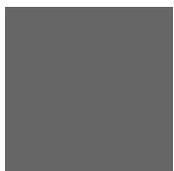
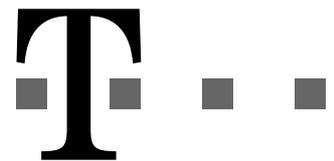


Deutsche Telekom
Group Report
January 1 to June 30, 2000



Highlights

- **Planned acquisition of the mobile communications operator VoiceStream will open up fastest growing telecommunications sector in the USA for Deutsche Telekom**
- **Deutsche Telekom acquires UMTS license in Germany for EUR 8.5 billion**
- **Following successful initial public offering of T-Online, first sale of T-Shares held by the Federal Republic/KfW was oversubscribed 3.5 times as a global offering**
- **Largest bond in history with an equivalent value of US\$ 14.6 billion issued successfully**
- **Continued strong growth in number of subscribers for mobile communications, T-Online and ISDN**
- **Sale of stake in Italian company Wind to generate tax-free income of approximately EUR 2.3 billion**
- **Deutsche Telekom increases its stake in the Hungarian company MATÁV to 59.53 % for approximately EUR 2.3 billion**
- **Deutsche Telekom acquires the majority stake in the leading Slovakian telecommunications company Slovenske telekomunikácie for EUR 1 billion**
- **Deutsche Telekom increases its stake in the Swiss fixed-network company Multilink SA to 100 %**

Ladies and Gentlemen, Dear Shareholders,

The purpose of this report is to give you detailed information about the first six months of 2000 and recent developments.

The first half year of 2000 was marked by strong growth in the first quarter for shares throughout the telecommunications sector in Europe (T-Share peak EUR 103.5), followed in the second quarter by a massive correction (T-Share on June 30, 2000: EUR 59.8). The DAX 30 remained practically unchanged over the same period. The negative development continued beyond the period under review. The correction of many telecommunications share prices was triggered by the higher than

expected costs of UMTS licenses in the United Kingdom at the start of the second quarter of 2000. The trend was strengthened by the announcement of a reweighting of shares in the Stoxx indices, in accordance with the company's free float which affects international portfolios. This measure mainly affected companies in which the state holds a considerable stake, such as Deutsche Telekom. Beyond the period under review, the planned acquisition of VoiceStream, which is principally to be paid for by the issue of more than 800 million new T-Shares, also put the share price under pressure.

Business developments

Group revenue in the first six months of 2000 increased by 14.6 % compared with the same period last year to EUR 19.2 billion after inclusion for the first time of One 2 One, SIRIS and Club Internet. Excluding the effects of these newly consolidated companies, revenue increased by 6 %. The decrease in revenue from network communications, a result mainly of further price cuts, was more than compensated by the growth areas mobile communications, carrier services, data communications and T-Online.

The first six months of 2000 were marked by continued booming subscriber growth in mobile communications, T-Online and ISDN. The number of mobile communications subscribers served by companies in which Deutsche Telekom holds a majority shareholding increased by 6.9 million compared with December 31, 1999 to 22.6 million as at June 30, 2000. The number of T-D1 subscribers alone increased by 4.3 million to 13.4 million in the period from December 31, 1999 to June 30, 2000. This represents a growth of 47 % compared with December 31, 1999 and 97 % compared with June 30,

1999. T-Online also gained 1.8 million new customers with the inclusion of Club Internet. This represents an increase of almost 43 % compared with December 31, 1999. Within the space of just one year, the online service has recorded a net customer growth of 2.7 million. This represents a growth rate of 82 %. Furthermore, 2.0 million new ISDN channels have been activated since the end of 1999. This is an increase of 15 %, half of which is attributable to residential customers and half to business customers, a sector which now includes small and medium-sized enterprises. With a total of 15.3 million ISDN channels in operation, Deutsche Telekom has a unique penetration rate, even in comparison with international competitors, of 31.5 % and thus has a proven track record of successfully marketing new technologies.

The number of call minutes in Deutsche Telekom's network increased by 10.6 % compared with the first six months of 1999 (94 billion) to 104.0 billion. This increase is mainly attributable to considerable growth, in particular in Internet usage, T-Online, and fixed-to-mobile calls.

