15.6

)

(1,447

)

Financial income (expense), net

(961

)(5)

(743

)(5)

(860

)(5)

(846

)(7)

(1.7

)

(2,564

)(5)

(1,630

)(7)

(57.3

)

(1,477

)

Income (loss) before taxes

(1,222

)(5)

(1,491

)(4), (5)

(1,179

)(5)

172

(6), (7)

(785,5

)

(3,892

)(4), (5)

335

(6), (7)

n.a.

352

Employees(2)

Explanation of Responses:

17,724

18,477

(4.1

)

18,565

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(1) For an understanding of adjusted EBITDA, please see the information contained in the Reconciliation of adjusted EBITDA .

(2) Average number of employees.

(3) Segment data in new structure.

(4) Special influences through September 2002: Book profit from PT Satelindo EUR 0.2 billion and book loss from France Telecom EUR 0.4 billion in the second quarter.

(5) Including special influences through September 2002: adjustment of the net carrying amount of the stake in France Telecom of EUR -0.3 billion in the first quarter, valuation adjustment on investments in noncurrent securities of EUR -0.1 billion in the second quarter and EUR 0.3 billion in the third quarter.

(6) Special influences through September 2001: Book profit from Sprint-FON EUR 1.0 billion including consulting and sale costs in the first second of 2001, profit from the sale of the shares in Sprint-PCS EUR 0.9 billion in the third quarter.

(7) Including special influences through September 2001: valuation adjustment on the net carrying amount of the stake in the France Telecom EUR -0.4 billion in the third quarter.

First three quarters of 2002

Consolidated financial statements.

Consolidated financial statements.

Consolidated statement of income

	Q3 2002 millions of	Q3 2001 millions of	Change %	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Change %	Full year 2001 millions of
Net revenue	**13,423**	**12,525**	**7.2**	**39,177**	**34,993**	**12.0**	**48,309**
Change in inventories and other own capitalized costs	**(80)**	335	n.a.	404	788	(48.7)	879
Total operating performance	**13,343**	**12,860**	**3.8**	**39,581**	**35,781**	**10.6**	**49,188**
Other operating income	**574**	2,390	(76.0)	2,354	4,941	(52.4)	6,619
Goods and services purchased	**(3,540)**	(3,541)	0.0	(10,387)	(9,842)	(5.5)	(13,477)
Personnel costs	**(3,401)**	(2,957)	(15.0)	(9,899)	(8,663)	(14.3)	(12,114)
Depreciation and amortization	**(25,479)**	(3,723)	(584.4)	(33,353)	(9,392)	(255.1)	(15,221)
Other operating expenses	**(3,153)**	(2,867)	(10.0)	(10,267)	(8,137)	(26.2)	(12,151)
Financial income (expense), net	**(1,630)**	(2,028)	19.6	(4,560)	(4,192)	(8.8)	(5,348)
of which: net interest expense	**(948)**	(1,140)	16.8	(3,031)	(3,222)	5.9	(4,138)
Results from ordinary business activities	**(23,286)**	**134**	**n.a.**	**(26,531)**	**496**	**n.a.**	**(2,504)**
Taxes	**2,722**	(761)	n.a.	2,232	(1,385)	n.a.	(808)
Loss after taxes	**(20,564)**	**(627)**	**n.a.**	**(24,299)**	**(889)**	**n.a.**	**(3,312)**
Loss applicable to minority shareholders	**(55)**	(28)	(96.4)	(211)	(115)	(83.5)	(142)
Net loss	**(20,619)**	**(655)**	**n.a.**	**(24,510)**	**(1,004)**	**n.a.**	**(3,454)**

Determining loss per share

		Q3 2002	Q3 2001	Q1-Q3 2002	Q1-Q3 2001	Full year 2001
Net loss	in millions of	**(20,619)**	(655)	(24,510)	(1,004)	(3,454)
Average weighted number of outstanding shares	in millions	**4,195**	4,195	4,195	3,553	3,715
Loss per share(1)/ADS(2)						
(German GAAP)		**(4.92)**	(0.16)	(5.84)	(0.28)	(0.93)

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(1) Loss per share (according to German GAAP) for each period are calculated by dividing net loss by the weighted average of outstanding shares. The weighted average number for 2001 was ascertained after taking into account the new shares issued as part of the acquisition of T-Mobile USA (VoiceStream/Powertel).

(2) One ADS (American Depositary Share) corresponds in economic terms to one share of Deutsche Telekom in common stock. The share to ADS ratio is 1:1.

Consolidated balance sheet

	Sept. 30, 2002 millions of	Dec. 31, 2001 millions of	Change %	Sept. 30, 2001 millions of
Assets				
Noncurrent asets	**116,027**	146,716	(20.9)	147,462
Intangible assets	**56,191**	80,051	(29.8)	80,189
Property, plant and equipment	**55,504**	58,708	(5.5)	59,088
Financial assets	**4,332**	7,957	(45.6)	8,185
Current assets	**12,729**	17,033	(25.3)	16,985
Inventories, materials and supplies	**1,578**	1,671	(5.6)	2,006
Receivables	**6,395**	6,826	(6.3)	7,879
Other assets	**2,429**	4,966	(51.1)	5,067
Marketable securities	**460**	702	(34.5)	705
Liquid assets	**1,867**	2,868	(34.9)	1,328
Prepaid expenses, deferred charges and deferred taxation	**1,064**	813	30.9	1,199
Total assets	**129,820**	**164,562**	**(21.1)**	**165,646**
Shareholders equity and liabilties				
Shareholders equity	**36,233**	66,301	(45.4)	66,717
Capital stock	**10,746**	10,746	0	10,746
Accruals	**16,381**	18,427	(11.1)	19,944
Pension and similar obligations	**3,734**	3,661	2.0	3,419
Other accruals	**12,647**	14,766	(14.4)	16,525
Liabilities	**76,349**	79,051	(3.4)	78,214
Debt	**66,544**	67,031	(0.73)	68,234
Other	**9,805**	12,020	(18.4)	9,980
Deferred income	**857**	783	9.5	771
Total Shareholders equity and liabilties	**129,820**	**164,562**	**(21.1)**	**165,646**

