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As filed with the Securities and Exchange Commission on December 5, 2000

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 20-F/A

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 1999

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14540

Deutsche Telekom AG

(Exact Name of Registrant as specified in its charter)

Germany

(Jurisdiction of Incorporation or Organization)

Friedrich-Ebert-Allee 140, 53113 Bonn, Germany

(Address of Registrant's Principal Executive Offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one Ordinary Share	New York Stock Exchange
Ordinary Shares, no par value	New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act.

NONE

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, no par value: 3,029,604,034

(as of December 31, 1999)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected.

Item 17 ☐ Item 18 ☒

* Not for trading, but only in connection with the registration of American Depositary Shares.

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As used in this document, the "Deutsche Telekom" refers to Deutsche Telekom AG and its consolidated subsidiaries unless the context otherwise requires. Prior to January 1, 1995, Deutsche Telekom operated as a division of the Deutsche Bundespost, the German state postal, telephone and telegraph authority. As used in this document, the "Deutsche Telekom" also refers to Deutsche Telekom AG's predecessor entities, "Deutsche Post" refers to Deutsche Post AG and "Deutsche Postbank" refers to Deutsche Postbank AG, and their respective predecessors, unless the context otherwise requires.

This report does not make reference to developments after April 10, 2000.

Deutsche Telekom's registered address is Friedrich-Ebert-Allee 140, 53113 Bonn, Germany, its postal address is Postfach 2000, 5310Bonn, Germany and its telephone number is +49-228 181 88880 (Investor Relations).

GLOSSARY OF SELECTED TELECOMMUNICATIONS TERMS

The Glossary of Selected Telecommunications Terms on pages 141 to 143 of the 1999 Annual Report contained in Deutsche Telekom's Report on Form 6-K dated April 19, 2000 (the "1999 Annual Report") is incorporated by reference in this report.

FORWARD-LOOKING STATEMENTS

Except for historical statements and discussions, statements contained in this Annual Report constitute "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. Any document we filed with the U.S. Securities and Exchange Commission may also include forward-looking statements. Other written or oral forward-looking statements have been made and may in the future be made, from time to time, by or on behalf of Deutsche Telekom. These statements include, without limitation, statements concerning our future results of operations, the impact of regulatory initiatives on our operations, our share of new and existing markets, general industry and macroeconomic growth rates and our performance relative to them, and statements preceded by, followed by or including the words "believes", "expects", "anticipates" or similar expressions.

These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors. Many of these factors are outside of our control, and could cause actual results to differ materially from such statements. These factors include, but are not limited to:

- the level of demand for telecommunications services, particularly with regard to access lines, traffic and new higher value products;
- competitive forces in liberalized markets, including pricing pressures, technological developments, alternative routing developments and our ability to retain market share in the face of competition from existing and new market entrants;
- the effects of our tariff reduction initiatives, particularly in our core telephony business, but also with regard to many other areas;
- regulatory developments and changes, including with respect to the levels of tariffs, the terms of interconnection, customer access and international settlement arrangements;
- the outcome of litigation in which we are involved;
- the success of new business, operating and financial initiatives, many of which involve start-up costs, and new systems and applications, particularly with regard to our integration of service offerings;
- the progress of our domestic and international investments, joint ventures and alliances;
- the impact of unusual items resulting from ongoing evaluations of our strategies;
- the availability, terms and deployment of capital, particularly in view of our debt refinancing needs, and the impact of regulatory and competitive developments on capital outlays; the level of demand in the market for our shares and for shares of our subsidiaries, which can affect our acquisition strategies;
- our ability to achieve cost savings and realize productivity improvements;
- the development of the German real estate market in view of our substantial real estate portfolio, which had a book value of approximately EUR 17.2 billion as of December 31, 1999; and
- general economic conditions, government and regulatory policies, and business conditions in the markets we and our affiliates serve.

Readers are cautioned not to put undue reliance on these forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

EXCHANGE RATES

Effective January 1, 1999, Germany and ten other member states of the European Union adopted the euro as their common currency. With the first quarter of 1999, we began publishing our consolidated financial statements in euros and, unless otherwise indicated, all amounts in this document are expressed in euros. Amounts stated in euros appearing in this document for periods prior to December 31, 1998, have been translated from Deutsche Marks at the official fixed conversion rate of EUR 1.00 = DM 1.95583.

As used in this document:

- "euro" or "EUR" means the single unified currency that was introduced in the Federal Republic and ten other participating member states of the European Union on January 1, 1999;
- "Deutsche Mark" or "DM", when used with respect to any time or period before January 1, 1999, means the lawful currency of the Federal Republic of Germany (the "Federal Republic") and, when used with respect to any time or period after January 1, 1999, means the sub-unit of the euro designated as such under the applicable regulations of the European Community;
- "U.S. Dollar", "Dollar" or "US$" means the lawful currency of the United States of America;
- "FF" means the lawful currency of France;
- "GBP" means the lawful currency of Great Britain;
- "GRD" means the lawful currency of Greece;
- "HUF" means the lawful currency of Hungary;
- "Austrian schillings" means the lawful currency of Austria;
- "zloty" means the lawful currency of Poland;
- "HRK" means the lawful currency of Croatia;
- "rupiah" or "Rp" means the lawful currency of Indonesia; and
- "ringgit" means the lawful currency of Malaysia.

For your convenience, this document contains translations of certain amounts denominated in one currency into another currency. You should not assume however, that amounts could have been exchanged at the exchange rate used in these translations. Unless otherwise stated, the currency translations made in this document have been made as follows:

- in the case of statements of revenue and income, at the average rate of exchange for the relevant currencies for the relevant period;
- in the case of statements of balance sheet positions, at the rate of exchange for the relevant currencies for the relevant balance sheet date; and
- in the case of investments, at the rate of exchange for the relevant date of investment; in each case consistent with the exchange rates used in the preparation of our consolidated financial statements. You may refer to "Foreign currency translation" in the consolidated financial statements on page 99 for information concerning certain exchange rates used in the preparation of our financial statements.

