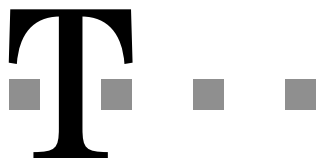


Deutsche Telekom
Group Report
January 1 to September 30, 2000



Highlights

- **Planned acquisition of the U.S. mobile carrier Powertel to make a major contribution to the nationwide coverage of the U.S. mobile communications market**
- **Deutsche Telekom and One 2 One agree credit lines with a total equivalent value of EUR 18 billion with bank consortium**
- **Ya.com acquisition enables T-Online to enter Spanish and Portuguese Internet markets.**
- **Continued strong subscriber growth in mobile communications, T-Online and ISDN**
- **Federal Cartel Office approves Deutsche Telekom's acquisition of a majority shareholding in debis Systemhaus without imposing any restrictions**
- **T-Mobile International acquires UMTS license in the Netherlands and stake in Dutch mobile carrier BEN for approximately EUR 1 billion**
- **max.mobil. acquires UMTS license in Austria for approximately EUR 170 million**
- **Deutsche Telekom shareholders receive approximately 10 million bonus shares**
- **Revenue growth of 14–15 % expected for year 2000**

Ladies and Gentlemen, Dear Shareholders,

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

The first nine months of 2000 were marked by strong performance in the first quarter for the shares of European telecommunications companies (T-Share high EUR 103.5),

followed in the second quarter by a massive correction (T-Share on June 30, 2000: EUR 59.8) and a continuation of the downwards trend in the third quarter (T-Share on September 29, 2000: EUR 39.0). Overall, the share price at the end of the period under review was at roughly the previous year's level (September 30, 1999: EUR 39.2).

Business developments

Group revenues in the first nine months of 2000 increased by 14.3 % compared with the same period last year to EUR 29.2 billion, taking into account the first-time consolidation of One 2 One, SIRIS and Club Internet. Excluding the result of these newly consolidated companies, revenues increased by 5.4 %. The decrease in network communications revenue, which resulted primarily from additional price cuts by the Company, was clearly offset by the growth in mobile communications, carrier services, data communications, as well as at T-Online. Group revenues generated by the newly consolidated companies amounted to approximately EUR 2.3 billion.

The first nine months of 2000 were highlighted by continued exceptional subscriber growth in mobile communications and at T-Online. As of September 30, 2000, 26.5 million mobile subscribers were served by majority-owned companies, representing an increase of 10.8 million subscribers since December 31, 1999. The number of subscribers more than doubled compared with the same period last year. T-D1 subscribers increased by 7.0 million to 16.1 million in the period from December 31, 1999 to September 30, 2000. This represents a growth of 77 % compared with December 31, 1999 and 109 % compared with September 30, 1999. T-Online also gained 2.8 million new subscribers in the first nine months of 2000, including Club Internet (0.5 million) and Ya.com

(0.5 million). This represents an increase of 67 % compared with December 31, 1999. In only one year, the online service has also almost doubled its number of subscribers and advanced its position as the largest Internet provider in Europe in terms of subscribers.

Furthermore, 2.9 million new ISDN channels have been activated since the end of 1999, which is an increase of 22 %. This growth comes equally from residential customers and business customers, the latter including small and medium-sized enterprises. With a total of 16.2 million ISDN channels in operation, Deutsche Telekom is the world's leading provider of digital access. Deutsche Telekom plans to offer advanced T-DSL broadband access to 60 % of the German population by the end of 2000. More than 500,000 access lines will be marketed by the end of the year. The number of call minutes carried on Deutsche Telekom's fixed network increased to 163.7 billion, or by 18.1 %, compared with the first nine months of 1999 (138.6 billion). Considerable growth in other services, particularly at T-Online, and in fixed-to-mobile calls was partially offset by a lower level of call minutes from domestic local and long-distance, and international calls. However, the revenue reductions resulting from the price cuts could not be completely compensated for by the growth in the number of call minutes.

