



Dear Shareholders,

The 1999 financial year was a decisive year for the future of Deutsche Telekom. Key aspects were our second capital increase and the major challenges we accepted: Deutsche Telekom is forging ahead to become a global telematics provider in a competitive environment marked by the globalization of markets and converging technologies. To achieve this goal, we have focused our value-added growth strategy on four strategic areas: mobile communications, data communications/systems solutions, online communications, and network access.

Consolidated net revenue increased by approximately one percent, EUR 0.62 dividend. With a high of EUR 71 for the year on the last day of trading, the 1999 financial year was a soaring success for our T-Shares. With a 153 percent jump in the share price, Deutsche Telekom ranked as the number one company in the German DAX 30 index. This outstanding performance was achieved in a hotly contested telecommunications market with dramatic price cuts. With our moves on the price front – our customers benefited from savings of some EUR 1.53 billion – we succeeded in attaining our first goal, namely to stem our losses in market share as a result of liberalization. We also managed to attain our second goal of stabilizing our consolidated revenue, even increasing it by approximately one percent to EUR 35.5 billion over last year's revenue. This was achieved thanks to the continuing expansion in our growth areas and also to our successful internationalization strategy. In 1999, we were able to fully consolidate the Austrian mobile telephony company max.mobil. and the British mobile telephony company One 2 One.

Conversely, at EUR 1.3 billion, our net income for the year was just under EUR 1 billion down on the previous year's level, a result with which we are not satisfied. The reasons for this can be clearly identified. In contrast to the development of revenue, we were unable to offset the dramatic fall in margins in network communications. In addition, our strategic holdings One 2 One and max.mobil. incurred amortization of goodwill and startup losses totaling EUR 0.4 billion. We also had to take into account the costs arising from the capital increase in June 1999 of around EUR 0.2 billion. Furthermore, in 1999, there was no partial sale of our broadband cable network and therefore no contribution to earnings.

In view of the expected earnings from the partial sale of our broadband cable network and as a result of our decisions in 1999 and early 2000 to sell our shares in Sprint and Global One, we are excellently positioned to systematically build on our growth-oriented strategy. Deutsche Telekom continues to be one of the world's most valuable companies. Consequently, the Board of Management and Supervisory Board propose to you, our shareholders, to pay a dividend of EUR 0.62 per individual no par value share.

Clear positioning as an integrated, global telematics provider. This year's results demonstrate that we have achieved our objective of offsetting losses in revenue from our traditional core business with new sources of revenue from innovative products and international activities. We are determined to turn Deutsche Telekom into one of the few European companies to rank among the world leaders of the information age.

Deutsche Telekom is committed to transforming itself from a traditional telephone company into a global, integrated telematics provider – a goal we have already accomplished to a large extent. By becoming a universal provider, we are recognizing a mega trend which is in the process of reshaping our industry: the increasing convergence of technologies, networks, products and services, which is creating a new superindustry, the so-called TIMES markets: Telecommunications, Information technology, Multimedia, Entertainment and Security services. To attain this goal, we have redefined our core business and focused on our strategic growth areas. We have optimized Deutsche Telekom's portfolio via our value-added strategy as well as targeted our business areas to focus on growth-oriented core competencies.

Internationalization: a growth driver. One of the cornerstones of our strategy is internationalization, which will account for the lion's share of future growth in our four strategic business areas. In the 1999 financial year, we continued to focus our internationalization policy toward mergers and acquisitions and obtaining majority stakes in our subsidiaries. Apart from being able to consolidate our revenue in these endeavors, we are also assured of management control. Before evolving into a global telematics provider, we have also focused our efforts on becoming the leading pan-European telecommunications company. We would have achieved this goal much sooner if our attempt to merge with Telecom Italia had become a reality. Nevertheless, even without that merger, we made good headway in the 1999 financial year: we increased our stake in the Austrian mobile telephony operator max.mobil. to 91 percent; we entered the British mobile telephony market with the acquisition of One 2 One; and we gained a strong foothold in the French telecommunications market with the acquisition of SIRIS. In addition, we strengthened our position in Central and Eastern Europe – in Poland, Hungary and Croatia.