Unless otherwise stated, Dollar amounts have been translated from euros at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on March 31, 2000. At that date, the Noon Buying Rate for the euro was EUR 1.0445 per US$ 1.00, which if expressed in Deutsche Marks would have been equivalent to a rate of DM 2.0429 per US$ 1.00, translated from euros at the official fixed conversion rate. This rate may differ from the actual rates we used in the preparation of our consolidated financial statements as of December 31, 1999 and 1998, and for each of the years in the three year period ended December 31, 1999. Accordingly, Dollar amounts appearing in this report may differ from the actual Dollar amounts that we originally translated into euros in the preparation of our financial statements.

The following table sets forth, for the periods from January 1, 1999 through December 31, 1999 and from January 1, 2000 through March 31, 2000, the average, high, low and period-end Noon Buying Rates for the euro expressed in Dollars per EUR 1.00. For the period from 1994 through 1998 the average, high, low and period-end Noon Buying Rates for the Deutsche Mark are shown converted into euros at the official fixed conversion rate and expressed in Dollars per EUR 1.00.

Year	Average (1)	High	Low	Period-End
1995	1.3715	1.4418	1.2528	1.3634
1996	1.2978	1.3626	1.2493	1.2711
1997	1.1244	1.2689	1.0398	1.0871
1998	1.1120	1.2178	1.0548	1.1733
1999	1.0588	1.1812	1.0016	1.0070
2000 (through March 31, 2000)	0.9658	1.0335	0.9524	0.9574

(1) The average of the Noon Buying Rates on the last business day of each month during the relevant period.

Since January 4, 1999, the shares of Deutsche Telekom have traded on the German stock exchanges in euro. Fluctuations in the exchange rate between the euro and the Dollar will affect the Dollar equivalent of the euro price of the shares on the German stock exchanges and, as a result, are likely to affect the market price of the ADSs on the New York Stock Exchange. Deutsche Telekom will declare any cash dividends in euros, and exchange rate fluctuations will affect the Dollar amounts you receive if you are a holder of American Depositary Receipts evidencing Deutsche Telekom American Depositary Shares ("ADSs") on conversion of cash dividends on the shares represented by your ADSs.

PART I

ITEM 1—DESCRIPTION OF BUSINESS

Introduction

Deutsche Telekom is the largest provider of telecommunications services in Germany and one of the world's largest telecommunications companies measured in terms of 1999 consolidated net revenues. Deutsche Telekom's consolidated net revenues in 1999 totaled EUR 35.5 billion.

Deutsche Telekom focuses on providing innovative and high quality telecommunications services, taking advantage of its large and technologically advanced networks. Using its strong position in access services, mobile communications, data/IP/systems, and consumer Internet services, Deutsche Telekom focuses increasingly on offering its customers communications solutions that take advantage of the increasing convergence of information technology with telecommunications.

Deutsche Telekom is the largest provider of fixed-line voice telephony services to the public in Germany, providing nearly 48 million access lines to subscribers at December 31, 1999. Fixed-line telephony means traditional telephone services as opposed to mobile telephone calling services. Deutsche Telekom is the world's leading ISDN operator, with 13.3 million ISDN channels in service at December 31, 1999, which was more than the total number of ISDN channels in service in the United States. "ISDN", which stands for "integrated services digital network", is a type of digital technology that permits faster and higher-quality transmission of information as compared to traditional analog telephone lines. Deutsche Telekom has one of the most technologically advanced networks in the world, with 100 percent digital transmission and switching. The full reconstruction of eastern Germany's telecommunications network in the wake of German reunification made eastern Germany the home of one of the world's most modern physical infrastructures for telecommunications services. As a natural consequence of having a highly developed nationwide network, Deutsche Telekom is Germany's leading provider of interconnection and other carrier services to other telecommunications companies.

Deutsche Telekom is Germany's second largest mobile communications provider, with around 9.2 million mobile telephone subscribers as of December 31, 1999. Deutsche Telekom estimates that its German mobile telephony subsidiary had a market share of about 39.0 percent in the German digital mobile telecommunications market as of December 31, 1999, and a 39.4 percent market share in the overall German mobile telecommunications market at that date. The overall German digital mobile telephony market has grown rapidly in recent years; according to Deutsche Telekom's estimates, this market expanded to an estimated 23.2 million subscribers at December 31, 1999 from an estimated 13.5 million subscribers the year before. Nevertheless, Germany has a relatively low mobile telephony penetration rate, as only 28 percent of the

population subscribed to a mobile telephony service as of December 31, 1999. By way of comparison, the mobile telephony penetration rate was approximately 66 percent in Finland, 57 percent in Sweden, 53 percent in Italy, 52 percent in Austria, 41 percent in the United Kingdom and 35 percent in France. As a result, Deutsche Telekom believes that the German market still has considerable potential for growth, particularly as the service becomes increasingly affordable to larger groups of potential customers.

Deutsche Telekom is a leading provider of data communications and data communications/systems solutions, such as corporate networks, in Germany. Due to rapidly expanding Internet usage and the increasing use of intranets by multi-location companies, this area is one of the fastest growing areas in the telecommunications field. Deutsche Telekom also intends to significantly expand its activities in the area of information technology/systems solutions. "Information technology" means use of hardware, software, services, and supporting infrastructure to manage and deliver information using voice, data and video. In this regard, Deutsche Telekom announced in March 2000 that it had agreed to acquire from DaimlerChrysler AG an equity interest of 50.1 percent in debis Systemhaus GmbH (debis), subject to regulatory and corporate approvals. debis Systemhaus is one of Europe's largest information technology/systems solutions providers, and Deutsche Telekom's acquisition of a stake in debis Systemhaus should allow Deutsche Telekom to increase significantly its presence in this important market.

Deutsche Telekom operates Germany's largest broadband cable network, transmitting television and radio programming, directly or indirectly, to 17.8 million households at December 31, 1999. As part of its plan to sell majority interests in the business to third party investors, Deutsche Telekom has placed the core of its broadband cable business into a separate subsidiary and plans to further divide the business into nine regional companies as of July 1, 2000. In February and March 2000, Deutsche Telekom reached the first agreements for the sale of a majority interest in two of these regional companies, and negotiations regarding the sale of interests in other regional companies are currently in progress. Deutsche Telekom expects to retain a minority equity interest in each of these regional companies to preserve its access to cable television customers for the purpose of marketing its multimedia services. In terrestrial radio and television signal broadcasting, Deutsche Telekom is also among Europe's leaders.