Numbers of customers in selected services	Sept. 30, 2000	Dec. 31, 1999	Sept. 30, 1999	Changes	
				Sept. 30, 2000 to Dec. 31, 1999	Sept. 30, 2000 to Sept. 30, 1999
	millions	millions	millions	in %	in %
Mobile phone subscribers (excl. T-C-Tel)	26.5	15.7	13.1	69	102
of which: T-D1	16.1	9.1	7.7	77	109
of which: One 2 One	7.1	4.2	3.3	69	115
of which: max.mobil.	1.9	1.5	1.3	27	46
of which: Westel ¹⁾	1.4	0.9	0.8	56	75
T-Online subscribers	7.0 ²⁾	4.2	3.6	67	94
Telephone lines (incl. ISDN channels)	48.9	47.8	47.4	2	3
of which: ISDN channels	16.2	13.3	12.4	22	31
of which: residential customers ³⁾	7.6	6.0	5.4	27	41
of which: business customers ³⁾	8.6	7.3	7.0	18	23

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

²⁾ Including Club Internet and Ya.com.

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

For the first nine months of 2000, Deutsche Telekom's net income was EUR 8,445 million. Net income benefited from a range of factors, principally from the tax-free sale of the Company's stake in Global One (EUR 2,864 million) in the first quarter, the income-related effects of the initial public offering of T-Online (EUR 2,657 million) in the second quarter, and the tax-free sale of its shareholding in the Italian company Wind (EUR 2,328 million). In addition to these factors, net income was affected by the sale of stakes in the North Rhine-Westphalia and Hesse broadband cable companies (55 % and 65 %, respectively) totaling EUR 2,964 million before taxes as well as stock market flotations of comdirect and Deutsche Telekom's Russian mobile communications affiliate MTS, which amounted to approximately EUR 218 mil-

lion in the third quarter. These measures resulted in a tax expense of EUR 938 million, which relates entirely to the broadband cable sale proceeds.

Negative factors affecting results included, in the first quarter, losses from the disposal of non-current assets and an increase in additions to accruals (total of EUR 613 million) and nonscheduled write-downs of EUR 383 million associated with the replacement of portions of the legacy network with advanced fiber-optic technology. Furthermore, additions to accruals of EUR 213 million and further nonscheduled write-downs of EUR 588 million were made in the second and third quarters. These negative factors reduced the tax burden by EUR 556 million.

**EBITDA¹⁾
comparison
(unadjusted):**

	1 st quarter 2000 margin in %	2 nd quarter 2000 margin in %	1 st half 2000 margin in %	3 rd quarter margin in %	1 st -3 rd quarter 2000 margin in %
Network communications	38,6	43,0	40,7	44,1	41,8
Carrier Services	22,3	36,7	29,5	55,1	39,6
Data communications	35,2	39,3	37,4	39,6	38,2
Mobile communications ²⁾	21,8	7,7	14,3	23,1	17,5
Broadcasting and broadband cable	61,7	50,5	55,7	771,3	263,1
Terminal equipment	23,4	7,1	15,3	6,3	12,7
Value-added services	13,3	9,3	11,3	3,1	8,4
International ²⁾	31,9	41,4	36,8	36,2	36,6
Other Segments	732,2	837,9	779,8	-2,2	533,1
Group	59,2	57,0	58,1	65,6	60,7

¹⁾ Earnings before interest, taxes, depreciation and amortization, also excluding extraordinary losses.

²⁾ The International segment includes MATÁV, SIRIS and Eurobell. One 2 One and max.mobil. are included in the mobile communications segment as from the first quarter of 2000.

The EBITDA margins are reported unadjusted. As a result, they benefit from the sales of shareholdings in other companies as well as proceeds from stock market flotations and may be negatively impacted by the losses from disposal of non-current assets and additions to accruals. In the first nine months of 2000 EBITDA amounted to EUR 17.7 billion reflecting an approximately EUR 6.5 billion increase over the same period last year. The EBITDA margin in the first nine months of 2000 was 60.7 % compared with 58.1 % for the first six months.

The EBITDA margin trend in mobile communications was positive, increasing to 23.1 % in the third quarter compared with 7.7 % in the second quarter. The improvement in the EBITDA margin is mainly attributable to the reduction in subscriber acquisition costs in the prepaid sector. EBITDA from mobile communications for the first nine months of 2000 was EUR 1,126 million compared with EUR 580 million for

the first six months. The EBITDA margin in network communications improved in the third quarter to 44.1 % compared with 43.0 % in the second quarter. The sale of non-current assets only had a considerable effect on the EBITDA margin in network communications in the first quarter. The cumulative EBITDA was EUR 4,671 million for the nine-month period.