Numbers of customers in selected services

	June 30, 2000 millions	Dec. 31, 1999 millions	June 30, 1999 millions	Changes	
				June 30, 2000 to Dec. 31, 1999 in %	June 30, 2000 to June 30, 1999 in %
Mobile phone subscribers (excl. T-C-Tel)	22.6	15.7	11.3	44	100
of which: T-D1	13.4	9.1	6.8	47	97
of which: One 2 One	6.1	4.2	2.6	45	135
of which: max.mobil.	1.8	1.5	1.1	20	64
of which: Westel ¹⁾	1.3	0.9	0.8	44	63
T-Online customers	6.0 ²⁾	4.2	3.3	43	82
Telephone lines (incl. ISDN channels)	48.5	47.8	47.2	1	3
of which: ISDN channels	15.3	13.3	11.7	15	31
of which: residential customers ³⁾	7.0	6.0	5.0	17	40
of which: business customers ³⁾	8.3	7.3	6.7	14	24

¹⁾ As of 2000 held in part directly and in part indirectly by MATÁV. Prior-year figures have been adjusted accordingly.

²⁾ Including Club Internet.

³⁾ In 2000, small and medium-sized enterprises were reallocated to the business customer segment.

Deutsche Telekom's income before taxes for the first half year of 2000 amounted to EUR 4.91 billion – a significant increase over the figure for the first half year of 1999 (EUR 1.86 billion). Income before taxes for the first half year of 2000 was strongly affected by special influences. Special influences that had a positive effect on results were the sale of Deutsche Telekom's interest in Global One (EUR 2,864 million) and the income-related effects of the initial public offering of T-Online. The issue of 114 million new shares at a price of EUR 27 generated a cash inflow of EUR 3.08 billion for T-Online. On the basis of the 90 % stake still held by Deutsche Telekom after this capital increase, this resulted in undisclosed reserves of EUR 2.7 billion for the Group. Special influences negatively affecting the results for the first half year of 2000 were losses from the disposal of noncurrent assets (EUR 430 million), an increase in additions to accruals (EUR 394 million) and nonscheduled write-downs amounting to EUR 383 million relating to the replacement of long-distance copper cables with fiber-optic technology. The net impact of these special influences, after making a net positive adjustment of EUR 189 million for the tax effects of these negative influences and certain other tax items, is a positive effect of EUR 4,503 million on the net income of the Group. The permanent change in rules relating to civil servant pension contributions, which were fixed until and in-

cluding 1999 and are now reduced as of the year 2000 to 33 % p. a. of the gross remuneration of active civil servants and those on unpaid leave, does not qualify as a special influence.

EBITDA in the first half year of 2000 amounted to EUR 11.16 billion and was thus EUR 3.7 billion lower than in the same period last year. Excluding the afore-mentioned special influences, EBITDA decreased by approximately EUR 1 billion in the first half year of 2000 compared with the same period last year. Of this decrease, EUR 700 million relates to network communications as a direct consequence of the price cuts in March and April and continuing competitive pressure. The adjusted EBITDA margin for the first half year of 2000 is 33.7 % compared with 41 % for the entire 1999 financial year and 44.7 % for the first half year of 1999. This decrease is mainly attributable to mobile communications, where changes in the composition of the Deutsche Telekom Group led to a considerable increase in revenue which, due to the different cost structures in newly acquired companies, is not offset by a corresponding contribution to EBITDA. The high customer acquisition costs had a negative effect on the EBITDA margin throughout the mobile communications group business area as a direct result of the enormous growth in the number of subscribers.

The following table shows EBITDA¹⁾ figures adjusted for special influences:

	1st half year 2000 millions of €	Total 1999 millions of €	1st half year 1999 millions of €	1st half year 2000 Margin in %	Total 1999 Margin in %	1st half year 1999 Margin in %
Network communications	3,429	7,651	4,143	45.0	45.7	48.9
Carrier services	633	1,162	703	35.4	40.3	55.5
Data communications	706	1,141	626	43.3	40.3	47.7
Mobile communications ²⁾	586	1,664	713	14.4	31.6	35.3
Broadcasting and broadband cable	591	1,192	502	58.1	62.2	54.3
Terminal equipment	110	269	129	20.3	22.3	21.5
Value-added services	128	131	127	14.4	6.9	13.6
International ²⁾	347	709	347	36.8	47.0	48.4
Other segments	(22)	527	200	-3.2	47.0	42.5
Reconciliation	(41)	93	(5)	-	-	-
Group	6,467	14,539	7,485	33.7	41.0	44.7

¹⁾ Earnings before interest, taxes, depreciation and amortization.