Deutsche Telekom owns Europe's largest Internet online service provider and access gateway, T-Online International AG, (T-Online), which had 4.2 million subscribers as of December 31, 1999. The number of T-Online subscribers increased by over 50 percent in 1999 as compared to 1998 figures, and by over 40 percent in 1998 as compared to 1997 figures. T-Online has built on its strong position in Germany and has taken steps to establish operations outside Germany, such as the purchase of Club Internet, a leading French online service provider, in February 2000 and the founding of T-Online.at, an Austrian online service provider, in December 1999 in cooperation with max.mobil.Telekommunikation Service GmbH (max.mobil.), Deutsche Telekom's Austrian mobile communications subsidiary. Within Germany, Deutsche Telekom is positioning itself as the leading provider of Internet-based applications and services, focusing on its T-Online and T-Mart brands.

Through its terminal equipment business area, Deutsche Telekom is the only company in the German telecommunications market that sells a comprehensive range of telecommunications products such as telephones, fax machines, private automatic branch exchanges and complete network solutions. A private automated branch exchange, or "PABX", is a telecommunications system which connects a number of participants in the system to the public telephone network and enables those participants to call one another by dialing a short "extension" number rather than by dialing a complete telephone number. Many businesses, for example, have installed private automated branch exchanges to enable employees to call one another more efficiently.

In keeping with its position as Germany's largest telecommunications carrier, Deutsche Telekom is also the leading provider in Germany of directory assistance, toll-free number, call centers, public telephones and telephone directory services.

Deutsche Telekom is seeking to expand internationally through acquisitions, investments and cooperations in the areas that are the four pillars of its growth strategy: access services, mobile communications, data/IP/systems and consumer Internet services. Accordingly, in 1999, Deutsche Telekom:

- increased its ownership interest in max.mobil., Austria's second largest mobile communications provider, from 25 percent to 91 percent;
- acquired One 2 One Ltd., one of the leading mobile communications service providers in the United Kingdom;
- agreed to acquire the equity interests of MediaOne in several Central European mobile telephony companies;
- acquired a 35 percent equity interest in Hrvatske Telecomunikacije d.d. , the leading full-service telecommunications provider in Croatia; and
- acquired SIRIS S.A., a significant provider of fixed-line telephony and data communications services in France.

Deutsche Telekom considers the expansion of its international business to be an essential component of its overall business strategy. Deutsche Telekom aims in particular to build on its strengths in Europe and is interested in expanding its reach in the United States.

Historical Background

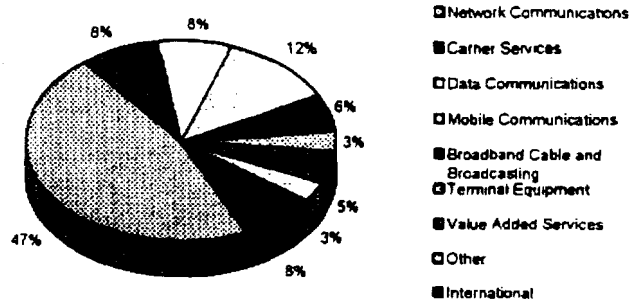
Historically, the provision of public telecommunications services in Germany was a state monopoly as formerly provided by the German constitution. In 1989, the Federal Republic of Germany (Federal Republic) began to transform the postal, telephone and telegraph services administered by the former monopoly provider into market-oriented businesses and divided the former monopoly provider into three distinct entities along lines of business, one of which was the predecessor of Deutsche Telekom. At the same time, the Federal Republic also started the progressive liberalization of the German telecommunications market. Deutsche Bundespost TELEKOM was transformed into a private law stock corporation, Deutsche Telekom AG, at the beginning of 1995.

Deutsche Telekom's most significant investment projects during the 1990s were the expansion and modernization of the telecommunications infrastructure in the former East Germany, starting with German reunification in 1990, and the digitization of its entire telecommunications network, starting in the early 1990s. Both of these projects were completed during 1997.

The telecommunications sector in Germany was fully liberalized on January 1, 1998. Deutsche Telekom now faces intense competition and is required to offer competitors access to its fixed-line network at regulated interconnection rates. The operation of networks (including cable networks) for all telecommunications services other than public fixed-line voice telephony had been fully opened to competition on August 1, 1996.

Deutsche Telekom's Revenues by Business Area and Geographic Region

Deutsche Telekom's consolidated net revenues are derived principally from telephone network communications services, which consist primarily of domestic and international public fixed network voice telephony services. Deutsche Telekom also obtains revenues from interconnection services for domestic and international network operators, domestic and international services in the field of data communications and systems solutions, and mobile communications services. Broadcasting and broadband cable, the supply and sale of terminal equipment, value-added services, and other ancillary services, including the online services offered by T-Online and other multimedia services, round out the range of products and services offered by Deutsche Telekom. Revenues from activities outside Germany are generated by Deutsche Telekom's foreign subsidiaries. The following chart shows revenues from each of Deutsche Telekom's business areas for 1999 expressed as a percentage of consolidated net revenues for that year.



Approximately 11 percent of Deutsche Telekom's revenues in 1999 were derived from activities outside Germany. For a breakdown of revenues by geographic region, see note 1 to the financial statements.

Network Communications

Network communications—in essence, the provision of voice telephony services through the Deutsche Telekom fixed-line network—continues to be the main contributor to Deutsche Telekom's consolidated revenues and profits. In 1999, Deutsche Telekom generated net revenues of EUR 16.7 billion (47.2 percent of Deutsche Telekom's net consolidated revenues) and net income before taxes of EUR 2.3 billion from this area. The network communications business area includes access services and local, national long distance and international calling services as well as connections to mobile and online service providers. Other related services, such as directory assistance, public telephones, the supply of telephones and the handling of inbound international calls, are included in other business areas at Deutsche Telekom.