Consolidated statement of cash flows

	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Full year 2001 millions of
Net loss	**(24,510)**	(1,004)	(3,454)
Income applicable to minority shareholders	**211**	115	142
Loss after taxes	**(24,299)**	(889)	(3,312)
Depreciation and amortization	**33,353**	9,392	15,221
Income tax expense	**(2,369)**	1,292	751
Net interest expense	**3,031**	3,222	4,138
Results from the disposition of noncurrent assets	**243**	(960)	(1,106)
Results from associated companies	**431**	298	547
Other noncash transactions	**1,308**	(1,151)	(1,146)
Change in working capital (assets)(1)	**543**	(42)	428
Change in accruals	**1,314**	276	(136)
Changes in other working capital (liabilities)(2)	**(1,244)**	232	761
Income taxes received/(paid)	**687**	(1,398)	10
Dividends received	**56**	102	115
Cash generated from operations	**13,054**	**10,374**	**16,271**
Net interest payment	**(2,915)**	(3,215)	(4,337)
Net cash provided by operating activities	**10,139**	**7,159**	**11,934**
Cash outflows from investments in			
intangible assets	**(586)**	(580)	(1,021)
property, plant and equipment	**(4,889)**	(6,573)	(9,847)
financial assets	**(276)**	(441)	(498)
consolidated companies	**(6,400)**	(5,448)	(5,695)
Cash inflows from disposition of			
intangible assets	**4**	238	208
property, plant and equipment	**242**	235	1,146
financial assets	**869**	3,290	3,514
shareholdings in consolidated companies and business units	**1**	914	1,004
Net change in short-term investments (more than 3-month term) and marketable securities	**179**	4,401	4,440
Other	**594**	(99)	1,384
Net cash used for investing activities	**(10,262)**	**(4,063)**	**(5,365)**
Net change of short-term debt	**(5,959)**	(9,752)	(10,266)
Issuance of medium and long-term debt	**9,869**	14,328	13,949
Repayments of medium and long-term debt	**(3,227)**	(5,410)	(6,589)
Dividend	**(1,578)**	(1,905)	(1,905)
Change in minority interests	**(46)**	2	0
Net cash provided by (used for) financing activities	**(941)**	**2,737**	**(4,811)**
Effect of foreign exchange rate changes on cash and cash equivalents (up to 3-month term)	**(9)**	(53)	(26)
Net increase (decrease) in cash and cash equivalents	**(1,073)**	306	1,732

Level at the beginning of the year	**2,738**	1,006	1,006
Level at year-end	**1,665**	1,312	2,738

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(1) Changes in receivables, other assets, inventories, materials and supplies, prepaid expenses, deferred charges and deferred taxation.

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

Notes to the consolidated statement of operations.

Changes in the composition of the Deutsche Telekom Group

Deutsche Telekom acquired shareholdings in various foreign companies in the previous year which were not included in the consolidated financial statements as at September 30, 2001 or not included for the full first nine months of 2001. In 2001, these were T-Mobile USA (VoiceStream/Powertel, fully consolidated from June 2001) and RadioMobil (fully consolidated from April 2001) and, in the T-Com division, Hrvatske telekomunikacije (fully consolidated from November 2001). The following table shows the effects of the new acquisitions on the individual items of the consolidated statement of income and the segment reporting as at September 30, 2002. The depreciation and amortization figure shown below includes the amortization of goodwill relating to these companies totaling EUR 651 million.

Effects of new acquisitions on the consolidated statement of operations in the first nine months of 2002

	T-Com millions of	VoiceStream/ Powertel millions of	RadioMobil millions of	T-Mobile total millions of	Total millions of
Net revenue	**727**	**2,241**	**161**	**2,402**	**3,129**
Change in inventories and other own capitalized costs	4	73	0	73	**77**
Other operating income	35	41	13	54	**89**
Goods and services purchased	(175)	(650)	(53)	(703)	**(878)**
Personnel costs	(114)	(409)	(9)	(418)	**(532)**
Depreciation and amortization	(153)	(1,501)	(43)	(1,544)	**(1,697)**
Other operating expenses	(128)	(1,066)	(35)	(1,101)	**(1,229)**
Financial income (expense), net	10	(281)	(7)	(288)	**(278)**
Results from ordinary business activities	**206**	**(1,552)**	**27**	**(1,525)**	**(1,319)**
Taxes	(64)	(35)	(9)	(44)	**(108)**
Income/(loss) after taxes	**142**	**(1,587)**	**18**	**(1,569)**	**(1,427)**
Income (losses) applicable to minority shareholders	(86)	4	(12)	(8)	**(94)**
Net income (loss)	**56**	**(1,583)**	**6**	**(1,577)**	**(1,521)**

The sale of the cable business in Baden-Württemberg and the sale of DeTeSat resulted in deconsolidation effects of EUR 0.1 billion and EUR 43 million in revenue respectively compared to the same period in the previous year.

Other operating income

	Q3 2002 millions of	Q3 2001 millions of	Change %	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Change %	Full year 2001 millions of
Other operating income	**574**	2,390	(76.0)	2,354	4,941	(52.4)	6,619

Other operating income amounted to EUR 2.4 billion, more than EUR 2.5 billion or 52.4% below the prior-year figure of EUR 4.9 billion. The changes in other operating income are the result of offsetting effects. The figure for the first nine months of 2001 included the proceeds from the sale of the Sprint-FON and Sprint-PCS shares (amounting to EUR 1.9 billion) and from the sale of the cable network in Baden-Württemberg (EUR 908 million). Other operating income for the first nine months of 2002, however, includes the positive contribution of proceeds of EUR 162 million from the sale of PT Satelindo after consideration of foreign currency exchange rate effects.

Goods and services purchased

	Q3 2002 millions of	Q3 2001 millions of	Change %	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Change %	Full year 2001 millions of
Goods and services purchased	**(3,540)**	(3,541)	0.0	(10,387)	(9,842)	(5.5)	(13,477)

The level of goods and services purchased increased by EUR 545 million or 5.5% in the first nine months of 2002 compared to the same period in the previous year and therefore increased to a lesser extent than revenue. EUR 878 million is attributable to changes in the composition of the Deutsche Telekom Group. Without taking into consideration the changes in the composition of the Deutsche Telekom Group, there was a decrease in goods and services purchased which is mainly attributable to the lower level of terminal equipment purchased, the decrease in revenue from business with domestic carriers and the more favorable purchasing conditions for international network capacities.

Personnel

	Q3 2002 millions of	Q3 2001 millions of	Change %	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Change %	Full year 2001 millions of
Personnel costs	**(3,401)**	(2,957)	15.0	(9,899)	(8,663)	(14.3)	(12,114)

Personnel costs increased by EUR 1,236 million, 14.3%, in comparison with the first nine months of 2001. Changes in the composition of the Deutsche Telekom Group account for EUR 532 million of this increase.

An accrual for restructuring measures at T-Systems resulted in a special influence of EUR 300 million which had an effect on personnel costs. The remainder of the increase in personnel costs is mainly a result of an increase of wages and salaries to bring them in line with market conditions and to promote performance, relating in particular to T-Systems and T-Mobile, and a collectively agreed increase in pay for employees of Deutsche Telekom AG, effective July 1, 2002.

The average number of employees increased during the first nine months of 2002 by 18,329 or 7.7% compared with the first nine months of 2001. The increase was mainly attributable to changes in the composition of the Deutsche Telekom Group as a result of the consolidation of Hrvatske telekomunikacije with an average of 10,915 employees. The remainder of the increase in the number of employees results mainly from acquisitions made in the course of last year. T-Mobile USA (VoiceStream/Powertel) and RadioMobil were only included in the averages for 2001 after their consolidation.

The number of employees at the balance sheet date September 30, 2002 decreased by 1,190 or 0.5% compared with December 31, 2001. This development reflects the ongoing trend of personnel reduction in the Deutsche Telekom Group, particularly at T-Com.