²⁾ 1999 figures have been adjusted to reflect the 2000 reporting structure. One 2 One and max.mobil. are included in the mobile communications segment as from the first quarter of 2000 instead of international business.

In the table below, to ensure better comparability, the results are shown not only excluding the afore-mentioned special influences, but also excluding the newly consolidated com-

panies right down to net income. From this table it is apparent that net income, excluding these influences, has decreased by 28 % to almost EUR 0.7 billion.

Net income adjusted for special influences and changes in the composition of the Deutsche Telekom Group

	1st half year 2000 millions of €	1st half year 1999 millions of €
Income before taxes, total	4,905	1,862
Taxes/(Income) losses applicable to minority shareholders	(558)	(911)
Net income	4,347	951
Changes in the composition of the Deutsche Telekom Group	837	-
Special influences (including tax effects)	(4,503)	-
Net income adjusted for special influences and changes in the composition of the Deutsche Telekom Group	681	951

Highlights

Deutsche Telekom and the fastest growing U.S. mobile communications provider, VoiceStream, entered into a merger agreement on July 23, 2000. The transaction has been structured as a reorganization under U.S. law that will be tax free for VoiceStream's shareholders to the extent that they receive Deutsche Telekom stock. Pursuant to the merger agreement, each share of common stock of VoiceStream will be converted into the right to receive a combination of US\$ 30 in cash and 3.2 Deutsche Telekom ordinary shares, subject to adjustment. VoiceStream shareholders may elect to receive in lieu of this combination either US\$ 200 in cash or 3.7647 Deutsche Telekom ordinary shares, subject to the election and proration procedures set forth in the merger agreement and subject to certain other possible adjustments. Deutsche Telekom will also assume approximately US\$ 5.0 billion in VoiceStream net financial liabilities. Based on current fully diluted VoiceStream shares, VoiceStream shareholders will receive in the aggregate approximately 829 million Deutsche Telekom shares and approximately US\$ 7.8 billion in cash. Up to an additional 48 million Deutsche Telekom shares may be acquired in certain circumstances by VoiceStream joint venture partners should they become entitled to exchange their joint venture interests for shares.

Owners of more than 50 % of VoiceStream's outstanding shares have agreed to vote in favor of the transaction. Deutsche Telekom will make a separate cash investment of US\$ 5 billion in VoiceStream in exchange for preferred stock convertible into common stock at a price of US\$ 160 per share. The investment, which is subject to regulatory approval, will enable VoiceStream to accelerate its nationwide build-out and upgrade its network and service.

Pro forma for the transaction, current VoiceStream shareholders will own approximately 22 % of Deutsche Telekom and the German government's ownership of Deutsche Telekom will be reduced to approximately 45 %. The transaction is subject to regulatory approvals, approval by VoiceStream shareholders and customary closing conditions. It is expected to be completed in the first half of 2001.

Of Deutsche Telekom's four strategic pillars, mobile communications is the area in which the USA has the greatest growth potential in the coming years. Through the GSM technology that Deutsche Telekom and VoiceStream have in common, Deutsche Telekom expects to offer customers on both sides of the Atlantic services that no other provider is currently in a position to offer.

On May 9, 2000, Deutsche Telekom acquired a UMTS license in the United Kingdom via One 2 One for EUR 6.8 billion. Furthermore, together with partners, a UMTS license was acquired in the Netherlands on July 19, 2000 for EUR 0.4 billion. On August 17, 2000, Deutsche Telekom successfully bid in auction for one of six UMTS licenses in Germany for EUR 8.5 billion. This means Deutsche Telekom is represented in important mobile communications markets with licenses for this technology of the future and the expected high growth potential and will continue to build upon this position.

The successful initial public offering of T-Online on April 17, 2000 was followed on June 19, 2000 by the third share offering of Deutsche Telekom AG by the Kreditanstalt für Wiederaufbau (KfW) at an issue price of EUR 66.50. The offer was oversubscribed three and a half times. This first ever worldwide offer for retail investors included 18 countries and included incentives for all T-Shares acquired. The issue price for T-Shares for the total of approximately 3 million retail investors who took part in the offer was EUR 63.50. Furthermore, Deutsche Telekom also successfully placed the largest ever bond issued on the capital market with an equivalent value of US\$ 14.6 billion.