Access

Deutsche Telekom's access services include providing homes, businesses and agencies in Germany with analog access lines, digital (ISDN) access lines and various supplementary services.

Standard access lines are connected to Deutsche Telekom's network through digital exchanges. Each standard access line provides a single telecommunications channel. Deutsche Telekom offers both basic ISDN access lines with two channels and primary ISDN access lines with thirty channels. ISDN allows a single access line to be used for a number of purposes, including voice, video telephony, data and facsimile transmission. ISDN also provides higher quality connections with faster transmission of signals and increases the capacity of the access network. Deutsche Telekom offers ISDN access lines nationwide and has the largest ISDN network in the world measured in terms of access lines.

As of December 31, 1999, Deutsche Telekom provided over 34.5 million standard analog access lines. In addition to these standard analog access lines, as of December 31, 1999, Deutsche Telekom had installed over five million ISDN access lines, representing a total of 13.3 million channels. Of this number, 7.3 million were connected with business customers and 6.0 million with residential customers. While business customers continue to account for a majority of the ISDN channels in service, ISDN channel growth is strongest among residential customers. In 1999, Deutsche Telekom achieved overall ISDN channel growth of 32 percent, representing 18 percent growth among business customers and 54 percent growth among residential customers.

The following table sets forth, for the periods indicated, more detailed information relating to access channels provided by Deutsche Telekom and penetration rates for standard analog lines and ISDN lines.

	As of December 31,				
	1999	1998	1997	1996	1995
Access Channels(1):					
Total access channels (millions)	47.8	46.5	45.2	44.2	42.0
Of which:					
Standard analog lines (millions)(2)	34.5	36.4	37.8	39.0	39.2
ISDN					
Basic access lines (thousands)(3)	5,442.4	3,996.9	2,831.2	1,918.3	846.4
Primary access lines (thousands)(3)	81.2	70.0	56.0	45.6	35.0
Total ISDN channels (millions)(3)	13.3	10.1	7.3	5.2	2.7
Penetration(1)(4):					
Standard access lines	42.1	44.4	46.1	47.6	47.9
ISDN channels	16.2	12.3	8.9	6.3	3.3
Total penetration rate	58.3	56.7	55.1	53.9	51.3

(2) Based on lines in service, including courtesy lines, service lines and lines for payphones.
(3) Each standard access line provides one access channel.
(4) A basic ISDN line provides two access channels and a primary ISDN line provides 30 access channels.
(5) Number of Deutsche Telekom lines or channels per 100 inhabitants. Figures for 1998 and 1999 calculated on the basis of an estimated population of 82 million. Figures may not add to 100 percent due to rounding.

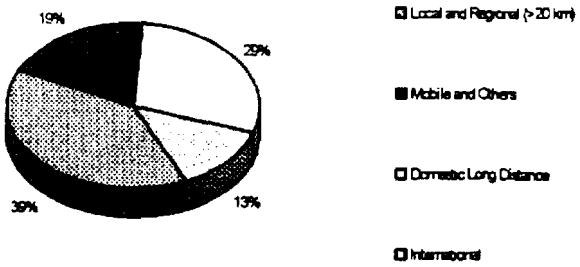
In 1999, Deutsche Telekom implemented special traffic charges for calls initiated from telephones connected to ISDN lines. Since customers with ISDN lines pay a higher monthly access fee and tend to make more and longer telephone calls than customers with analog lines, increasing the ISDN penetration rate among its customers is an important element of Deutsche Telekom's fixed-line strategy. For further information on Deutsche Telekom's tariffs for ISDN access lines, see "—Network Communications—Tariffs". While an increase in ISDN lines tends to result in a decline in the number of analog lines, due to a substitution effect, increased ISDN penetration contributes overall to higher fixed-line revenues.

Deutsche Telekom intends to use ISDN access lines as the basis for introducing innovative products. For example, with its T-ISDN mobile service, Deutsche Telekom was one of the first providers worldwide to introduce a "genuine" bundled product that integrates ISDN and mobile phone services. With this product, a customer has the same phone number for a fixed-line phone and a mobile phone and can answer calls on either phone, according to the customer's preference.

Because Deutsche Telekom is required to provide its competitors with unbundled access to the telephone lines running into its customers' premises at prices based on the cost of providing such service, Deutsche Telekom has begun to face competition in the access line market and expects such competition to increase over time. Technological innovations that may allow competitors economically to provide telecommunications services to customers without using existing telephone lines (e.g., cable, wireless, satellite or power line access) are expected to have the effect of further stimulating such competition.

Overview of Calling Services

Deutsche Telekom provides comprehensive local, national and international long distance fixed-line calling service to customers throughout Germany. The following chart indicates revenues from local calls, national long-distance calls, international calls and calls to mobile networks and others as a percentage of total calling revenues during 1999.



In 1999, net revenues from fixed-line calling services amounted to EUR 10.4 billion. Residential customers provided 69 percent of call revenue, while 31 percent was generated by business customers. Revenue from calls to mobile numbers rose 23 percent over the previous year's figure, while revenues from calls to online services grew by 34 percent.

Since January 1, 1998, the provision of fixed-line voice telephony services has been open to full competition. Deutsche Telekom does not yet face significant competition in the market for local calls for which an area code is required, although such competition is expected to increase as competitors begin to offer access services in the medium term. In 1999, competition still concentrated on long distance and international calls, both areas in which our competitors have made considerable inroads into the market. According to a report published by the Regulatory Authority for Telecommunications and Posts, Deutsche Telekom had a market share of approximately 60 percent in the combined domestic long-distance and international calling markets at year-end 1999. Fixed terms for interconnection, which particularly favor competitors that have not invested heavily in infrastructure, enabled competitors to benefit from Deutsche Telekom's infrastructure investments at low prices. In Germany, telephone customers are free to choose providers either through preselection – selecting one long-distance carrier to handle all domestic long distance and international calls on a default selection basis – or through call-by-call selection – selecting a carrier when such a call is made by dialing the carrier's numeric prefix before dialing the telephone number. Deutsche Telekom has countered the challenge posed by its competitors with sharply reduced tariffs and innovative, customer-oriented and reliable products and services.