Average number of employees

	Q1-Q3 2002 Number	Q1-Q3 2001 Number	Change %	Full year 2001 Number
Civil servants	**53,309**	57,201	(6.8)	56,707
Salaried employees and wage earners	**202,613**	180,392	12.3	184,953
Deutsche Telekom Group	**255,922**	**237,593**	**7.7**	**241,660**
Trainees/student interns	**9,228**	7,487	23.3	8,147

Number of employees at balance sheet date

	Sept. 30, 2002 Number	Dec. 31, 2001 Number	Change %	Sept. 30, 2001 Number
Civil servants	**51,891**	54,615	(5.0)	55,741
Salaried employees and wage earners	**203,977**	202,443	0.8	190,451
Deutsche Telekom Group	**255,868**	**257,058**	**(0.5)**	**246,192**
Trainees/student interns	**11,710**	9,851	18.9	9,725

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Depreciation and amortization

	Q3 2002 millions of	Q3 2001 millions of	Change %	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Change %	Full year 2001 millions of
Amortization of intangible assets	**(23,118)**	(1,481)	n.a.	(26,242)	(3,227)	(713.2)	(5,743)
of which: UMTS licenses	**(2,353)**	(182)	n.a.	(2,718)	(543)	(400.6)	(724)
of which: U.S. mobile communications licenses	**(9,813)**	(290)	n.a.	(10,409)	(389)	n.a.	(690)
of which: goodwill	**(10,720)**	(815)	n.a.	(12,436)	(1,799)	(591.3)	(3,663)
Depreciation of property, plant and equipment	**(2,361)**	(2,242)	(5.3)	(7,111)	(6,165)	(15.3)	(9,478)
Total depreciation and amortization	**(25,479)**	**(3,723)**	**(584.4)**	**(33,353)**	**(9,392)**	**(255.1)**	**(15,221)**

Non-scheduled write-downs

	Q1-Q3 2002 millions of
Amortization of intangible assets	**21,601**
of which: UMTS licenses at T-Mobile UK	**2,173**
of which: U.S. mobile communications licenses	**9,553**
of which: goodwill	**9,868**
Property, plant and equipment	**633**
of which: submarine cables North Atlantic/Pacific	**228**
of which: property, plant and equipment at T-Systems	**111**
Total (non-scheduled) write-downs on intangible assets and property, plant and equipment	**22,234**

Depreciation and amortization increased by EUR 24.0 billion compared to the respective period in the previous year to EUR 33.4 billion. The increase in amortization of intangible assets is attributable mainly to the non-scheduled write-downs on goodwill at T-Mobile USA (EUR 8.4 billion), Ben Nederland B.V. (EUR 958 million) and SIRIS at T-Systems (EUR 473 million) made as a result of the strategic review in the third quarter of 2002. In addition, non-scheduled write-downs were made on the mobile communications licenses of T-Mobile USA amounting to EUR 9.6 billion and the UMTS license of T-Mobile UK (EUR 2.2 billion). In total, the non-scheduled write-downs on intangible assets resulting from the strategic review amounted to EUR 21.6 billion. The inclusion of newly consolidated companies generated an increase in scheduled depreciation and amortization (EUR 1.7 billion). Most of this is attributable to the longer inclusion of T-Mobile USA than last year. Scheduled amortization of goodwill increased by EUR 0.6 billion, amortization of U.S. mobile communications licenses by EUR 0.5 billion and depreciation of property, plant and equipment by EUR 0.4 billion. The increase was also attributable to the non-scheduled write-downs on submarine cables in the North Atlantic/Pacific and on property, plant and equipment at T-Systems.

Explanation of Responses:

Other operating expenses

	Q3 2002 millions of	Q3 2001 millions of	Change %	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Change %	Full year 2001 millions of
Other operating expenses	**(3,153)**	(2,867)	(10.0)	(10,267)	(8,137)	(26.2)	(12,151)

Other operating expenses increased by EUR 2.1 billion to EUR 10.3 billion in the first nine months of 2002 compared with the same period last year. This increase was mainly caused by changes to the composition of the Deutsche Telekom Group, which accounted for EUR 1.2 billion. This increase is also attributable to the higher losses on accounts receivable and losses from dispositions of noncurrent assets, in particular as a result of the sale of the shares in France Telecom.

Financial expense, net

	Q3 2002 millions of	Q3 2001 millions of	Change %	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Change %	Full year 2001 millions of
Financial expense, net	**(1,630)**	(2,028)	19.6	(4,560)	(4,192)	(8.8)	(5,348)
of which: income related to subsidiaries, associated and related companies	**(277)**	(162)	(71.0)	(390)	(202)	(93.1)	(440)
of which: net interest expense	**(948)**	(1,140)	16.8	(3,031)	(3,222)	5.9	(4,138)
write downs on financial assets and marketable securities	**(405)**	(726)	44.2	(1,139)	(768)	(48.3)	(770)

The increase in net financial expense by EUR 368 million is the result of offsetting effects. The negative results from Ben, relating in particular to the EUR 0.2 billion amortization of the UMTS license, and further write-downs of financial assets had a negative impact on net financial expense, mainly from the non-scheduled write-down in the first quarter of the net carrying amount of the stake in France Telecom as a result of the decrease in the share price amounting to EUR 253 million and valuation adjustments for other investments in noncurrent securities and for loans to associated companies totaling EUR 0.7 billion, of which associated companies of Kabel Deutschland GmbH accounted for EUR 316 million. Interest expense, on the other hand, improved; the main positive effect was interest income from the termination of interest rate derivatives which were no longer necessary.

Taxes

	Q3 2002 millions of	Q3 2001 millions of	Change %	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Change %	Full year 2001 millions of
Income taxes	**2,757**	(723)	(481.3)	2,369	(1,292)	283.4	(751)
Other taxes	**(35)**	(38)	(7.9)	(137)	(93)	(47.3)	(57)
Taxes, total	**2,722**	(761)	n.a.	2,232	(1,385)	261.2	(808)

The Group s result before taxes decreased by EUR 27.0 billion compared to the third quarter of 2001. Associated with the non-scheduled write-downs of mobile communications licenses at T-Mobile USA (VoiceStream/ Powertel), the reversal of deferred tax liabilities in particular resulted in tax income totaling EUR 2.2 billion for the first three quarters of 2002. Furthermore, the decrease in tax expense is attributable to the reduced basis for tax calculation; but this decrease was not of the same magnitude as the increase in the loss before taxes, as a large proportion of this increase was attributable to transactions with no tax effect, such as the amortization of goodwill and losses from the dispositions of assets.

Notes to the consolidated balance sheet.