After negotiations with ENEL and France Telecom, Deutsche Telekom signed an agreement on July 18, 2000 for the sale of its 24.5 % stake in the Italian joint venture Wind. Deutsche Telekom will receive EUR 2.7 billion from this transaction and – after deduction of the net carrying amount – will generate tax-free income of EUR 2.3 billion, which will be received in the first half year of 2001. ENEL and France Telecom will take over Deutsche Telekom's stake in Wind. The agreement includes the settlement of all legal and arbitration proceedings.

In the financial year to date, Deutsche Telekom has continued to extend its leading position in Central and Eastern Europe. An agreement was signed on July 14, 2000 with SBC Ameritech under the terms of which Deutsche Telekom is to acquire the U.S. company's almost 30 % stake in the Hungarian market leader MATÁV. Deutsche Telekom is also taking over 51 % of Slovenske telekomunikácie for a price of EUR 1 billion. The agreement was signed on July 18, 2000. It was announced on March 30, 2000 that Deutsche Telekom is proceeding to increase its stake of 41 % in the Czech mobile communications provider Radiomobil to a majority shareholding.

An agreement for a strategic joint venture between Deutsche Telekom and DaimlerChrysler was announced on March 27, 2000. This agreement provides for Deutsche Telekom to take a 50.1 % stake in debis Systemhaus in the course of a capital increase amounting to approximately EUR 5.3 billion. This represents a massive expansion of Deutsche Telekom's strategic pillar of data/IP/systems, making it the second largest systems house in Europe.

An agreement was concluded with Callahan Associates International LLC on May 18, 2000 for the sale of a 55 % stake in the broadband cable network regional company in Baden-Württemberg. The business hand-over is scheduled for January 1, 2001, subject to approval by anti-trust authorities.

Deutsche Telekom announced on May 25, 2000 that it will take over the 50 % stake in the Swiss telecommunications provider Multilink SA, based in Geneva, currently held by France Telecom Cables. This makes Deutsche Telekom the sole owner of this fixed-network company which offers innovative domestic and international telephone and data communications services.

Summary of the consolidated financial statements as at June 30, 2000

The financial statements of the Deutsche Telekom Group for the first half year of 2000 have been prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Law (Aktengesetz – AktG).

The Company provides uniform financial reporting to the extent possible by using accounting and valuation principles in line with those of U.S. GAAP (generally accepted accounting

principles – GAAP) applicable at the balance sheet date, provided options exist under German GAAP (principally as laid down in the HGB) to permit such an approach. The contents of these consolidated financial statements differ from financial statements prepared in accordance with U.S. GAAP only in those instances where the requirements of the HGB cannot be conformed to U.S. GAAP. These differences between German GAAP and U.S. GAAP are shown in a separate reconciliation.

Consolidated statement of income	1 st half year 2000 millions of €	1 st half year 1999 millions of €	Change in %	Total 1999 millions of €
Net revenue	19,213	16,758	14.6	35,470
Changes in inventories and other own capitalized costs	354	454	-22.0	947
Total operating performance	19,567	17,212	13.7	36,417
Other operating income	6,513	864	653.8	1,871
Goods and services purchased	(5,518)	(3,040)	81.5	(7,667)
Personnel costs	(4,679)	(4,603)	1.7	(9,210)
Depreciation and amortization	(4,932)	(3,959)	24.6	(8,466)
Other operating expenses	(4,719)	(2,948)	60.1	(6,872)
Financial income (expense), net of which: net interest expense	(1,195) (1,128)	(1,466) (1,308)	-18.5 -13.8	(2,889) (2,546)
Results from ordinary business activities	5,037	2,060	144.5	3,184
Extraordinary income (losses)	(132)	(198)	-33.3	(240)
Taxes	(474)	(790)	-40.0	(1,420)
Income after taxes	4,431	1,072	313.3	1,524
(Income) losses applicable to minority shareholders	(84)	(121)	-30.6	(271)
Net income	4,347	951	357.1	1,253
Earnings per share in €	1.44	0.35	311.4	0.43

Consolidated balance sheet	June 30, 2000 millions of €	Dec. 31, 1999 millions of €	Change in %	June 30, 1999 millions of €
Assets				
Noncurrent assets	89,757	81,983	9.5	67,273
Current assets ¹⁾	20,003	12,654	58.1	21,257
	109,760	94,637	16.0	88,530
Shareholders' equity and liabilities				
Shareholders' equity	38,342	35,689	7.4	34,079
Liabilities ²⁾	71,418	58,948	21.2	54,451
	109,760	94,637	16.0	88,530

¹⁾ Including prepaid expenses, deferred charges and deferred taxation.