Domestic Traffic

The following table shows certain statistical data regarding domestic telephone traffic.

	Year ended December 31,			Year ended December 31,	
	1999	1998	1997	1999/ 1998	1998/ 1997
				(% change)	
Minutes from local calls (in millions)	116,453	118,843	110,912	(2.0)	7.2
Minutes from domestic long distance calls (in millions)	38,121	45,260	48,699	(15.8)	(7.1)
Minutes from calls to mobile networks (in Millions)	5,290	4,043	2,972	30.8	36.0
Minutes from other services (in millions)	18,819	7,890	4,243	138.5	85.9
of which connections to online services (in millions)(1)	18,630	7,744	4,156	140.6	86.3
Total minutes from domestic calls (in millions)(1)	178,683	176,036	166,826	1.5	5.5

(6) For purposes of consistency with the presentation used in 1998, "connections to online services" includes minutes from calls to T-Online. However, revenues from calls made to T-Online on or after April 1, 1999 under many of T-Online's tariff plans are shown not under revenues from "network communications" but rather under revenues from "other services." For further information in this regard, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Network Communications". If the traffic corresponding to these revenues is subtracted from total minutes

from domestic calls shown above, total minutes from domestic calls decreased by approximately 4.5 percent from 1998 to 1999.

In 1999, Deutsche Telekom's customers generated 1.5 percent more domestic traffic minutes than in 1998. This growth was attributable largely to a substantial increase in minutes to online services and an increase in fixed-to-mobile traffic. However, the increase in minutes to online services includes calls to T-Online, although revenues from calls made after April 1, 1999 to T-Online under many of T-Online's tariff plans are shown under "other services." Adjusted for calls to T-Online for which the corresponding revenues are shown under "other services," minutes from domestic traffic decreased by approximately 4.5 percent, as the increase in fixed-to-mobile traffic was more than offset by a decline in long-distance minutes, which was due to a decline in market share resulting from competition, and by a decline in local traffic that resulted from the entry of competitors into this market and from competition from mobile networks.

The following table sets forth information relating to the number of domestic calls.

	Year ended December 31,			Year ended December 31,	
	1999	1998	1997	1999/1998	1998/1997
				(% change)	
Domestic calls (in billions)	50.6	52.7	52.7	(3.9)	0.0

Outbound International Traffic

The following table shows outbound international traffic in millions of minutes broken down by geographic regions in 1999. Total outbound international traffic in millions of minutes was 4,711 in 1998 and 4,813 in 1997.

	December 31, 1999(1)
Western/Central Europe and Mediterranean countries	3,109
USA/Canada	295
Others	456
Total	3,860

(7) (1) Estimated outgoing minutes.

Tariffs

Tariffs charged by Deutsche Telekom for its fixed-line voice telephony services are subject to regulatory approval. Under the regulatory framework that applies to the German telecommunications sector, these tariffs will continue to be subject to regulation for as long as Deutsche Telekom is considered to be a market-dominant provider of these services. In January, 1998, tariffs for Deutsche Telekom's public fixed-line voice telephony services became subject to a price-cap regime. See "—Regulation—Special Requirements Applicable to Market-Dominant Providers—Pricing".

Telephone subscribers are charged an initial connection fee, monthly subscription fee, and traffic charges. Prices are set according to the distance called, the time of day and whether the day is a business day, a weekend or a public holiday. In the residential market, traffic charges are now mostly based on minute prices, except for local calls, where traffic charges are still based on charging units. The duration of a unit varies according to the calling plan being used – for example, Deutsche Telekom's "Business Call" tariffs are based on units of one second – and according to the day of the week and the time of day.

Subject to applicable regulatory limits, Deutsche Telekom intends to continue adjusting its tariffs to align its charges more closely with the preferences of its customer groups. For a discussion of regulatory developments and legal controversies affecting tariffs, see "—Regulation—Special Requirements Applicable to Market-Dominant Providers" and "Legal Proceedings".

Access Charges

Revenue from access consists principally of monthly subscription fees charged to customers for providing access lines as well as one-time initial connection fees. The level of monthly subscription fees generally is

higher for ISDN access lines than for standard access lines. Access charges remained constant from 1996 through the first quarter of 2000. On April 1, 2000, Deutsche Telekom reduced standard ISDN monthly subscription fees. Deutsche Telekom's initial connection fees and monthly subscription fees (including value-added tax), with effect as of April 1, 2000, are shown in the following table.

Standard connection fee	DM 100.86
Standard monthly subscription fee	DM 24.81
ISDN connection fee(1)	DM 100.86
Standard ISDN monthly subscription fee	DM 44.89
"Komfort" ISDN monthly subscription fee(2)	DM 49.90

(8) Deutsche Telekom charges an additional fee of DM 100.86 to customers who choose to have Deutsche Telekom install ISDN on their premises.

(9) Consists of a standard ISDN connection and certain additional value-added features.

Traffic Charges

Following the complete liberalization of Germany's telecommunications market in 1998, there has been intense competition in fixed-line telephony, in particular in the long-distance and international calling markets. Intense price competition continued in 1999, leading to falling margins in this segment of the telecommunications market and to the beginning of consolidation among some of Deutsche Telekom's competitors. In January 1999, Deutsche Telekom reduced the charges for calls in its regional and national calling zones by up to 62 percent. T-ISDN customers particularly benefited from these price reductions. Deutsche Telekom reduced off-peak long distance prices in April 1999 and the standard rate for international calls to many European countries, USA and Canada in July 1999. In February 2000, Deutsche Telekom reduced rates for calls from its fixed network into its mobile telephone network, and in March 2000, Deutsche Telekom again significantly cut rates for domestic calls, especially for regional and national calls. For a detailed description of new tariffs introduced in 1999, see page 45 of the 1999 Annual Report.