The EBITDA margin in broadcasting and broadband cable was very heavily influenced by the sale of shareholdings in the broadband cable regions North Rhine-Westphalia and Hesse. EBITDA in this segment was EUR 3,767 million after the first nine months. The EBITDA margin in the other segments was attributable to the sale of Global One in the first quarter and the initial public offering of T-Online in the second. The EBITDA margin in the other segments was EUR 5,288 million for the nine-month period.

Highlights and outlook

VoiceStream Wireless Corporation, the U.S. mobile carrier which Deutsche Telekom AG has agreed to acquire, and Powertel, Inc. announced on August 28, 2000, that they have entered into a definitive agreement for VoiceStream Wireless to acquire Powertel. The proposed transaction will substantially expand VoiceStream's GSM mobile coverage in the Southeastern United States. To facilitate the combination of the three companies, Deutsche Telekom and Powertel have entered into a separate definitive agreement for Deutsche Telekom to acquire Powertel. According to this agreement, the Powertel shareholders will receive 2.6353 Deutsche Telekom shares for each share of Powertel common stock, subject to certain adjustments. In the case that VoiceStream is not acquired by Deutsche Telekom AG, Powertel would be acquired by VoiceStream.

On September 6, 2000, Deutsche Telekom acquired shares in VoiceStream in the form of preferred stock with a value of US\$ 5 billion. These funds are available to VoiceStream to accelerate its nationwide build-out, purchase additional spectrum, upgrade its network and services, and participate in U.S. wireless license auctions. The proposed Deutsche Telekom/VoiceStream merger and this investment will enable VoiceStream to launch additional markets, expand its existing networks, and widen its offering of services in its existing markets. Deutsche Telekom expects the closing of the Deutsche Telekom/VoiceStream merger to take place during the first half of 2001, following receipt of all required approvals.

Deutsche Telekom and VoiceStream announced on September 7, 2000, the expiration of the waiting period for their definitive merger agreement under the American Hart-Scott-Rodino Antitrust Improvements Act of 1976. The U.S. Department of Justice clearance, under Hart-Scott-Rodino, is the first step in the U.S. regulatory review of the transaction. The transaction remains subject to U.S. regulatory approvals and clearances, including by the Federal Communications Commission and the multi-agency Committee on Foreign Investment in the United States (CFIUS), approval by VoiceStream shareholders, and customary closing conditions.

Deutsche Telekom has agreed credit lines with an international consortium of banks valued at approximately EUR 12 billion. These credit lines have been arranged to finance general corporate purposes and also serve as back up lines for Deutsche Telekom's global US\$ commercial paper program. An additional £ 3.5 billion credit line had been secured for Deutsche Telekom's mobile communications subsidiary One 2 One in the United Kingdom to refinance debt and to be used for general corporate purposes, such as the expansion of UMTS services.

On September 4, 2000, Deutsche Telekom acquired a 92.66 % stake in the Spanish online service provider Ya.com Internet Factory S.A. The transaction closed on October 23, and was financed with 15.25 million T-Online shares from a capital increase and EUR 100 million in cash. The acquisition of Ya.com positions T-Online as the second largest portal on the Iberian peninsula with approximately half a million subscribers.

For shares acquired in the course of Deutsche Telekom's capital increase in June 1999 ("DT2"), retail investors in Germany and abroad received approximately 10 million bonus shares, currently worth over EUR 400 million, upon expiry of the bonus share holding period on August 31, 2000.

On September 20, 2000, the Federal Cartel Office approved Deutsche Telekom's acquisition of a majority shareholding of 50.1 % in debis Systemhaus without imposing any restrictions. Other units of Deutsche Telekom will be combined with the debis Systemhaus joint venture to form the future T-Systems strategic pillar, which provides international business customers with integrated telecommunications and information technology (IT) services. As the second largest IT systems enterprise in Europe, the company is well prepared for strong anticipated growth in demand for industry-specific integrated telecommunications and information technology solutions. debis Systemhaus will be included in the consolidated financial statements for the first time in the fourth quarter of 2000.

After obtaining a UMTS license in the Netherlands, T-Mobile International acquired a stake of 50 % minus one share in the Dutch mobile carrier BEN Nederland BV on October 5, 2000. The investment in BEN, including the T-Mobile stake in the "3-G Blue" consortium and T-Mobile's share of the UMTS license fees in the Netherlands, amounts to approximately EUR 1 billion. BEN will benefit from the experience and expertise of its partners T-Mobile, Belgacom and TeleDanmark in launching its UMTS network and marketing its innovative mobile Internet services.