Noncurrent assets

	Sept. 30, 2002 millions of	**Dec. 31, 2001 millions of**	**Change millions of**	**Change %**
Intangible assets	**56,191**	80,051	(23,860)	(29.8)
of which: UMTS	**11,387**	14,277	(2,890)	(20.2)
of which: U.S. mobile, communications licenses	**11,190**	23,087	(11,897)	(51.5)
of which: goodwill	**31,116**	40,597	(9,481)	(23.4)
Property, plant and equipment	**55,504**	58,708	(3,204)	(5.5)
Financial assets	**4,332**	7,957	(3,625)	(45.6)
Total	**116,027**	**146,716**	**(30,689)**	**(20.9)**

The decrease of EUR 23.9 billion or 29.8% in intangible assets to EUR 56.2 billion is mainly attributable to the non-scheduled write-downs of goodwill and mobile communications licenses amounting to EUR 21.6 billion as a result of the strategic review in the third quarter of 2002. The decrease is also due to the effects of foreign currency translation from foreign Group companies. This development was offset by the increase in goodwill in the first nine months of 2002, EUR 2.7 billion of which was the result of the acquisition of the remaining shares in T-Systems ITS GmbH (formerly debis Systemhaus GmbH) and a further EUR 1.7 billion of which relates to the acquisition of shares in Ben Nederland B.V. Property, plant and equipment decreased by EUR 3.2 billion or 5.5% to EUR 55.5 billion. Capital expenditure amounted to EUR 4.8 billion; depreciation and amortization increased to around EUR 7.1 billion, of which around EUR 0.6 billion is accounted for by non-scheduled write-downs. The decrease in financial assets of around EUR 3.6 billion is mainly attributable to the sale of the shares in France Telecom, valuation adjustments for loans to associated companies of Kabel Deutschland GmbH and write-downs on other investments in noncurrent securities. A decrease was also recorded in investments in associated companies. This was mainly due to the fact that the net carrying amount of Ben is now included in the fully consolidated figures, as a result of the acquisition of the remaining shares.

Investments

	Q1-Q3 2002 Number	Q1-Q3 2001 Number	Change %	Full year 2001 Number
Intangible assets	**5,038**	25,614	(80.3)	26,059
Property, plant and equipment	**4,777**	6,300	(24.2)	9,853
Financial assets	**765**	1,612	(52.5)	1,786
Total	**10,580**	33,526	(68.4)	37,698

The additions to noncurrent assets in the first nine months of 2002 amounted to EUR 10.6 billion. Investments in intangible assets of around EUR 2.7 billion relate to the goodwill from the acquisition of the shares in T-Systems ITS GmbH (formerly debis Systemhaus GmbH) and investments of around EUR 1.7 billion relate to goodwill from the acquisition of the shares in Ben Nederland. The figure for intangible assets in the first nine months of 2001 included goodwill from the acquisition of T-Mobile USA (VoiceStream/Powertel). Taking into account the effect of the consolidation of T-Mobile USA (VoiceStream/Powertel), the increase in property, plant and equipment is around EUR 0.6 billion lower than in the previous year. T-Com, T-Mobile and T-Systems in particular recorded a decrease. The decreases in investments recorded throughout the Group are mainly attributable to the reductions in capital expenditure made in the current year.

Investments in financial assets amounted to EUR 0.8 billion and were lower than in the same period last year; EUR 0.6 billion of this figure relates to increases in investments in associated companies. This includes in particular the acquisition of shares in GSM Facilities and the joint venture Bild.t-online.de.

Shareholders equity

	Sept. 30, 2002 millions of	Dec. 31, 2001 millions of	Change millions of	Change %
Capital stock	**10,746**	10,746	0	0.0
Additional paid-in capital	**50,073**	49,994	79	0.2
Retained earnings (deficit)	**1,430**	3,607	(2,177)	(60.4)
Unappropriated net income (loss)	**(4,892)**	101	(4,993)	n.a.
Net income (loss)	**(24,510)**	(3,454)	21,056	609.6
Minority interest	**3,386**	5,307	(1,921)	(36.2)
Total shareholders equity	**36,233**	66,301	(30,068)	(45.4)

The decrease of approximately EUR 30.1 billion in shareholders equity in the first nine months was caused by the following factors: the net loss of EUR 24.5 billion, the decrease of around EUR 2.2 billion in retained earnings due to considerable foreign currency translation effects relating to foreign Group companies and Deutsche Telekom AG s divided payment in the second quarter of 2002 amounting to EUR 1.6 billion. The reduction of EUR 1.9 billion in minority interests is almost exclusively attributable to the acquisition of the shares in debis Systemhaus.

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Debt

	Sept. 30, 2002 millions of	June 30, 2002 millions of	March 31, 2002 millions of	Dec. 31, 2001 millions of	Sept. 30, 2001 millions of
Gross debt	**66,544**	66,910	70,619	67,031	68,234
Net debt(1)	**64,022**	64,158	67,305	62,111	65,181

(1) Debt excluding liquid assets (Sept. 30, 2002: EUR 1.9 billion; Dec. 31, 2001: EUR 2.9 billion), marketable securities and other investments in noncurrent securities (Sept. 30, 2002: EUR 0.7 billion; Dec. 31, 2001: EUR 1.6 billion) and interest rate and currency swaps (Sept. 30, 2002: EUR 0.1 billion; Dec. 31, 2001: EUR 0.4 billion) or liabilities.

The increase of EUR 1.9 billion in net debt from December 31, 2001 to September 30, 2002 is the result of offsetting effects. The increase in the first quarter of 2002 amounted to around EUR 5.2 billion, of which the acquisition of the shares in debis Systemhaus accounted for EUR 4.7 billion. In the second quarter of 2002, Deutsche Telekom s net debt decreased by EUR 3.1 billion, despite a dividend payment of EUR 1.6 billion. This decrease is mainly a result of foreign currency exchange rate effects (EUR 1.6 billion), tax refunds (EUR 0.7 billion), the sale of the shares in France Telecom (EUR 0.3 billion) and PT Satelindo (EUR 0.3 billion) and sales of real estate (EUR 0.2 billion). Net debt decreased by a further EUR 0.2 billion in the third quarter of 2002 despite the financing of Ben with a total of EUR 2.0 billion. The main reason for this was the positive cash flow.

Other information

Guarantees and commitments and **other financial obligations** decreased by EUR 5.4 billion compared to December 31, 2001. Essentially, the decrease of EUR 4.7 billion in other contingent liabilities for the acquisition of shares in other companies following the takeover of the stake in T-Systems ITS and the stake in Ben for EUR 1.7 billion was partially offset by an increase of EUR 2.2 billion in guarantees and commitments at T-Mobile and the Generalmietgesellschaft mbH as a result of a leasing transaction.

Notes to the consolidated statement of cash flows.

Net cash provided by operating activities.