²⁾ Including accruals and deferred income.

Consolidated statement of cash flows	1 st half year 2000 millions of €	1 st half year 1999 millions of €	Change in %	Total 1999 millions of €
Net cash provided by operating activities	4,389	4,580	-4.2	9,588
Net cash used for investing activities	(10,580)	(9,182)	15.2	(18,684)
Net cash provided by (used for) financing activities	9,023	6,035	-	7,965
Effect of foreign exchange rate changes on cash and cash equivalents	(12)	(44)	-	(55)
Net increase (decrease) in cash and cash equivalents	2,820	1,389	103.0	(1,186)

Segment information by group business area for the 1 st half year 2000 in accordance with SFAS 131	Net revenue		Revenue between segments		Depreciation and amortization		Net interest expense		Income (loss) related to associated and related companies ¹⁾		Income before taxes	
	1 st half year 2000		1 st half year 2000		1 st half year 2000		1 st half year 2000		1 st half year 2000		1 st half year 2000	
	1 st half year 1999		1 st half year 1999		1 st half year 1999		1 st half year 1999		1 st half year 1999		1 st half year 1999	
	millions of €		millions of €		millions of €		millions of €		millions of €		millions of €	
Network communications	7,612	8,479	386	358	(1,926)	(2,109)	(288)	(585)	-	-	881	1,321
Carrier services	1,790	1,267	580	306	(477)	(255)	(52)	(65)	-	-	(1)	368
Data communications	1,632	1,311	395	264	(455)	(386)	(61)	(94)	-	-	95	125
Mobile communications ²⁾	4,056	2,018	609	516	(995)	(263)	(621)	(95)	3	(12)	(1,057)	343
Broadcasting and broadband cable	1,017	924	17	80	(403)	(439)	(140)	(185)	-	-	23	(132)
Terminal equipment	541	601	138	98	(107)	(98)	(14)	(27)	-	-	(38)	(1)
Value-added services	886	935	178	137	(101)	(110)	(12)	(30)	-	-	(13)	(19)
International ²⁾	944	717	8	7	(201)	(128)	(79)	(71)	4	2	71	150
Other segments	679	471	1,180	799	(246)	(162)	112	(164)	86	(140)	5,139	(279)
Reconciliation	56	35	(3,491)	(2,565)	(21)	(9)	27	8	(160)	(8)	(195)	(14)
Group	19,213	16,758	-	-	(4,932)	(3,959)	(1,128)	(1,308)	(67)	(158)	4,905	1,862

¹⁾ As from the first half year of 2000, the income (loss) related to associated and related companies attributable to the individual segments is shown under the segments concerned. Prior year figures have been adjusted accordingly.

²⁾ 1999 figures have been adjusted to reflect the 2000 reporting structure. One 2 One and max.mobil. are included in the mobile communications segment as from the first quarter of 2000 instead of international business.

Changes in the composition of the Deutsche Telekom Group

Deutsche Telekom acquired shareholdings in various German and foreign companies last year and this year which were not included in the consolidated financial statements at June 30, 1999. The most important of these are One 2 One, SIRIS, Eurobell, TeleCash and Club Internet. In order to allow a more

accurate comparison with the financial statements as at June 30, 1999, the following shows separately the effects of these new acquisitions on the consolidated statement of income of June 30, 2000.

Effects of new acquisitions made after June 30, 1999 on the consolidated statement of income

	millions of €
Net revenue	1,462
Changes in inventories and other own capitalized costs	30
Other operating income	50
Goods and services purchased	(743)
Personnel costs	(167)
Depreciation and amortization	(766)
Other operating expenses	(542)
Financial income (expense), net	(177)
Results from ordinary business activities	(853)
Taxes	0
Income (loss) after taxes	(853)
(Income) losses applicable to minority shareholders	16
Net income (loss)	(837)

Revenue

	1 st half year 2000 millions of €	1 st half year 1999 ¹⁾ millions of €	Change in %	Total 1999 ¹⁾ millions of €
Network communications	7,612	8,479	-10.2	16,737
Carrier services	1,790	1,267	41.3	2,884
Data communications	1,632	1,311	24.5	2,828
Mobile communications	4,056	2,018	101.0	5,274
Broadcasting and broadband cable	1,017	924	10.1	1,917
Terminal equipment	541	601	-10.0	1,207
Value-added services	886	935	-5.2	1,903
International	1,000	752	33.0	1,598
Other services	679	471	44.2	1,122
Total	19,213	16,758	14.6	35,470

¹⁾ Net revenue shown under 1999 has been adjusted to reflect the 2000 reporting structure. The revenue and results of One 2 One and max.mobil. are included in mobile communications as from the first quarter of 2000.