In addition to T-Mobile's acquisition of UMTS licenses in the United Kingdom, Germany and the Netherlands, T-Mobile's Austrian subsidiary max.mobil. acquired a UMTS license in Austria for EUR 170 million. Equipped with this frequency range, max.mobil. will be able to offer its customers advanced mobile multimedia services at transmission rates of up to 2 Mbit/s.

For the current financial year, Deutsche Telekom expects revenue growth between 14 % and 15 % compared to 1999. The anticipated increase in revenues is being driven by the continued growth in mobile communications, data communications, carrier services, international business and other business units (in particular T-Online). This trend will be enhanced in the fourth quarter by the first-time consolidation of debis Systemhaus. In addition, net income will be positively affected by the factors already mentioned. The EBITDA margin in mobile communications may temporarily decrease in the fourth quarter compared with the third quarter due to the expected strong subscriber growth resulting from the Christmas demand. We plan to announce preliminary results for the entire 2000 financial year on January 23, 2001.

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

The financial statements of the Deutsche Telekom Group are prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Law (Aktiengesetz – AktG).

It is Deutsche Telekom's intention to harmonize reporting according to German GAAP and U.S. GAAP (generally accepted accounting principles – GAAP) through the extensive application of the principles of U.S. GAAP. This limits the remaining differences in the results and the shareholders' equity, which are shown in a separate reconciliation.

Consolidated statement of income	1st–3rd quarter 2000 millions of €	1st–3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Net revenue	29,222	25,576	14.3	35,470
Changes in inventories and other own capitalized costs	707	658	7.4	947
Total operating performance	29,929	26,234	14.1	36,417
Other operating income	10,144	1,328	663.9	1,871
Goods and services purchased	(8,381)	(4,905)	70.9	(7,667)
Personnel costs	(7,038)	(6,868)	2.5	(9,210)
Depreciation and amortization	(7,958)	(5,988)	32.9	(8,466)
Other operating expenses	(6,921)	(4,514)	53.3	(6,872)
Financial income (expense), net	126	(2,089)	–	(2,889)
of which: net interest expense	(2,052)	(1,884)	8.9	(2,546)
Results from ordinary business activities	9,901	3,198	209.6	3,184
Extraordinary income (losses)	(138)	(239)	–42.3	(240)
Taxes	(1,219)	(1,511)	–19.3	(1,420)
Income after taxes	8,544	1,448	490.1	1,524
(Income) losses applicable to minority shareholders	(99)	(196)	–49.5	(271)
Net income	8,445	1,252	574.5	1,253
Earnings per share in €	2.79	0.44	534.1	0.43

Consolidated balance sheet	Sept. 30, 2000 millions of €	Dec. 31, 1999 millions of €	Change in %	Sept. 30, 1999 millions of €
Assets				
Noncurrent assets	107,778	81,983	31.5	66,865
Current assets ¹⁾	18,365	12,654	45.1	23,360
	126,143	94,637	33.3	90,225
Shareholders' equity and liabilities				
Shareholders' equity	43,632	35,689	22.3	35,424
Liabilities ²⁾	82,511	58,948	40.0	54,801
	126,143	94,637	33.3	90,225

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

²⁾ Including accruals and deferred income.

Consolidated statement of cash flows	1 st -3 rd quarter 2000	1 st -3 rd quarter 1999	Change	Total 1999
	millions of €	millions of €	in %	millions of €
Net cash provided by operating activities	6,972	7,040	-1.0	9,588
Net cash used for investing activities	(24,633)	(11,008)	123.8	(18,684)
Net cash provided by (used for) financing activities	19,575	6,909	183.3	7,965
Effect of foreign exchange rate changes on cash and cash equivalents	(35)	(45)	-	(55)
Net increase (decrease) in cash and cash equivalents	1,879	2,896	-35.1	(1,186)

