

The 1999  
financial year

# T-Share. A record year.

**The T-Share\* clearly outperformed Germany's official share price index, the DAX. With an annual growth of 153 percent, the T-Share sailed to the top of the 30 DAX enterprises. Deutsche Telekom again proved itself a front-runner in the capital market with successful placement of 280.7 million new T-Shares during its capital increase in June. For the first time in Europe, private investors throughout the euro-trading countries were able to purchase the new T-Share on the same terms in their respective home country.**

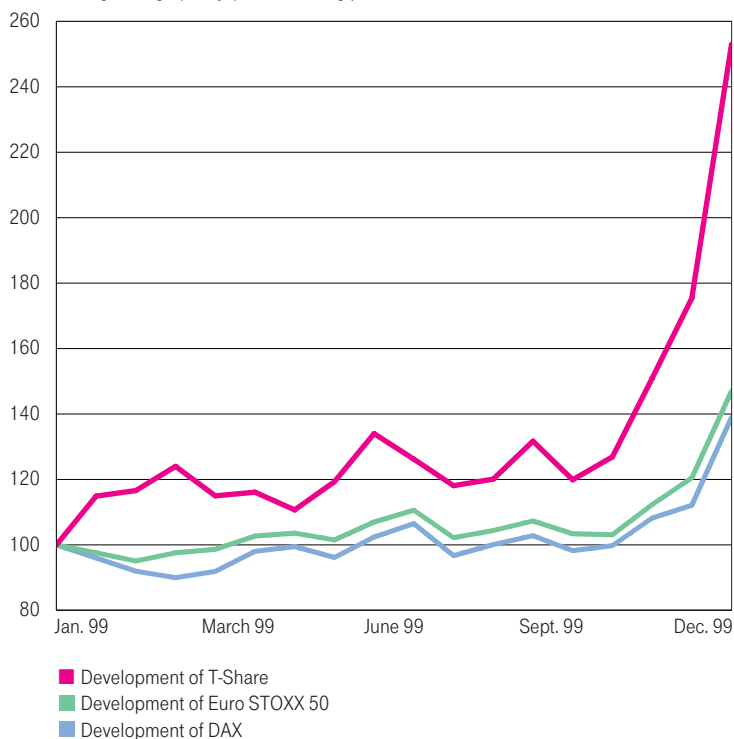
**The T-Share development.** The T-Share started with a closing price of EUR 32.11 in Xetra at the end of the first day of trading in 1999. On January 13, it reached its lowest point of the year at EUR 31.35. Development during the following months moved in line with the overall market trends – as represented by the DAX and Euro STOXX 50 indices. However, from October onwards, the T-Share successfully bucked the trend and achieved an outstanding price increase by year-end, reaching a historical high of EUR 71 on the last day of trading. The T-Share made comparable progress over other telecoms and high-tech shares that also reacted positively in light of future growth trends. In the year under review, the DAX rose by approximately 39 %, closing at 6 958 compared with 5 007 at the end of 1998. The market was characterized by a relatively diffident trend until October, followed by a sharp rise in the last two months of the year. A similar trend was recorded by Euro STOXX 50, which jumped almost 47 percent from 3 342 to 4 904. The Euro STOXX 50 is composed of 50 major companies within the European trading countries and, last year, became the major benchmarking instrument for the European stock market.

With a closing price of EUR 71, Deutsche Telekom was able to record a market capitalization of EUR 215 billion at year-end, representing a 180-percent growth rate over EUR 77 billion at the end of 1998. (This was calculated by using the lower number of shares prior to the capital increase in June 1999.) In terms of market capitalization, Deutsche Telekom became the most valuable company in Germany, and the second largest in Europe. The company is ranked number three among the world's most valuable telecoms companies, and now leads the field of carriers in Europe and the U.S. Excellent headway was also made in T-Shares' trading volume over the year: an average of 17.7 million shares changed hands each day, an increase of 61 percent over the previous year.

\* T-Share is the translation of the German "T-Aktie", our Deutsche Telekom share.

**T-Share as compared to Euro STOXX 50 and DAX between January 1, 1999 and December 30, 1999.**

Sliding average (7 days). Xetra closing prices indexed.



In terms of value, T-Shares worth an average of EUR 745.5 million were traded every day, almost tripling the previous year's figure. This means that each of the widely held 1 billion T-Shares was – theoretically speaking – bought or sold 4.5 times on average in the past year.

The shareholders' meeting will propose a dividend of EUR 0.62 (DM 1.21)

**T-Share as investment.** Beyond the extremely positive trend since its IPO, the T-Share has been a good investment, especially for private investors. Private investors taking advantage of the volume of T-Shares offered on preferential terms in November 1996 – 300 shares with the right to purchase loyalty shares at a reduced price of DM 28 – and whose investment was worth DM 8,400 (EUR 4,295) had a gain of 470 % amounting to DM 48,200 (EUR 24,640) at year-end. This total includes 30 loyalty shares allotted to the 300 shares on fulfillment of the relevant conditions and – in line with the DAX calculation methods as well as reinvestment of dividends. An investor putting the same initial amount into a DAX depot as per November 18, 1996 would have had a gain of 150 % amounting to around DM 21,150 (about EUR 10,800) at the end of 1999. Investing the same amount in a Euro STOXX 50 depot – with an increase of about 180 percent – would have amounted to DM 23,300 (about EUR 11,900).