Net cash provided by operating activities in the first nine months of 2002 amounted to EUR 10.1 billion. This represents an increase of EUR 3.0 billion compared with the same period last year. This increase is partly the result of an improvement in the tax situation as a result of tax refunds in the period under review, whereas tax payments were made in the same period last year. The improvement in net interest payments, attributable in particular to the reversal of hedging transactions which were no longer necessary, also contributed to the increase in net cash provided by operating activities. The increase in the net loss in the first nine months of 2002 is offset by a higher level of depreciation and amortization of EUR 24.0 billion (in particular non-scheduled amortization) and a EUR 2.5 billion change in other non cash transactions. The latter relates in particular to valuation adjustments on financial assets amounting to around EUR 1.1 billion. In the first nine months of 2001, this item mainly related to a valuation adjustment in the proceeds from the sale of the Sprint-FON shares of EUR 1.9 billion. The proceeds of this sale are shown under net cash used for investing activities.

Net cash used for investing activities.

Net cash used for investing activities amounted to EUR -10.3 billion in the first nine months of 2002 compared with EUR 4.1 billion in the same period last year. Cash outflows for investments in noncurrent assets amounting to EUR 12.2 billion which mainly relate, besides capital expenditure, to the full acquisition of T-Systems ITS GmbH (formerly debis Systemhaus) for EUR 4.7 billion and the acquisition of Ben Nederland Holding B.V. for EUR 1.7 billion, are offset by cash inflows from disinvestments amounting to EUR 1.1 billion (in particular relating to the sale of the shares in France Telecom and PT Satelindo). Compared with the first nine months of 2001, this represents a decrease of EUR 0.9 billion in cash outflows for investments in noncurrent assets. The cash inflows from disinvestments in the first nine months of 2001 were mainly a result of the sale of the Sprint shares, EUR 3.4 billion, and the sale of the cable company in Baden-Württemberg.

Net cash provided by (used for) financing activities.

Net cash used for financing activities amounted to EUR -0.9 billion in the first nine months of 2002 compared with EUR -2.7 billion last year. Net cash inflows of EUR 0.7 billion were recorded in the period under review from the increase in financial liabilities. Net cash outflows of EUR 0.8 billion were recorded in the same period last year. The payment of this resulted in an outflow of cash and cash equivalents of EUR 1.6 billion.

Segment reporting.

The composition of the segments was adjusted in the first quarter of 2002 to bring them in line with the new structure resulting from the restructuring of the T-Com and T-Systems divisions. The National Carrier Services business, which used to belong to T-Systems, became part of the T-Com division as of January 1, 2002. In return, the International Carrier Services business, previously part of T-Com, and the international network infrastructure were assigned to the T-Systems division. Furthermore, MATÁV, Slovenské Telekomunikácie and Hrvatske telekomunikacije which had previously been assigned to Other , were made part of the T-Com segment as of January 1, 2002; prior-year figures have been adjusted accordingly. All segment information in this report has been prepared in accordance with the U.S. Statement of Financial Accounting Standard 131 (SFAS 131) and the German Accounting Standard No. 3, Segment Reporting (DRS 3).

The following tables give an overall summary of Deutsche Telekom s segments for the full 2001 financial year as well as for the third quarters and first nine months of both 2001 and 2002. In addition to the details of the segments, there is also a reconciliation line. The reconciliation line mainly contains consolidation entries.

Net interest expense was allocated to the T-Mobile segment in the previous year which is not included in the consolidated financial statements of T-Mobile International.

Segment information for the 2001 financial year

Full year 2001 millions of	**Net revenue**	**Revenue between segments**	**Total revenue**	**Depre-ciation and amor-tization**	**Net interest expense**	**Income (loss) related to associated and related companies**	**Income (loss) before taxes**
T-Com(1)	25,028	4,391	29,419	(5,443)	(350)	(509)	4,614
T-Systems(1)	8,316	3,583	11,899	(1,372)	102	13	(382)
T-Mobile	12,994	1,643	14,637	(6,324)	(3,008)	(204)	(6,399)
T-Online	1,338	111	1,449	(189)	168	(134)	(233)
Other(1)	633	4,481	5,114	(1,447)	(1,102)	(375)	352
Reconciliation(1)	0	(14,209)	(14,209)	(446)	52	(1)	(456)
Group	48,309	0	48,309	(15,221)	(4,138)	(1,210)	(2,504)

(1) According to new structure.

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Segment information in the quarters

Q3 2002 Q3 2001 millions of	Net revenue	Revenue between segments	Total revenue	Depre-ciation and amor-tization	Net interest expense	Income (loss) related to associated and related companies	Income (loss) before taxes
T-Com(1)	**6,366**	**1,049**	**7,415**	**(1,385)**	**(112)**	**(8)**	**1,034**
	6,269	1,097	7,366	(1,346)	(94)	(470)	1,523
T-Systems(1)	**1,908**	**896**	**2,804**	**(1,006)**	**(37)**	**(10)**	**(1,109)**
	2,040	859	2,899	(348)	27	2	(53)
T-Mobile	**4,655**	**450**	**5,105**	**(22,753)**	**(230)**	**(278)**	**(21,970)**
	3,772	421	4,193	(1,719)	(664)	(25)	(1,601)
T-Online	**398**	**34**	**432**	**(48)**	**33**	**(98)**	**(44)**
	312	23	335	(41)	44	(12)	(24)
Other(1)	**96**	**1,154**	**1,250**	**(307)**	**(574)**	**(286)**	**(1,179)**
	132	1,105	1,237	(271)	(463)	(383)	172
Reconciliation(1)	**0**	**(3,583)**	**(3,583)**	**20**	**(28)**	**(2)**	**(18)**
	0	(3,505)	(3,505)	2	10	0	117
Group	**13,423**	**0**	**13,423**	**(25,479)**	**(948)**	**(682)**	**(23,286)**
	12,525	0	12,525	(3,723)	(1,140)	(888)	134

(1) According to new structure.

Segment information for the first nine months of 2002

Q1-Q3 2002 Q1-Q3 2001 millions of	Net revenue	Revenue between segments	Total revenue	Depre-ciation and amor-tization	Net interest expense	Income (loss) related to associated and related companies	Income (loss) before taxes
T-Com(1)	**18,892**	**3,362**	**22,254**	**(4,079)**	**(465)**	**(300)**	**2,677**
	18,671	3,389	22,060	(3,950)	(346)	(465)	3,705
T-Systems(1)	**5,777**	**2,514**	**8,291**	**(2,016)**	**(58)**	**(24)**	**(1,645)**
	6,016	2,569	8,585	(1,010)	75	(4)	(316)
T-Mobile	**13,067**	**1,178**	**14,245**	**(26,212)**	**(686)**	**(422)**	**(23,470)**
	9,009	1,157	10,166	(3,483)	(1,781)	(133)	(3,215)
T-Online	**1,184**	**112**	**1,296**	**(144)**	**98**	**(109)**	**(4)**
	968	74	1,042	(143)	133	(26)	(103)
Other(1)	**257**	**2,916**	**3,173**	**(947)**	**(1,897)**	**(667)**	**(3,892)**

	329	3,241	3,570	(819)	(1,289)	(341)	335
Reconciliation(1)	**0**	**(10,082)**	**(10,082)**	**45**	**(23)**	**(7)**	**(197)**
	0	(10,430)	(10,430)	13	(14)	(1)	90
Group	**39,177**	**0**	**39,177**	**(33,353)**	**(3,031)**	**(1,529)**	**(26,531)**
	34,993	0	34,993	(9,392)	(3,222)	(970)	496

(1) According to new structure.