Segment information by group business area for the 1 st -3 rd quarter 2000 in accordance with SFAS 131	Net revenue	Revenue between segments	Depreciation between segments	Net interest expense	Income (loss) related to associated and related companies ¹⁾	Income before taxes
	I-III/2000	I-III/2000	I-III/2000	I-III/2000	I-III/2000	I-III/2000
	I-III/1999	I-III/1999	I-III/1999	I-III/1999	I-III/1999	I-III/1999
	millions of €	millions of €	millions of €	millions of €	millions of €	millions of €
Network communications	11,183	645	(3,056)	(605)	-	1,010
	12,522	616	(3,133)	(815)	-	2,014
Carrier Services	2,959	905	(885)	(143)	-	144
	1,972	449	(408)	(98)	-	416
Data communications	2,573	619	(796)	(148)	1	41
	2,123	445	(596)	(132)	-	233
Mobile communications ²⁾	6,421	986	(1,573)	(827)	1	(1,297)
	3,292	828	(425)	(138)	32	668
Broadcasting and broadband cable	1,432	29	(583)	(201)	(37)	2,946
	1,384	144	(667)	(273)	-	(98)
Terminal equipment	762	201	(128)	(36)	-	(67)
	917	147	(141)	(37)	-	35
Value-added services	1,363	280	(163)	(34)	-	(82)
	1,405	248	(166)	(44)	-	(80)
International ²⁾	1,439	14	(334)	(217)	5	(20)
	1,103	11	(196)	(105)	3	254
Other segments	992	1,743	(385)	179	2,411	7,379
	804	1,271	(246)	(247)	(227)	(634)
Reconciliation	98	(5,422)	(55)	(20)	(203)	(291)
	54	(4,159)	(10)	5	(13)	151
Group	29,222	-	(7,958)	(2,052)	2,178	9,763
	25,576	-	(5,988)	(1,884)	(205)	2,959

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. The International segment includes MATÁV, SIRIS and Eurobell.

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 as at September 30, 1999. The most important of these are One 2 One, SIRIS, Eurobell and Club Internet. Deutsche Telekom announced the sale of Eurobell in November 2000.

In order to allow a more accurate comparison with the financial statements as at September 30, 1999, the following shows separately the effects of the new acquisitions on the consolidated statement of income for the first nine months of 2000.

Effects of new acquisitions made after Sept. 30, 1999 on the consolidated statement of income in the first nine months of 2000

	millions of €
Net revenue	2,272
Changes in inventories and other own capitalized costs	49
Other operating income	30
Goods and services purchased	(1,216)
Personnel costs	(269)
Depreciation and amortization	(1,209)
Other operating expenses	(863)
Financial income (expense), net	(260)
Results from ordinary business activities	(1,466)
Taxes	1
Income (loss) after taxes	(1,465)
(Income) losses applicable to minority shareholders	92
Net income (loss)	(1,373)

Revenue

	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Network communications	11,183	12,522	-10.7	16,737
Carrier services	2,959	1,972	50.1	2,884
Data communications	2,573	2,123	21.2	2,828
Mobile communications	6,421	3,292	95.0	5,274
Broadcasting and broadband cable	1,432	1,384	3.5	1,917
Terminal equipment	762	917	-16.9	1,207
Value-added services	1,363	1,405	-3.0	1,903
International	1,537	1,157	32.8	1,598
Other services	992	804	23.4	1,122
Total	29,222	25,576	14.3	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 increased by EUR 3,646 million in the first nine months of 2000 compared to the same period last year. The most important factor in this overall increase was the growth in revenue from the business areas mobile communications, carrier services, international, data communications and other services.

Of the growth in revenue from mobile communications in the first nine months of 2000 compared with the same period last year, EUR 2,041 million relates to the first-time consolidation of One 2 One, effective October 1, 1999. T-Mobil, Deutsche Telekom's German mobile communications subsidiary, contributed EUR 811 million to the increase in Group revenue. This increase is attributable to the rapid growth in the number of T-Mobil subscribers, although the increasing

proportion of prepaid subscribers and price cuts have had a negative effect on the average revenue per subscriber. The increase in revenue from mobile communications is also attributable to the growth in revenue from the Austrian company max.mobil. and increased proceeds from the sale of mobile communications terminal equipment. The EUR 450 million increase in revenue from data communications is mainly due to the higher level of revenue from managed networks and IP transport services. The increase of EUR 380 million in revenue from international business is a result of the increased revenue contribution made by MATÁV and the companies which have been consolidated in the Deutsche Telekom Group for the first time since September 30, 1999 (in particular SIRIS).

The revenue increases in the growth areas are offset by decreases in the area of network communications. These decreases are mainly due to the price cuts for international and domestic long-distance calls implemented since September 30, 1999 and to a decrease in the number of call minutes for domestic local and long-distance and international calls. This

decrease was compensated to a limited extent by increased revenues from fixed-to-mobile calls and from higher access charges as a result of the increased number of lines. The decrease in revenue from network communications was compensated in part by the increased revenue from carrier services.