**T-Share captures Europe's capital market.** With its second flotation in June 1999, Deutsche Telekom continued the T-Share's success story. A total of 280.7 million shares were purchased by investors in Germany and abroad. The proceeds from the second flotation totaled some EUR 10.6 billion. With applications submitted for around 500 million shares, the planned total share volume for placement with investors was twice oversubscribed. The demand from about 2.25 million private investors would alone have sufficed to place the entire

transaction. To meet the strong demand from this group, private investors in Germany and the Euro states were assigned about 62 percent of the shares available in the second flotation.

Deutsche Telekom not only has the largest number of private shareholders in Germany but is also worldwide the company with the most investors outside its home market. More than 500,000 private investors in Italy, around 50,000 in Spain, some 30,000 in France and over 20,000 in the Netherlands acquired T-Shares during the second flotation making the T-Share the first genuine "euro share".

Some 112,000 Deutsche Telekom employees (over 55 percent of the entitled employees) applied for 5.9 million shares under the employee share ownership plan. The new T-Shares in the world's largest capital increase were issued on June 28, 1999 at a price of EUR 39.50. Investors who exercised subscription rights to purchase shares and private investors in all the euro states who had placed their orders during the early order phase were granted a EUR 2 price discount. In addition, investors acquiring shares at a reduced price under the terms of this offer will be allotted loyalty shares following expiry of a holding deadline on August 30, 2000 at the rate of one new share per every ten shares held without interruption since issuance in June 1999.

**Bonus for shareholder loyalty.** Loyalty shares for the first stock flotation in November 1996 were allotted in October 1999 on the basis of the shareholder status on September 30. Of the shares initially issued to private investors on appropriate terms, around 44 percent were found still to be in shareholder depots on the set date. Including those issued to participants under the employee share ownership plan, around 12.5 million loyalty shares were thus distributed over some 850,000 depots in October 1999.

**Shareholder structure.** Resulting from the capital increase in June, when the total authorized capital was fully utilized/exercised, Deutsche Telekom's share total rose to around 3.03 billion shares. Of this total volume, the Federal Republic of Germany directly holds some 43 percent. Another 22 percent of the Deutsche Telekom shares are held by the Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation), which acquired its shares from the Federal Republic of Germany. France Telecom has approximately 2 percent of the shares in the company. The remaining shares are held by private investors (15 percent) and institutional investors (18 percent) inside and outside Germany.

**2000 – A stock market year.** Similar to 1996 and 1999, the year 2000 will be another stock market year for Deutsche Telekom. Under the motto T<sup>3</sup>, Deutsche Telekom is again positioned to make financial history in 2000. The year will not only see the listing of T-Shares held by the Kreditanstalt für Wiederaufbau but also the listings of T-Online International AG and T-Mobile International AG. At the start of the new millennium, we are offering a real stock market innovation: the T-Share Family. With the T-Share and two subsidiaries going public, the first brand family is appearing on the German stock market.

**Introduction of registered stock.** Since January 24, 2000, the T-Share has been listed as registered share. Introduction of the requisite share register enables Deutsche Telekom to enter into closer, more direct dialog with its shareholders than is the case with bearer shares. As its shareholders' names are known, company information can be sent directly to shareholders without having to use third parties.

**Stronger focus on shareholder value.** By introducing a stock option plan for its top management, Deutsche Telekom plans to focus even more strongly on shareholder value within the company. Issuing stock options is a key component of today's remuneration schemes for top management and extremely common throughout the international business world. The goal of the stock option plan is to tie company employees even more closely to creating corporate value and the share price. The stock option plan will be presented for approval at the shareholders' meeting.

#### Highest and lowest prices of T-Share in 1999

(Xetra closing prices)	High	Low
1 <sup>st</sup> quarter 1999	43.54 €	31.35 €
2 <sup>nd</sup> quarter 1999	45.14 €	34.21 €
3 <sup>rd</sup> quarter 1999	43.29 €	37.00 €
4 <sup>th</sup> quarter 1999	71.00 €	38.24 €

#### Index weightings – March 9, 2000

MSCI EMU	7.74 %
DAX 30	22.66 %
DJ Euro STOXX 50	10.08 %

#### 1999 T-Share figures

Consolidated net income	0.41 € per share
Consolidated net income*	0.43 € per share
Net cash provided by operating activities	3.16 € per share
Net cash provided by operating activities*	3.32 € per share
Earnings per share	0.41 € per share
Earnings per share (U.S. GAAP)*	0.55 € per share
Dividend proposal	0.62 € per share
Shareholder's equity	11.78 € per share

No. of T-Shares issued (millions)	3,030
Market Cap. (year-end)	215.1 € bn

\*Based on weighted average number of ordinary shares outstanding (2,884 million shares).

#### Stock exchange listings

Germany (all stock exchanges)
New York (NYSE)
Tokyo (TSE)

**Pro-active communication and reporting.** Our investor relations policy is one of regular, open communications with shareholders and other participants in the capital market. Our goal is to provide detailed reliable information, enabling investors and the financial community to make a fair assessment of the T-Share in the capital market. One new feature in reporting is the timely announcement of quarterly figures based on preliminary calculations. Ongoing discussions have taken place with investors and analysts about the position and strategy of the Deutsche Telekom Group. We met and fully briefed our major investors at five roadshows in Europe, Asia and the United States. In addition to these efforts, we again organized analysts meetings at our company headquarters. Our analysts responded extremely positively to the analysts' meeting held at CeBIT in Hanover, where participants had the opportunity to gain a comprehensive overview of the latest developments in our services and product portfolio.

Deutsche Telekom also focuses its efforts on meeting the needs of its 2.25 million private investors. Mailshots are used to regularly inform private investors, who are participating in the "Forum T-Aktie" (FTA), about the latest corporate developments. Investor Relations is supported by the FTA Call Center, which has been set up to deal with private investor inquiries.