Net revenue of the Deutsche Telekom Group totaled EUR 19,213 million in the first six months of 2000. This represents an increase of 14.6 % over the same period last year. This growth was generated on the one hand by increases in Deutsche Telekom's traditional growth areas and, on the other hand, strong revenue drivers have joined the Group as a result of specific acquisitions over the past year. The changes in the composition of the Deutsche Telekom Group since June 30, 1999 (in particular One 2 One, SIRIS and Club Internet) have contributed a total of EUR 1,462 million to Group revenue. The revenues of One 2 One, for example, are shown under mobile communications and those of Club Internet under other services.

Revenue growth in mobile communications was above average. This is partly attributable to the subsidiaries newly acquired in 1999. T-Mobil also recorded consolidated revenue growth of approximately EUR 0.5 billion (+28.7 %). This is primarily due to the strong growth in the number of mobile communications subscribers. Revenue from other services in-

creased by 44.2 %. This was due in part to the strong revenue growth at T-Online (consolidated +58.5 %). Revenue in data communications increased by 24.5 %. The increase in revenue from international business is attributable not only to the increased revenue from MATAV, but also to the first-time consolidation of SIRIS.

Revenue from network communications, still Deutsche Telekom's largest source of revenue, decreased by 10.2 % or EUR 867 million compared with the same period last year. This is due in part to the price cuts for international and domestic long-distance calls implemented since June 30, 1999 and to a decrease in the number of call minutes for domestic and international fixed-network calls. This decrease was not compensated by the strong growth in the number of call minutes between the fixed network and the mobile networks. The continued successful marketing of ISDN access lines made a positive contribution. The number of access lines increased by 14.7 % compared with December 31, 1999 and 30.7 % compared with June 30, 1999.

Personnel

Personnel costs	1 st half year 2000 millions of €	1 st half year 1999 millions of €	Change in %	Total 1999 millions of €
Wages and salaries	3,538	3,273	8.1	6,520
Social security contributions and expenses for pension plans and benefits	1,141	1,330	-14.2	2,690
Total	4,679	4,603	1.7	9,210

Personnel costs in the first half of 2000 were 1.7 % higher than in the same period last year. This is attributable in particular to the changes in the composition of the Deutsche Telekom Group and the resulting increase in the number of employees. This increase was offset by a reduction in the number of employees in other areas of the Group. Furthermore, the increase in wages and salaries is due in part to age-related salary increases, the collectively agreed wage and salary increases from April 1, 1999 and April 1, 2000, and the review of salaries

in some areas to bring them in line with market conditions. In contrast to the development of wages and salaries, social security contributions decreased, mainly as a result of a change in the annual payment of contributions to the Telekom Pensions Service (special civil servant pension fund). The payment of contributions, which was fixed until and including 1999 at EUR 1.5 billion p. a., is set from 2000 at 33 % p. a. of the gross remuneration of active civil servants and those on unpaid leave.

Average number of employees	1st half year 2000 Number	1st half year 1999 Number	Change in %	Total 1999 Number
Civil servants	67,931	80,348	-15.5	76,223
Salaried employees	87,178	73,907	18.0	77,991
Wage earners	40,671	40,073	1.5	43,792
Deutsche Telekom Group	195,780	194,328	0.7	198,006
Trainees/student interns	6,335	5,894	7.5	6,354

Number of employees at balance sheet date	June 30, 2000 Number	Dec. 31, 1999 Number	Change in %	June 30, 1999 Number
Civil servants	66,105	71,123	-7.1	78,478
Salaried employees	89,573	83,215	7.6	74,325
Wage earners	39,970	41,450	-3.6	39,243
Deutsche Telekom Group	195,648	195,788	-0.1	192,046
Trainees/student interns	5,815	7,480	-22.3	5,570

The number of employees (adjusted to reflect full-time jobs and excluding trainees and student interns) decreased by 0.1 % compared with December 31, 1999 to 195,648 as at

June 30, 2000. The marked increase in Group revenue generated with a practically constant number of employees led to a considerable increase in revenue per employee.