Revenue by geographic area	1st-3rd quarter 2000 millions of €	Change in %	Total 1999 millions of €	Change in %	1st-3rd quarter 1999 millions of €	Proportion in %
Domestic	23,917	81.8	31,411	88.6	23,133	90.4
International	5,305	18.2	4,059	11.4	2,443	9.6
Total	29,222	100.0	35,470	100.0	25,576	100.0

International revenue is derived from fixed-network international incoming telephone traffic and internationally generated revenues from other business areas. The proportion of Deutsche Telekom's revenue generated abroad almost doubled from 9.6% in the first nine months of 1999 to 18.2% in

the first nine months of 2000. This development is partially due to the companies which have been consolidated in the Deutsche Telekom Group for the first time since September 30, 1999.

Changes in inventories and other own capitalized costs

Changes in inventories and other own capitalized costs	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Changes in inventories and other own capitalized costs	707	658	7.4	947

The changes in inventories and other own capitalized costs increased in the first nine months of 2000 by EUR 49 million compared with the same period last year.

Other operating income

Other operating income	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Other operating income	10,144	1,328	663.9	1,871

Other operating income amounted to EUR 10,144 million in the first nine months of 2000. Of this total, EUR 2,864 million relates to the sale of Deutsche Telekom's share in Global One in the first quarter of 2000 and EUR 2,657 million to T-Online's initial public offering in April 2000. A further EUR 218 million

is attributable to the income-related effects of the stock market flotations of the associated companies comdirect and MTS. The proceeds from the sale of Deutsche Telekom's shareholdings in the regional cable companies in North Rhine-Westphalia and Hesse amounted to EUR 2,964 million.

Goods and services purchased

Goods and services purchased	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Goods and services purchased	8,381	4,905	70.9	7,667

The level of goods and services purchased increased in the first nine months of 2000 by EUR 3,476 million compared with the same period last year. Companies consolidated for the first time since September 30, 1999 contributed EUR 1,216 million to this increase. The remainder of the increase in goods and services purchased is mainly attributable to higher costs for calls to the networks of other telecommunications providers (EUR 1,005 million) and for mobile com-

munications terminal equipment (EUR 662 million). The increase in network access charges is a result of the greater volume of calls from Deutsche Telekom's network to the networks of other operators, while the increase in expenditure for goods purchased reflects the rapid growth in the number of subscribers served by Deutsche Telekom's mobile communications subsidiaries.

Personnel

Personnel costs	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 Change
Wages and salaries	5,319	4,854	9.6	6,520
Social security contributions and expenses for pension plans and benefits	1,719	2,014	-14.6	2,690
Total	7,038	6,868	2.5	9,210

Personnel costs in the first nine months of 2000 were EUR 170 million higher than in the same period last year. With an average of 6,859 employees, the companies consolidated for the first time since September 30, 1999 were the main factor in the increase in personnel costs, accounting for EUR 269 million. The increase in personnel costs is also due to the rise in average wages and salaries, attributable to age-related salary increases, the collectively agreed wage and salary increase in April 2000, and in some areas the review of salaries to bring them in line with market conditions. The decrease of EUR 295 million in social security contributions and expenses for pension plans and benefits is mainly attributable to the change in the contributions to civil servant pensions amounting to EUR 406 million. The increase in wages

and salaries resulted in an increase in social security contributions.

The increase in the number of employees resulting from the changes in the composition of the Deutsche Telekom Group was almost compensated by the reduction in the number of employees in other areas. The average number of employees remained relatively constant in the first nine months of 2000 at 195,941, 0.8 % higher than in the same period last year. The number of employees at September 30, 2000 increased mainly as a result of the inclusion for the first time of Slovenske telekomunikácie in September 2000. This increase will not affect personnel costs until the fourth quarter of 2000.