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Accounting.

German GAAP

Deutsche Telekom prepares its consolidated financial statements in accordance with German GAAP, i.e. the requirements of the German Commercial Code (Han-delsgesetzbuch HGB), and the German Stock Corporation Law (Aktiengesetz AktG), and from the first quarter of 2002 onwards, prepares its quarterly reports in accordance with the requirements of the German Accounting Standard No. 6 dated February 13, 2001 DRS 6. The consolidated financial statements presented in this report are unaudited.

Methods of accounting and valuation

Deutsche Telekom uses the same methods of accounting and valuation for preparing its quarterly financial statements as for its annual financial statements. A detailed description of the methods used can be found in the notes to the consolidated financial statements at December 31, 2001.

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

Following the Group report for the first six months of 2002, Deutsche Telekom will provide detailed information concerning the reconciliation of the Group s results from German GAAP to U.S. GAAP as part of its annual reporting to the U.S. Securities and Exchange Commission (SEC) on Form 20-F.

Change from total cost method to cost of sales method

Through the end of 2002, Deutsche Telekom will present its statement of operations in both the unconsolidated and the consolidated financial statements in accordance with the total cost method commonly applied in Germany. The statement of operations is currently being transferred from the total cost method to the internationally more common cost of sales method for internal and, in particular, external reporting for the capital markets. The statement of operations will be published using the cost of sales method for the first time in the report on the first quarter of 2003.

First three quarters of 2002

Special influences

Special influences and strategic review.

In the first nine months of 2002, the net loss was impacted by a range of uncommon or rarely occurring factors and by measures resulting from the strategic review (so-called special influences) which are described in greater detail below.

Reconciliation to pro forma figures in the first nine months of 2002(10)

	Q1-Q3 2002 billions of	**Special influences billions of**	**Strategic review billions of**	**Q1-Q3 2002 (without special influences and strategic review) billions of**
Revenue	**39.2**			39.2
Changes in inventories and other own capitalized costs	**0.4**			0.4
Total operating performance	**39.6**			39.6
Other operating income	**2.4**	0.2(1)		2.2
Goods and services purchased	**(10.4)**			(10.4)
Personnel costs	**(9.9)**		(0.3)(5)	(9.6)
Depreciation and amortization	**(33.3)**		(21.7)(6)	(11.6)
Other operating expenses	**(10.3)**	(0.4)(2)	(0.1)(7)	(9.8)
Financial income (expense), net	**(4.6)**	(1.0)(3)	(0.3)(8)	(3.3)
Results from ordinary business activities	**(26.5)**	(1.2)	(22.3)	(3.0)
Taxes	**2.2**	0.1(4)	3.1(9)	(1.0)
Losses applicable to minority shareholders	**(0.2)**			(0.2)
Net loss	**(24.5)**	(1.0)	(19.3)	(4.2)

Special influences

(1) Book profit from the sale of the shares in PT Satelindo.

(2) Book loss from the sale of the shares in France Telecom.

(3) Nonscheduled write-downs on financial assets
of which: EUR 0.3 billion from the non-scheduled write-down on the net carrying amount of the stake in France Telecom as a result of the share price decrease
of which: EUR 0.3 billion from valuation adjustments for loans to associated companies of Kabel Deutschland GmbH and EUR 0.4 billion from valuation adjustments for other investments in noncurrent securities.

(4) Tax effects from the valuation adjustments for loans to associated companies of Kabel Deutschland GmbH.

Stategic review (special influences)

(5) Restructuring expenses at T-Systems.

(6) Nonscheduled write-downs
of which: EUR 8.4 billion of goodwill relating to T-Mobile USA (VoiceStream/Powertel)
of which: EUR 1.0 billion of goodwill relating to Ben Nederland B.V.
of which: EUR 0.5 billion of goodwill relating to SIRIS (T-Systems)
of which: EUR 9.6 billion of mobile communications licenses at T-Mobile USA
of which: EUR 2.2 billion of the UMTS license at T-Mobile UK
of which: EUR 0.1 billion of property, plant and equipment at T-Systems.

(7) Accrual for restructuring measures at T-Systems

(8) Nonscheduled write-downs of financial assets
of which: EUR 0.1 billion at comdirect
of which: EUR 0.2 billion of the UMTS license at Ben Nederland B.V. when included as an associated company.

(9) Tax effect from the reversal of deferred tax liabilities as a result of the non-scheduled write-down of mobile communications licenses at T-Mobile USA.

(10) Rounded on the basis of millions for the sake of greater precision.

In the first three quarters of the 2001 financial year, the following special influences had an impact on net income/loss:

Reconciliation to pro forma figures in the first nine months of 2001(5)

	Q1-Q3 2001 billions of	**Special influences billions of**	**Q1-Q3 2001 (without special influences) billions of**
Revenue	**35.0**		35.0
Changes in inventories and other own capitalized costs	**0.8**		0.8
Total operating performance	**35.8**		35.8
Other operating income	**4.9**	**2.8(1)**	2.1
Goods and services purchased	**(9.8)**		(9.8)
Personnel costs	**(8.7)**		(8.7)
Depreciation and amortization	**(9.4)**		(9.4)
Other operating expenses	**(8.1)**	(0.1)(2)	(8.0)
Financial income (expense), net	**(4.2)**	(0.8)(3)	(3.4)
Results from ordinary business activities	**0.5**	1.9	(1.4)
Taxes	**(1.4)**	(0.1)(4)	(1.3)
Loss applicable to minority shareholders	**(0.1)**		(0.1)
Net income (loss)	**(1.0)**	1.8	(2.8)

Special influences.

(1) Book profits from the sale of the Sprint-FON and Sprint-PCS shares and the cable TV company in Baden-Württemberg.

(2) Relates mainly to consulting and sale costs from the sale of the shares in Sprint-FON and Sprint-PCS.

(3) Nonscheduled write-downs on financial assets (valuation adjustments for loans to associated companies of Kabel Deutschland GmbH).

(4) Tax effects from the valuation adjustments for loans to associated companies of Kabel Deutschland GmbH.

(5) Rounded on the basis of millions for the sake of greater precision.

Special influences resulting from strategic review with a volume of EUR -19.3 billion, which had an impact on net income/loss in the third quarter of 2002, are explained in more detail below.