To increase customer loyalty in the current competitive environment, Deutsche Telekom introduced a number of new optional rate packages and access bundles in 1999. Some of these packages, such as Deutsche Telekom's AktivPlus, Select 5/30 and Select 5/10 rate packages, are designed to give residential customers alternatives to the standard tariff rates based on individual needs and usage patterns. The T-ISDN 300 package consists of a T-ISDN "Komfort" access line combined with reduced calling charges and discounted monthly subscription fees. Other new optional rate packages, such as the BusinessCall 500 and BusinessCall 700 packages, give business customers the benefit of a basic rate along with billing units of one second. With the BusinessCall rate packages, the prices of international calls to many countries within Western Europe and North America were reduced in July 1999 to a standard rate of 40 pfennigs per minute. These prices were then further reduced in February 2000 to a standard rate of 19 pfennigs per minute.

Deutsche Telekom has also introduced bundled rates for T-ISDN and T-Online, which enable T-ISDN customers to have access to the Internet in exchange for usage-related fees of six pfennigs per minute. These fees are divided evenly between online charges and phone charges. No basic access fee is charged as part of this package.

As a result of Deutsche Telekom's tariff initiatives and discount plans, the average cost for calls outside the local zone has declined, as illustrated by the following table.

	Year ended December 31,		
	1999	1998	1999/1998
	DM per minute (1)		(% change)
City/Local	0.07	0.07	-
Domestic long distance	0.15	0.28	(46.4)
International	0.71	0.87	(18.4)
Fixed to mobile	0.65	0.70	(7.1)

(10)Revenue for each type of service divided by corresponding number of minutes.

Local and National Call Charges

The following table shows Deutsche Telekom's local and national long distance call charges per minute, based on a call having a duration of one billing unit, as in effect on March 1, 2000. Because different calling plans have different billing units, the amounts shown in this table do not reflect the price of a one-minute call in all cases. Unless otherwise indicated, billing units have a duration of one minute.

	Peak(1)	Off-Peak(2)	Evening & Night(3)	AktivPlus Peak(7)	AktivPlus Off-Peak(7)
	DM	DM	DM	DM	DM
Analog Local (less than 20 km)	0.12(4)	0.12(5)	0.12(6)	0.06	0.03
Analog Long distance (more than 20 km)	0.24	0.12	0.06	0.12	0.06
ISDN Local (less than 20 km)	0.12(4)	-	0.12(6)	0.06	0.03
ISDN Long distance (more than 20 km)	0.18	-	0.06	0.12	0.06

(11)Analog: Weekdays—Local 9:00-18:00; Long distance 7:00-18:00. ISDN: Weekdays—Local 7:00-18:00; Long distance 7:00-18:00.

(12)Analog Weekdays—Local: 5:00-9:00, 18:00-21:00; Long distance: 18:00-21:00.

(13)Analog: Weekdays—Local 21:00-5:00; Long distance: 21:00-7:00. ISDN: Local 18:00-7:00; Long distance 18:00-7:00.

(14)Based on a billing unit of 90 seconds.

(15)Based on a billing unit of 150 seconds.

(16)Based on a billing unit of 240 seconds.

(17)Optional rate package: AktivPlus, with an additional monthly subscription fee of DM 9.90. Peak: 9:00-18:00, Off-peak 18:00-9:00.

International Call Charges

Within each tariff plan, Deutsche Telekom's international traffic charges are based on the same tariff unit used for domestic telephony charges. At present, the international tariffs are specified for every country, with identical tariffs for countries in some geographical areas. Deutsche Telekom's international tariffs are subject to the same regulatory regime as its domestic tariffs. See "—Regulation—Special Requirements Applicable to Market-Dominant Providers—Pricing".

A key component of Deutsche Telekom's 1999 price campaign was the reduction of calling charges for international calls to many countries in Europe and North America. In June 1999, a standard rate of 48 pfennigs per minute, 24 hours a day, for calls to 22 countries was introduced. Rates were reduced to between 12 and 36 pfennigs per minutes for calls to those parts of Germany's neighboring countries that lie closest to the border with Germany. In February 2000, Deutsche Telekom introduced significant rate cuts for international calls to more than 50 countries.

The following table shows the cost of a one-minute call to selected destinations as of February 1, 2000 under some of Deutsche Telekom's major tariff packages.

	Standard Tariff(1)(2)		Aktiv Plus(1)(2)		BusinessCall(1)(3)	
Foreign Country	Old Price in DM	New Price in DM	Old Price in DM	New Price in DM	Old Price in DM	New Price in DM
Belgium, U.K., Denmark, France, Italy, Netherlands, Spain Switzerland, USA	0.48	0.24	0.39	0.19	0.40	0.19
Turkey	0.84	0.48	-	0.39	0.73	0.39
Greece	0.84	0.48	-	-	0.73	0.39
Poland	0.48	0.48	-	-	0.83	0.39
Russia	1.20/3.12	0.72	-	-	1.04/2.71	0.61
Sweden	0.96	0.24	-	-	0.83	0.19

(18)Minute prices exclude value added tax and are rounded in some cases.
(19)Calculated based on billing units of one minute.
(20)Calculated based on billing units of one second.

Deutsche Telekom's settlement payments to foreign carriers for termination of international calls originated in Deutsche Telekom's networks represent a significant cost of providing international calling services. For further information on settlement payments, see "—Carrier Services".

Innovative Service Offerings

Deutsche Telekom offers its customers a variety of products and services in addition to basic voice telephony, such as call waiting, call forwarding, conference calling nationwide, caller identification and callback when a caller receives a busy signal, as well as T-NetBox, Deutsche Telekom's network-based digital answering machine. Part of Deutsche Telekom's competitive strategy is to offer customers a range of innovative and attractive products intended both to secure customer loyalty and to enhance Deutsche Telekom's revenues.

During 1999, Deutsche Telekom stepped up its marketing efforts for virtual private networks solutions for business customers under the brand name T-VPN, an offer which was launched in 1998. The T-VPN package consists of standardized modules that can be combined in different configurations to produce applications that are tailored to the needs of particular customers. One of these modules, under the brand name "Centrex", enables Deutsche Telekom to introduce services in its networks that are normally provided only by private automated branch exchanges installed on customer premises. GVPN, the international component of T-VPN, was introduced in May 1999. GVPN offers solutions to the international needs of Deutsche Telekom key accounts, enabling customers to carry out all of their international communications with Deutsche Telekom within a closed user group. Deutsche Telekom has been offering GVPN through the Global One network. Transition arrangements relating to Deutsche Telekom's disengagement from Global One are designed to ensure continuity of service for Deutsche Telekom's Global One customers for up to two years.