Average number of employees	1st-3rd quarter 2000 Number	1st-3rd quarter 1999 Number	Change in %	Total 1999 Number
Civil servants	66,625	78,663	-15.3	76,223
Salaried employees	89,095	76,291	16.8	77,991
Wage earners	40,221	39,452	1.9	43,792
Deutsche Telekom Group	195,941	194,406	0.8	198,006
Trainees/student interns	6,317	6,057	4.3	6,354

Number of employees at balance sheet date	Sept. 30, 2000 Number	Dec. 31, 1999 Number	Change in %	Sept. 30, 1999 Number
Civil servants	62,703	71,123	-11.8	75,396
Salaried employees	98,031	83,215	17.8	79,077
Wage earners	46,834	41,450	13.0	38,603
Deutsche Telekom Group	207,568	195,788	6.0	193,076
Trainees/student interns	8,227	7,480	10.0	7,534

Depreciation and amortization

Depreciation and amortization	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Depreciation and amortization	7,958	5,988	32.9	8,466

Depreciation and amortization increased by EUR 1,970 million or 32.9% in the first nine months of 2000 compared with the same period last year. The companies which were included in the consolidated financial statements of the Deutsche Telekom Group for the first time since September 30, 1999 accounted for EUR 1,209 million of this increase. Of this, EUR 740 million relates to the amortization of good-

will, particularly of One 2 One. The conversion of parts of Deutsche Telekom's network to future-oriented fiber-optic technology resulted in nonscheduled write-downs amounting to EUR 971 million on the old network components. Scheduled write-downs for companies consolidated before September 30, 1999 continued to decrease in the first nine months of 2000 compared with the same period last year.

Other operating expenses

Other operating expenses	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Other operating expenses	6,921	4,514	53.3	6,872

Other operating expenses increased in the first nine months of 2000 by EUR 2,407 million or 53.3% compared with the same period last year. The companies consolidated for the first time since September 30, 1999 accounted for EUR 863 million of this increase. The disposal of assets generated additional expenses amounting to EUR 425 million in the first nine months of 2000. Increased additions to accruals amount-

ing to EUR 401 million relating mainly to investment risks, guarantees and general provision for risks also increased the level of operating expenses. Furthermore, the Group's increased marketing activities and the activities for the acquisition of new customers in growth areas also increased operating expenses.

Financial income (expense), net

Financial income (expense), net	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Financial income (expense), net	126	(2,089)	-	(2,889)
of which, net interest expense	(2,052)	(1,884)	8.9	(2,546)

Financial expense improved in the first nine months of 2000 by EUR 2,215 million compared with the same period last year. This is attributable to the proceeds of EUR 2,328 million from the sale of the minority shareholding in Wind, which

is shown under income (loss) related to associated and related companies. At the same time, net interest expense increased by EUR 168 million or 8.9% to EUR 2,052 million as financial liabilities continued to increase.

Extraordinary income (losses)

Extraordinary income (losses)	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Extraordinary income (losses)	(138)	(239)	-42.3	(240)

Extraordinary losses for the first nine months of 2000 include expenses amounting to EUR 114 million relating to the initial public offering of T-Online International in April 2000. Further expenses were incurred in connection with

the planned stock market flotation of T-Mobile International. Comparable expenses relating to the issue of Deutsche Telekom shares in June 1999 were shown under extraordinary losses for the first nine months of 1999.

Taxes

Taxes	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Taxes	(1,219)	(1,511)	-19.3	(1,420)

Tax expense decreased by EUR 292 million or 19.3 % in the first nine months of 2000 compared with the same period last year despite an increase in income before taxes of 230 %. This is due to the fact that the proceeds from the sale of

Deutsche Telekom's shareholding in Global One, the income-related effects from attracting new shareholders in the course of the T-Online initial public offering and the proceeds from the sale of the minority shareholding in Wind are tax-free.

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

	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Net income as reported in the consolidated financial statements under German GAAP	8,445	1,252	574.5	1,253
Personnel restructuring accrual	(81)	(89)	-8.9	(97)
Other differences	2,200 ¹⁾	560	292.9	601
Income taxes	(752)	(485)	55.1	(244)
Net income in accordance with U.S. GAAP	9,812	1,238	692.6	1,513

¹⁾ This includes income amounting to EUR 1.8 billion from the capital increase of T-Online in return for the granting of shares to Club Internet and comdirect.

As at Sept. 30, 2000, shareholders' equity in accordance with U.S. GAAP amounted to EUR 47,426 million (Dec. 31, 1999: EUR 37,611 million).

Deutsche Telekom has corrected its net income for the first half of 2000 in accordance with U.S. GAAP. Accordingly, net

income increased from EUR 993 million at June 30, 1999 to EUR 6,156 million at June 30, 2000. Net income in accordance with U.S. GAAP now includes the income-related effects from the issue of new shares in T-Online for the acquisition of the associated and related companies Club Internet and comdirect.