In the valuation of our subsidiaries and affiliates and their assets, Deutsche Telekom made calculations based on discounted cash flow, taking the company s current plans as a basis. In addition, the assumptions upon which the company s plans are based were assessed against other information, such as the market capitalization of companies which are comparable with our subsidiaries and affiliates, and analysts current estimates. Deutsche Telekom commissioned independent internal and external valuations of individual assets. The write-downs of goodwill and mobile communications licenses are the result of the strategic review throughout the Group, carried out by the Board of Management in the past months. These non-scheduled write-downs, which have no impact on the cash situation, take into particular consideration the changed expectations in Deutsche Telekom s plans regarding the medium- and long-term prospects of the mobile communications industry and the changed view of the possible consolidation in the U.S. mobile communications market. Although the performance of T-Mobile in 2002 has exceeded previous expectations, the assumptions for medium and long-term forecasts had to be revised partly as a result of the change in the overall prevailing economic environment and the restrictions on capital expenditure. This leads, for example, to

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reduced expectations for the level of the average revenue per user achievable in the long term, which are affected by changed assumptions for the consolidation of the U.S. market (excluding the involvement of T-Mobile USA), and by changes in the long-term expectations for penetration rates on various mobile communications markets. In line with these changes for the long-term expectations for the development of the mobile communications markets, correspondingly lower values had to be recognized for the companies mentioned.

Write-downs totaling EUR 18.0 billion were made at T-Mobile USA. Of the write-downs, EUR 8.4 billion relates to goodwill and EUR 9.6 billion to mobile communications licenses.

The remaining shares were acquired in the mobile communications subsidiary Ben in September 2002 at a price which had already been agreed at an earlier date. The valuation carried out immediately after the acquisition of these shares found that the goodwill was lower than the acquisition cost in the Group. For this reason, write-downs were made on goodwill and the UMTS license in the Netherlands amounting to EUR 1.1 billion. Part (EUR 0.2 billion) of these write-downs are shown under net financial expense, as Ben was an associated company until September 30, 2002.

Like other subsidiaries, the British mobile communications subsidiary T-Mobile UK carried out evaluations involving internal valuations and independent external assessments which found that a write-down of EUR 2.2 billion was necessary on the British UMTS license. Evaluations at T-Systems identified a drop in value at the French company SIRIS, resulting mainly from the nonscheduled write-down of goodwill amounting to EUR 0.5 billion.

In total, therefore, the write-downs consist of EUR 9.9 billion from non-scheduled write-downs on goodwill and EUR 11.7 billion from non-scheduled write-downs on other intangible assets (relating mainly to UMTS licenses and U.S. mobile communications licenses). Write-downs at Ben and comdirect had a negative impact of EUR 0.3 billion on net financial expense.

In addition, a restructuring expense of EUR 0.5 billion was recorded at T-Systems with an effect on various items of the statement of income.

The special influences listed were partially offset by a positive tax effect of EUR 3.1 billion.

Special influences of EUR 1.0 billion were also recorded which are not related to the strategic review. This amount includes the book profit from the sale of the shares in PT Satelindo (EUR 0.2 billion), the book loss from the sale of the shares in France Telecom (EUR 0.4 billion), valuation adjustments on financial assets (EUR 0.7 billion) and write-downs on the net carrying amount of the stake in France Telecom (EUR 0.3 billion) as a result of the decreased share price.

The special influences that affected EBITDA in the first nine months of 2001 financial year amounted to EUR 2.8 billion. In addition, the following special influences did not affect EBITDA but impacted net income: Non-scheduled write-downs on the net carrying amount of the stake in France Telecom as a result of the decrease in its share price (EUR 0.4 billion) and other write-downs on financial assets (EUR 0.4 billion). The tax effect on special influences amount of the NAB/ Sprint investment and other tax effects, amounted to EUR 0.1 billion.

First three quarters of 2002

Reconciliation of adjusted EBITDA

Reconciliation of adjusted EBITDA.

EBITDA and EBITDA adjusted to exclude special influences are so-called pro forma figures which are not determined under generally accepted accounting principles. EBITDA is the abbreviation for earnings before interest, taxes, depreciation and amortization .

Deutsche Telekom defines EBITDA as results from ordinary business activities before the net financial income (expense) and amortization and depreciation.

Deutsche Telekom discloses EBITDA adjusted to exclude special influences as an indicator of the development of its operating activities. EBITDA shows earnings before net financial income (expense), tax, depreciation and amortization, and special influences. EBITDA adjusted for special influences should not be viewed in isolation as an alternative to net income (loss), operating income, net cash provided by operating activities or other financial measures prepared in accordance with Generally Accepted Accounting Principles. Since other companies may not calculate adjusted EBITDA and other pro forma financial figures in the same way, Deutsche Telekom s pro forma figures are not necessarily comparable with similarly titled figures of other companies. The special influences have been defined and quantified both for the period under review and for the previous year. In addition to EBITDA, the EBITDA margin and the adjusted EBITDA margin are also disclosed. The EBITDA margin represents the ratio of EBITDA to net revenue (EBITDA divided by net revenue). There were special influences affecting EBITDA both in the first nine months of 2002 and 2001.

Special influences affecting EBITDA in the first nine months of 2002 were a book profit (including foreign currency transaction losses due to the exchange rate) of EUR 0.2 billion from the sale of the shares in PT Satelindo, a book loss of EUR 0.4 billion from the sale of the shares in France Telecom and restructuring expenses of EUR 0.4 billion relating to the T-Systems division in the third quarter of 2002. In the first nine months of 2001, by contrast, the positive special influences affecting EBITDA amounted to EUR 2.8 billion. These were the result of the book profit from the sale of the Sprint-FON and Sprint-PCS shares, including sale costs, and the book profit from the sale of the cable TV company in Baden-Württemberg. Group EBITDA, including special influences, amounted to EUR 11,382 million compared with EUR 14,080 million in the same period last year. Group EBITDA excluding special influences was EUR 11,960 million compared to EUR 11,327 million in the same period in the previous year. This represents an increase of 5.6 %.

EBITDA reconciliation in T-Com(5)	First three quarters of 2002 Q1-Q3 2002 billions of	Q1-Q3 2001 billions of
Total revenue	**22.3**	22.1
Results from ordinary business activities	**2.7**	3.7
Financial income (expense), net	**(0.8)(3)**	(0.8)(2)
Depreciation and amortization	**(4.1)**	(4.0)
of which: non-scheduled depreciation and amortization	**0**	0
EBITDA	**7.5**	8.5(4)
EBITDA margin (%)(1)	**33.8**	38.4
Special influences affecting EBITDA	**0**	0.9(4)
EBITDA adjusted to exclude special influences	**7.5**	7.6
EBITDA margin adjusted to exclude special influences	**33.8**	34.3

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(1) Calculated on the basis of precise amounts in millions.

(2) Including valuation adjustments for loans to associated companies of Kabel Deutschland GmbH (EUR 0.5 billion).

(3) Including valuation adjustments for loans to associated companies of Kabel Deutschland GmbH (EUR 0.3 billion).

(4) Including the proceeds from the sale of cable in Baden-Württemberg (EUR 0.9 billion).

(5) Rounded, based on precise millions.