In view of the merger of MCI Worldcom and Sprint, we parted with our 10 percent stake in Sprint, valued at around EUR 8.6 billion on the day MCI World-Com made its bid. We intend to realize the profit from this sale as quickly as possible. In line with our shareholder-value policy, we also sold our 29.2 percent stake in Global One worth US\$ 2.8 billion to France Telecom. In addition, loans to shareholders amounting to US\$ 188.5 million are being repaid to Deutsche Telekom, freeing cash to be invested in our international growth strategy, which we will now be able to pursue with vigor and determination.

Proceeds as the basis for sustained growth.

Our second capital increase in the summer of 1999 represented a milestone. The new T-Shares were additionally offered to all private investors in euro land under identical terms and conditions. In a pan-European share offer, as a result, some 1.7 million private investors throughout Europe have made Deutsche Telekom the first true "euro share". The new tranche with an issue price of EUR 39.50 was twice oversubscribed. The issue included 250 million shares plus a greenshoe option exercised with 25 million shares, and some 5.8 million employee shares. The proceeds from the share issue, amounting to around EUR 11 billion, have given us significantly broader financial scope to increase the company's value. In view of the industry's worldwide concentration, market capitalization has become an ever more important criterion to define maneuverability of any company wishing to become actively engaged in the change process.

Growth in market capitalization is also one of the major motives behind the planned listings of our subsidiaries T-Online and T-Mobil. Through separate stock market valuations, we plan to create even greater transparency within our Group. In addition, these listings will provide us with the financial leverage to fund future acquisitions. It is also becoming more common, especially in the highly valued Internet and mobile telephony markets, to finance potential mergers and acquisitions via share swaps.

Team @ Work. The transformation of Deutsche Telekom from a traditional telecommunications company to a globally positioned telematics provider could only be achieved with the commitment of our employees. It is thanks to their individual enthusiasm, energy and willingness to be a 'Team @ Work' that has made this transformation possible. On behalf of all the Members of the Board of Management, I extend my sincere thanks for a job well done to our Team @ Work, whose ideas have become reality and who remain determined to face all the challenges involved in becoming a global telematics player.

A socially responsible market player. We remain committed to making today's world a better place. Deutsche Telekom assists the needy in Germany by donating EUR 1.5 million to subsidize their telephone rates. We also donate around EUR 2.6 million to support two crisis counselling services and a nationwide hotline for children and teenagers in Germany by covering the cost for network infrastructure, implementation and call charges for their toll-free 0800 numbers. We provide the telephones for the German association of private welfare work as well. In addition to these endeavors, our employees donate each year to UNICEF the proceeds from an inhouse Christmas bazaar and a company auction. In 1999, we raised a total of EUR 12,782. We support the nationwide initiative 'Schools Online' with around EUR 64 million, providing Internet access. Deutsche Telekom plans to broaden its commitment in the future and will also provide schools in Germany with volunteer assistance from our workforce who will actively offer time and know-how to help both students and teachers to gain further insight into the demanding information age.

Measurable success. It is with great pleasure, and some degree of pride, that we are able to report to you that, at the closing price of the 1999 financial year, Deutsche Telekom has a market capitalization of some EUR 215 billion. For you, our shareholders, this means that you not only own the most valuable company in Germany, but also one of the most valuable in the world.

In September, Deutsche Telekom was included in the newly launched Dow Jones Sustainability Group Indexes (DJSGI) as the world's leading company from the telecommunications industry. The criteria for inclusion among the total of 200 companies are shareholder value, long-term sustainable growth, economic, ecological and social value-added; and a high level of global competitiveness. In February 2000, Deutsche Telekom was included in the S&P Global 100 Index, in which only large, globally active companies are represented.

Dear Shareholders, Deutsche Telekom possesses the potential, the expertise and the stamina to actively influence and transform the worldwide telecommunications market. We, the management and employees of your company, will continue to focus all our efforts on creating sustainable value for you, the shareholders of Deutsche Telekom.

Yours sincerely,
The Board of Management
Bonn, March 27, 2000



Dr. Ron Sommer
Chairman