Depreciation and amortization

	1st half year 2000 millions of €	1st half year 1999 millions of €	Change in %	Total 1999 millions of €
Depreciation and amortization	4,932	3,959	24.6	8,466

Depreciation and amortization increased considerably in the period under review compared with the first six months of 1999. This is attributable to two factors. The companies newly acquired in 1999 contributed EUR 766 million to this increase. Of this, EUR 472 million relates to the amortization of goodwill, mainly from the acquisition of One 2 One. There were non-scheduled write-downs amounting to EUR 383 million in the

outside plant network on parts of the old network architecture resulting from the accelerated conversion to fiber-optic technology. These effects were compensated in part by the lower total level of other scheduled depreciation and amortization. Overall, depreciation and amortization increased by EUR 973 million compared with the first six months of 1999.

Changes in net income

The Group's results from ordinary business activities in the first six months of 2000 increased by EUR 2,977 million over the same period in 1999. This development was influenced by various factors. The companies newly consolidated since June 30, 1999 reduced the results from ordinary business activities by EUR 853 million. The increase in revenue of EUR 1,462 million resulting from the changes in the composition of the Deutsche Telekom Group was offset by increased expenses for goods and services purchased (EUR 743 million), personnel costs (EUR 167 million) and other expenses and income. Furthermore, net financial expense increased, mainly as a result of financing costs for One 2 One amounting to EUR 177 million. Depreciation and amortization also increased by a total of EUR 766 million, primarily due to the amortization of goodwill for One 2 One.

Goods and services purchased increased significantly compared with the first six months of 1999. This is attributable in

part to the afore-mentioned effect from the newly consolidated companies. The main influencing factor behind this increase, however, is the increased expense for the termination of calls in the networks of other domestic and foreign competitors and the increased use of goods in the mobile communications group business area. Income from specialized securities funds had a positive effect on financial expense.

Besides the effects of the changes in the composition of the Deutsche Telekom Group, the 2000 half-year financial statements also include special influences. The following factors had a positive effect on the results from ordinary business activities: Other operating income includes the proceeds of the sale of the stake in Global One (EUR 2,864 million) and the proceeds from attracting new shareholders in the course of the T-Online initial public offering (EUR 2,657 million). Operating expenses increased by a total of EUR 824 million as a result of the losses from the disposal of noncurrent as-

sets (EUR 430 million) and increased additions to accruals (EUR 394 million). Furthermore, compared with the first half of 1999, nonscheduled write-downs amounting to EUR 383 million were made in the first half of 2000 on long-distance cables which were replaced by fiber-optic technology. Some of these special influences already had an effect on the results of the first three months of 2000.

Some of these special influences also have tax effects. Together with other effects which did not affect tax expense in the same way last year, the special influences reduce the level of tax expense by EUR 189 million.

	millions of €
Increase in revenue	2,455
Increase in goods and services purchased	(2,478)
Increase in personnel costs	(76)
Increase in depreciation and amortization	(973)
Changes in financial income (expense)	271
of which: changes in net interest expense	180
Changes in other income and expense items	3,778
Total changes to results from ordinary business activities	2,977

Share offering costs of EUR 132 million were included in extraordinary income (losses). The decrease in tax expense by a total of EUR 316 million compared with the first six months of 1999 is partly attributable to the tax reducing effects of EUR 189 million described above. Thus, net income of the

Group after extraordinary income (losses) amounted to EUR 4,347 million, EUR 3,396 million higher than in the same period in 1999.

Reconciliation of net income from German GAAP to U.S. GAAP

	1 st half year 2000 millions of €	1 st half year 1999 millions of €	Change in %	Total 1999 millions of €
Net income as reported in the consolidated financial statements under German GAAP	4,347	951	357.1	1,253
Personnel restructuring accrual	(36)	(61)	-41.0	(97)
Other differences	146	444	-67.1	601
Income taxes	(123)	(341)	-63.9	(244)
Net income in accordance with U.S. GAAP	4,334	993	336.5	1,513

As at June 30, 2000 shareholders' equity in accordance with U.S. GAAP amounted to EUR 44,744 million (Dec. 31, 1999: EUR 37,611 million).