EBITDA reconciliation in T-Systems(4)	First three quarters of 2002 Q1-Q3 2002 billions of	Q1-Q3 2001 billions of
Total revenue	**8.3**	8.6
Results from ordinary business activities	**(1.7)**	(0.3)
Financial income (expense), net	**(0.1)**	0.1
Depreciation and amortization	**(2.0)(3)**	(1.0)
of which: non-scheduled depreciation and amortization	**(0.6)(3)**	0
EBITDA	**0.5**	0.6
EBITDA margin (%)(1)	**5.5**	7.3
Special influences affecting EBITDA	**(0.4)(2)**	0
EBITDA adjusted to exclude special influences	**0.8**	0.6
EBITDA margin adjusted to exclude special influences	**10.0**	7.3

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(1) Calculated on the basis of precise amounts in millions.

(2) Restructuring expenses, mainly relating to SIRIS (EUR 0.4 billion).

(3) Nonscheduled write-downs on goodwill and property, plant and equipment, mainly relating to SIRIS, totaling EUR 0.6 billion.

(4) Percentages calculated in millions and rounded off.

EBITDA reconciliation in Other (6)	First three quarters of 2002 Q1-Q3 2002 billions of	Q1-Q3 2001 billions of
Total revenue	**3.2**	3.6
Results from ordinary business activities	**(3.9)**	0.3
Financial income (expense), net	**(2.6)**	(1.6)
non-scheduled write-downs on financial assets	**(0.6)(3)**	(0.4)(4)
Depreciation and amortization	**(0.9)**	(0.8)
EBITDA	**(0.4)**	2.8
EBITDA margin (%)(1)	**(12.0)**	78.0
Special influences affecting EBITDA	**(0.2)(2)**	1.9(5)
EBITDA adjusted to exclude special influences	**(0.2)**	0.9
EBITDA margin adjusted to exclude special influences	**(5.8)**	26.3

(1) Calculated on the basis of precise amounts in millions.

(2) Book profit from the sale of shares in PT Satelindo (EUR 0.2 billion). Book loss from the sale of the shares in France Telecom (EUR 0.4 billion).

(3) Valuation adjustments on financial assets and non-scheduled write-downs on the net carrying amount of the stake in France Telecom (EUR 0.6 billion).

(4) Nonscheduled write-downs on the net carrying amount of the stake in France Telecom as a result of the decrease in its share price (EUR 0.4 billion)

(5) Book profit, including sale costs, from the sale of the shares in Sprint-FON (EUR 1.0 billion) and the shares in Sprint-PCS (EUR 0.9 billion).

(6) Percentages calculated in millions and rounded off.

First three quarters of 2002

Reconciliation of free cash flow

Reconciliation of free cash flow.

	Q1-Q3 2002 millions of	Q1-Q3 2001 millions of	Change millions of	Change %	Full year 2001 millions of
Cash generated from operations	**13,054**	10,374	2,680	25.8	16,271
Interest received/(paid)	**(2,915)**	(3,215)	300	9.3	(4,337)
Net cash provided by operating activities	**10,139**	7,159	2,980	41.6	11,934
Cash outflows for investments					
in property, plant and equipment	**(4,889)**	(6,573)	1,684	25.6	(9,847)
in intangible assets	**(586)**	(580)	(6)	(1.0)	(1,021)
Free cash flow before dividend	**4,664**	6	4,658	n.a.	1,066
Dividend	**(1,578)**	(1,905)	327	17.2	(1,905)
Free cash flow after dividend	**3,086**	(1,899)	4,985	262.5	(839)

Free cash flow is a figure which is not subject to the regulations under German commercial law. Deutsche Telekom defines free cash flow as cash generated from operations minus interest payment, cash outflows for investments in intangible assets and property, plant and equipment. Free cash flow should not be viewed in isolation as an alternative to operating cash flow or other measures determined in accordance with Generally Accepted Accounting Principles. Deutsche Telekom believes that free cash flow is perceived as useful by investors in assessing the operating cash flow of the Group after subtracting interest paid and cash outflows for investments in intangible assets and in property, plant and equipment and that was thus available for other purposes, including the acquisition of shares in other companies and the payment of indebtedness. Since other companies may not calculate free cash flow and other pro forma financial figures in the same way, Deutsche Telekom s pro forma figures are not necessarily comparable with similarly titled figures of other companies. Free cash flow should not be viewed as a measure of liquidity.

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Bonn, November 26, 2002

Deutsche Telekom AG
Board of Management

/s/ Kai-Uwe Ricke Kai-Uwe Ricke	/s/ Gerd Tenzer Gerd Tenzer	/s/ Josef Brauner Josef Brauner	/s/ Dr. Karl-Gerhard Eick Dr. Karl-Gerhard Eick
/s/ Jeffrey A. Hedberg Jeffrey A. Hedberg	/s/ Dr. Max Hirschberger Dr. Max Hirschberger	/s/ Dr. Heinz Klinkhammer Dr. Heinz Klinkhammer	

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Deutsche Telekom

Investor Relations calendar 2003.

Financial calendar

Date	
May 20, 2003	Shareholders meeting of Deutsche Telekom AG, Cologne
May 21, 2003	Shareholders meeting of T-Online International AG, Cologne

Additional dates will be published on the Internet page www.telekom.de.

Disclaimer.

This document, and in particular the part Outlook within the chapter Business development and outlook , contains forward-looking statements that reflect the current views of the Deutsche Telekom management with respect to future events. The words anticipate , believe , estimate , expect , intend , may , plan , project and should and similar expressions are intended to identify forward-looking statements. Such statement subject to risks and uncertainties, including, but not limited to, factors such as: the development of demand for our telecommunications services, particularly for new, higher value service offerings; competitive forces, including pricing pressures, technological changes and alternative routing developments; regulatory actions and the outcome of disputes in which the company is involved or may become involved; the pace and cost of the roll-out of new services, such as UMTS, which may be affected by the ability of suppliers to deliver equipment and other circumstances beyond Deutsche Telekom s control; public concerns over health risks putatively associated with wireless frequency transmissions; risks associated with integrating Deutsche Telekom s acquisitions; the development of asset values in Germany and elsewhere, the progress of Deutsche Telekom s debt reduction program, including its degree of success in achieving desired levels of free cash flow from operations and proceeds from disposals; the development of Deutsche Telekom s cost reduction initiatives, including the area of personnel reduction and changes in currency exchange rates and interest rates. If these or other risks and uncertainties (including those described in Deutsche Telekom s most recent Annual Reports on Form 20-F by Deutsche Telekom filed with the U.S. Securities and Exchange Commission) materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom s actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom does not intend or assume any obligation to update these forward-looking statements.

Deutsche Telekom cannot guarantee that its financial and operating targets for the years 2002 and 2003 can be achieved. Some aspects of the Group s planning depend on circumstances Deutsche Telekom cannot influence. For a description of some of these factors which might influence Deutsche Telekom s ability to achieve its objectives, please refer to the items Forward-looking statements and Risk factors in the Annual Report on Form 20-F filed on June 18, 2002.

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Further information about the divisions can be found at:
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The German print version of this Group report is legally binding.

KNr. 642 100 031

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DEUTSCHE TELEKOM AG

By:	/s/ ppa. Rolf Ewenz-Sandten
	Name: Rolf Ewenz-Sandten
	Title: Vice President

Date: November 29, 2002