Investments

	1st-3rd quarter 2000 millions of €	1st-3rd quarter 1999 millions of €	Change in %	Total 1999 millions of €
Intangible assets	19,623	1,218	1,511.1	14,036
Property, plant and equipment	4,951	3,223	53.6	5,093
Financial assets	10,659	2,479	330.0	3,731
Total	35,233	6,920	409.1	22,860

Deutsche Telekom invested EUR 35,233 million in the first nine months of 2000. Of the investments in intangible assets, EUR 15,084 million relates to UMTS licenses in Germany and the United Kingdom. A further EUR 4,221 million relates to the additions to goodwill, mainly from the acquisition of additional shares in MATÁV, the purchase of MediaOne activities in Hungary and the acquisition of Club Internet and Slovenske telekomunikácie. The increase in property, plant

and equipment relates mainly to investments in the build-up and expansion of the networks of Deutsche Telekom and the T-Mobile International Group. The increase in financial assets relates mainly to the investment of US\$ 5 billion in VoiceStream Wireless which has been contractually agreed and approved by the U.S. Department of Justice, and the book increases to DT-FT Italian Holding in connection with the sale of shares in Wind.

Financial liabilities

	Sept. 30, 2000 millions of €	Dec. 31, 1999 millions of €	Change in %	Sept. 30, 1999 millions of €
Debt	62,116	42,337	46.7	38,503
Net financial liabilities ¹⁾	55,352	37,362	48.2	22,115

¹⁾ Financial liabilities after deduction of liquid assets, marketable securities and other investments in noncurrent securities and interest rate swaps currency swaps shown under other assets.

Net financial liabilities increased in the first nine months of 2000 by approximately EUR 18 billion compared with December 31, 1999. This increase is primarily attributable to the financing of the acquisition of the UMTS licenses in the United Kingdom and Germany and the increase in the

shareholding in MATÁV. These investments were financed through the issue of a multi-currency bond amounting to US\$ 14.6 billion and other borrowings from the existing medium-term notes program.

Cash flows

Net cash provided by operating activities

Net cash provided by operating activities in the first nine months of 2000 amounted to EUR 6,972 million. This represents a decrease of EUR 68 million compared with the same period in 1999. The Group's income after taxes increased by EUR 7,096 million, but this is attributable to a considerable extent to transactions which are shown under

- investing activities (Global One, EUR 2.9 billion, the proceeds from the sale of shares in the cable companies, EUR 3.0 billion) and
- financing activities (income from the initial public offering of T-Online amounting to approximately EUR 2.7 billion), or
- which do not yet result in a cash inflow (proceeds from the sale of Wind).

By contrast, the Group's results are burdened by considerably higher levels of depreciation and amortization and additions to accruals, which do not have any effect on liquid assets.

Net cash used for investing activities

Net cash used for investing activities increased compared with the first nine months of 1999 by EUR 13,625 million to EUR 24,633 million. EUR 15,084 million was invested in the UMTS licenses in the United Kingdom and Germany alone. Furthermore, investments in technical equipment and machinery and construction in progress, as well as for the acquisition of additional shareholdings in other companies (VoiceStream, Westel 450, Westel 900, PTC, max.mobil., Slovenske telekomunikácie, MATÁV) increased the level of cash used for investing activities. Liquid assets were also used for financial investments with more than 3 months remaining to maturity (EUR 609 million). Cash inflows amounting to EUR 7,590 million, in particular from the sale of Global One and shares in the cable companies in North Rhine-Westphalia and Hesse, had a positive effect.

Bonn, November 2000
Deutsche Telekom AG

Board of Management

Net cash provided by (used for) financing activities

The first nine months of 2000 saw an inflow of cash provided by financing activities of EUR 19,575 million compared with EUR 6,909 million in the same period of 1999. This is mainly the result of long-term borrowings and the initial public offering of T-Online (EUR 3,080 million). Cash outflow from the payment of dividends (EUR 1,914 million) had an offsetting effect.

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Investors and security holders are advised to read the proxy statement/prospectus (as amended from time to time) regarding the business combination transaction referenced in these materials, because it contains important information. The preliminary proxy statement/prospectus was 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 and other related documents filed by Deutsche Telekom, Voicestream Wireless Corporation and Powertel Inc. 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. 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.