Carrier Services

Many new providers have entered the German telecommunications market since the full liberalization of the market at the beginning of 1998. Most of these competitors use Deutsche Telekom's network and related services as the basis for providing their own services to their customers. These special services to competitors are provided by the carriers services business area. This business area is also responsible for the company's international inter-carrier business, which includes terminating incoming international calls to its customers. This business area's net revenue in 1999 was EUR 2.9 billion, or 8.1 percent of the consolidated revenues of

Deutsche Telekom. This represents an increase of 79 percent over 1998.

Domestic Interconnection and Local Loop Access

The products and services provided by the carrier services business area consist primarily of interconnection services for operators of fixed networks and mobile communications networks, carrier-specific transmission paths and access to the so-called "unbundled" subscriber line (or "unbundled local loop"). Providing access to the unbundled local loop means, in general terms, allowing other telecommunications carriers to rent the connection between Deutsche Telekom's local switch and the residence of the end customer.
In the national market, the terms on which Deutsche Telekom provides services to competitors are essentially determined by the Regulatory Authority. The interconnection rates charged by Deutsche Telekom during 1999 were set by the Federal Ministry of Posts and Telecommunications, the predecessor to the Regulatory Authority, in September 1997. In December 1999, the Regulatory Authority approved new interconnection rates that will apply through January 31, 2001, which are on average approximately 24 percent lower than the previously applicable interconnection rates. See "—Regulation—Special Network Access and Interconnection—Fixed-Fixed Interconnection." The terms for interconnection of Deutsche Telekom's telephone network with networks of other national providers are contained in bilateral contracts. At the end of 1999, Deutsche Telekom had signed 95 such agreements. An additional 50 companies had submitted requests for negotiations at that date. The total number of leased lines provided to carriers at year end, i.e., transmission paths that are made available to competitors in the fixed-line network, rose by 43 percent in 1999 in comparison with the previous year.

The terms of interconnection established by the Regulatory Authority are very important, since they strongly influence the level of competition in the market. Since 1998, Deutsche Telekom has been conducting discussions with the Regulatory Authority in order to achieve a differentiation in interconnection charges between competitors who have made substantial investments in their own networks and those who have only few points of interconnection. See "—Regulation—Special Network Access and Interconnection—Fixed-Fixed Interconnection" for a discussion of regulatory developments relating to interconnection charges.

The following table shows the interconnection rates that were in effect until the end of 1999.

	Standard (9 a.m. to 9 p.m.)	Off-Peak (9 p.m. to 9 a.m.)
	(Pfennigs per minute)	
Local	1.97	1.24
Less than 50 km	3.36	2.02
Between 50 km and 200 km	4.25	2.35
More than 200 km	5.14	3.16

The following table shows the new rates approved by the Regulatory Authority in December 1999 for the period from January 1, 2000 to January 31, 2001:

	Standard (9 a.m. to 6 p.m.)	Off-Peak (6 p.m. to 9 a.m.)
	(Pfennigs per minute)	
Local	1.71	1.08
Less than 50 km	2.92	1.75
Between 50 km and 200 km	3.69	2.04
More than 200 km	4.47	2.75

These new rates can be expected to offset to some extent the effect on revenues of any future increase in interconnection traffic on Deutsche Telekom's network.

Deutsche Telekom is required to offer competitors so-called "unbundled" access to the subscriber line ("bare wire") so that they have direct access to the customer. In February 1999, the Regulatory Authority set DM 25.40 as the maximum price that Deutsche Telekom was permitted to charge for such access for the period between publication of the decision and March 31, 2001. Both Deutsche Telekom and its competitors have challenged the decision of the Regulatory Authority in court. See "—Regulation—Special Network Access and Interconnection—Local Loop Access" for a discussion of regulatory developments relating to subscriber access.

International Call Termination

The carrier services business area offers international network operators the opportunity to deliver their voice traffic to parties in Germany via Deutsche Telekom's network. In addition, this business area purchases termination services from foreign carriers for Deutsche Telekom's outbound international traffic, provides interconnection services to domestic competitors for termination of outgoing international calls and provides carriers' carrier transit services for calls that originate outside Germany and are routed through Germany for termination in a third country. At the end of 1999, Deutsche Telekom maintained business relationships with more than 300 foreign telephone companies.

The following table shows the volume of calls originated outside Germany that were terminated in Germany by means of Deutsche Telekom's network in the periods indicated.

Call Origin	Year ended December 31, 1999(1)	1998	1997
	(billions of minutes)		
Europe(1)	4.861	4.763	4.609
USA/Canada	0.962	0.912	0.834
Other regions	0.425	0.361	0.175
Total	6.248	6.036	5.618

(21)Includes all European countries, North Africa, Turkey, Israel and Lebanon.

Since Deutsche Telekom is viewed by the Regulatory Authority as a market-dominant provider in many markets, prices charged by Deutsche Telekom for most services provided to service providers and carriers are subject to regulatory approval. The Regulatory Authority has determined, however, that Deutsche Telekom is no longer dominant in the market for interconnection to foreign countries. For further information on this topic, see "—Regulation—Special Requirements Applicable to Market-Dominant Providers."

Deutsche Telekom pays for the use of networks of carriers in foreign countries for outgoing international calls and receives payments from other carriers for the use of its network for incoming international calls. Traditionally, these payments have been made pursuant to settlement arrangements under the general auspices of the International Telecommunications Union (ITU). Deutsche Telekom has historically been a net debtor under these arrangements (i.e., payments made by Deutsche Telekom for outgoing international traffic have exceeded payments received for incoming international traffic) and, consequently, has benefited from the lowering of settlement rates in recent years. Deutsche Telekom expects further reductions in the settlement rates, particularly between Germany and other members of the European Union (EU). Settlement payments are calculated using a currency basket in which U.S. Dollars have the greatest weight and settlement payments themselves are generally denominated in U.S. Dollars. In 1999, Deutsche Telekom's average bilateral settlement rates per minute decreased by 24 percent in comparison with the previous year.