Investments

	1 st half year 2000 millions of €	1 st half year 1999 millions of €	Change in %	Total 1999 millions of €
Intangible assets	10,593	939	1,028.1	14,036
Property, plant and equipment	3,140	1,934	62.4	5,093
Financial assets	1,817	2,012	-9.7	3,731
Total	15,550	4,885	218.3	22,860

Deutsche Telekom invested EUR 15,550 million in the first six months of 2000. Of the investments in intangible assets, EUR 6,978 million relates to communications licenses, in particular the UMTS license in the United Kingdom. A further EUR 3,566 million relates to the additions to goodwill, mainly

from the acquisition of additional shares in MATÁV, the purchase of MediaOne activities in Poland and Hungary and the acquisition of Club Internet. The increase in property, plant and equipment relates mainly to increases at Deutsche Telekom AG and One 2 One for the build-up and expansion of networks.

Financial liabilities

	June 30, 2000 millions of €	Dec. 31, 1999 millions of €	Change in %	June 30, 1999 millions of €
Debt	49,946	42,337	18.0	38,652
Net financial liabilities ¹⁾	41,284	37,362	10.5	23,700

¹⁾ Financial liabilities after deduction of liquid assets, marketable securities and other investments in noncurrent securities.

Debt increased in the first six months of 2000 by 18.0 % compared with December 31, 1999. In the same period, net financial liabilities increased by only 10.5 %. The growth in debt is related to the issue of Medium-Term Notes and the financing of the UMTS license in the United Kingdom. The cash

injection from the initial public offering of T-Online and the sale of shares in Global One had a positive effect. The issue of the global bond and its effects on debt will not be shown until the third quarter of 2000.

Cash flows

Net cash provided by operating activities

Net cash provided by operating activities in the first half of 2000 amounted to EUR 4,389 million. This represents a decrease of EUR 191 million compared with the same period in 1999. The Group's income after taxes increased by EUR 3,359 million, but this is attributable to a considerable extent to transactions which are shown under investing activities (the proceeds from the sale of Global One, EUR 2.9 billion) and financing activities (income from the initial public offering of T-Online amounting to approximately EUR 2.7 billion). By contrast, the Group's results are burdened by higher levels of depreciation and amortization and additions to accruals, which do not result in a cash outflow.

Net cash used for investing activities

Net cash used for investing activities increased compared with the first half of 1999 by EUR 1,398 million to EUR 10,580 million. Considerably more liquid assets were used for investing activities than one year ago. EUR 6,831 million was paid for the acquisition of the UMTS license in the United Kingdom alone. Furthermore, the expenditure for investments in technical equipment and machinery and construction in progress, as well as for the acquisition of additional shareholdings in other companies (Westel 450, Westel 900, PTC and max.mobil.) increased. Liquid assets were also used for financial investments with more than 3 months remaining to maturity (EUR 2,358 million). This was offset by cash inflows amounting to EUR 4,392 million, mainly from the sale of shares in Global One and other investments in noncurrent securities.

Net cash provided by (used for) financing activities

The first six months of 2000 saw an inflow of cash provided by financing activities of EUR 9,023 million compared with EUR 6,035 million in the same period of 1999. This is mainly the result of short-term borrowings and the initial public offering of T-Online (EUR 3,080 million). Cash outflow from the payment of dividends (EUR 1,905 million) had an offsetting effect.

Bonn, August 2000
Deutsche Telekom AG

Board of Management

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Investors and security holders are advised to read the proxy statement/prospectus regarding the business combination transaction referenced in these materials, when it becomes available, because it will contain important information. The proxy statement/prospectus will be filed with the Securities and Exchange Commission (SEC) by Deutsche Telekom AG and Voicestream Wireless Corporation. Security holders may obtain a free copy of the proxy statement/prospectus (when available) and other related documents filed by Deutsche Telekom and Voicestream Wireless Corporation at the Commission's website or at the SEC's public reference room located at 450 Fifth Street, NW, Washington D.C. 20549 or at one of the SEC's other public reference rooms in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. When available, the proxy statement/prospectus and the other documents may also be obtained from Deutsche Telekom by contacting Deutsche Telekom AG, Attention: Petra Michalscheck, 140 Friedrich-Ebert-Allee, 53113 Bonn, Germany, and/or Deutsche Telekom Inc., Attention: Brigitte Weniger, 280 Park Avenue, 26th Floor, New York, New York 10017.

The German version of this Report is legally binding.