Data Communications and Information and Communications Systems

Deutsche Telekom's data communications and information systems business area involves the use of Deutsche Telekom's network for the transport of large quantities of data and the use of modern data communications technology in the design of information and communications systems solutions for large, complex business customers.

Data transmission services and systems solutions based on those services represent one of the fastest growing areas in the telecommunications industry. Deutsche Telekom is therefore focusing on this area as one of the four pillars of its growth strategy. As a result of expanding Internet usage and an increase in the number of companies that have multiple offices connected via company intranets, the volume of data traffic in global telecommunications networks is growing rapidly. Deutsche Telekom expects it to exceed the volume of voice traffic in those networks in the future. Deutsche Telekom is responding to increasing customer requirements in this area by expanding its network platforms for data transmission and by offering a broad portfolio of products and services and customized solutions. The data communications services offered by Deutsche Telekom are increasingly incorporated into integrated services such as corporate networks and business-to-business Internet services.

This business area's net revenue in 1999 was EUR 2.8 billion (or 8.0 percent of the consolidated revenues of Deutsche Telekom), which represents an increase of 11.5 percent over 1998. This increase was achieved despite very strong downward pressures on price in the data communications area.

Data Communications

Among the data communications services that Deutsche Telekom offers are dedicated leased lines and data transmission services ranging from packet switching to state-of-the-art frame relay and Asynchronous Transfer Mode (ATM) communications, as well as Internet applications for business customers. ATM is a data transmission technology that permits data transmission at a rapid rate. Packet switching is a classical and common data transmission technology. While customers can obtain packet switched data transmission services less expensively than ATM services, packet switched data transmission is not as fast and flexible as ATM. Frame relay is a type of data transmission technology that also is not as fast as ATM.

Leased Lines

Deutsche Telekom is the leading provider of leased lines in Germany. Deutsche Telekom markets fixed data connections under the product name "LeasedLink". This product includes standard leased lines, managed leased lines for data communications and international leased lines. Leased lines are used by business customers to assemble their own private networks and by telecommunications service resellers to establish networks to offer telecommunications services. Deutsche Telekom reduced tariffs for its "LeasedLink" product in 1999 by up to 29 percent for some types of connections.

The trend among Deutsche Telekom's customers toward the use of digital leased lines, which permit much higher transmission rates than analog connections, continued in 1999. As a result, the LeasedLink area has seen a marked trend toward broadband transmission rates. In 1999, the bandwidth Deutsche Telekom marketed in digital standard leased lines for data communications grew by 2.1 percent.

The following table shows the number of digital standard leased lines provided by Deutsche Telekom at the dates indicated.

	At December 31,		
Number of Leased Lines	1999	1998	1997
Digital Standard Leased Lines:			
64 Kbits/sec	35,460	34,847	29,958
2 Mbits/sec	8,960	8,665	7,483
More than 2 Mbits/sec	95	96	57
Total	44,515	43,608	37,498

The following table shows the monthly rental charges that applied to Deutsche Telekom's leased lines at the dates indicated. The figures shown in the following table represent averages that have been derived from actual prices that Deutsche Telekom charges its customers, on the basis of methodology developed by the Organization for Economic Cooperation and Development for the purpose of facilitating comparisons between leased line providers in different countries. Accordingly, these figures do not represent the actual prices that Deutsche Telekom charges to its customers.

	At December 31,		
Tariff rates (in DM/km)	1999	1998	1997
Digital Leased Lines:			
64 Kbit/s	14.82	14.88	16.36
2 Mbit/s	72.57	73.15	81.72
More than 2 Mbit/s	439.22	500.84	636.91

In cooperation with other international carriers, Deutsche Telekom offers international leased lines to its multinational customers, with the convenience of single-end ordering and billing.

Data Transmission

"X-25"-based Data Transmission Service. Deutsche Telekom continues to offer a packet-switched data transmission service based on the well-established X.25 protocol. Although they are relatively slow, X.25-based packet-switched services permit highly reliable data transmission while offering easy access through a choice of access modes, including dial-up access across various technologies, such as ISDN. Deutsche Telekom's packet-switched services are available for a wide variety of applications, including database applications, electronic funds transfer applications and e-mail. As of the end of 1999, Deutsche Telekom's customers were using some 75,000 X-25-based lines and 61,000 access authorizations, which represented an decrease of 5.9 percent compared to year-end 1998.

FrameLink Plus. Deutsche Telekom's FrameLink Plus service – which is based on frame relay technology – is especially designed to accommodate data communications that include high-volume bursts. FrameLink Plus is suitable both for linking LANs (Local Area Networks) and for building corporate networks. Instead of leasing a high-capacity leased line in order to accommodate occasional or intermittent traffic bursts, customers using FrameLink Plus pay for sufficient capacity to satisfy their day-to-day data requirements and are provided burst capacity up to the access rate to accommodate peaks in their data communications needs. Through FrameLink Plus, Deutsche Telekom offers frame relay service at a variety of access rates, ranging from 64 kbit/sec to 2 Mbit/sec.

In 1999, Deutsche Telekom further simplified FrameLink Plus rates structures for its customers and implemented price reductions of up to 30 percent in response to intense competition in this market. Deutsche Telekom also extended the FrameLink Plus portfolio by introducing a broader range of transmission speeds.

City-Netze. Deutsche Telekom offers customized high-speed network solutions by means of its "City-Netze", which are regional networks of fiber optic lines. In 1999, Deutsche Telekom inaugurated an additional two City-Netze networks, thereby increasing the total in operation to 38. Customers normally use City-Netz networks as a basis for comprehensive telecommunications solutions. In many cases, customers use these broadband regional networks as access platforms for services such as "T-ATM" or "T-InterConnect".

T-ATM. Deutsche Telekom's offers high speed Asynchronous Transfer Mode (ATM) data transmission service by means of its T-ATM service, which was accessible nationwide throughout Germany at 50 locations as of December 31, 1999. Since 1998, Deutsche Telekom has offered switched connections via T-ATM. Significant growth in the number of T-ATM connections took place in 1999, while average prices for T-ATM services remained relatively constant. T-ATM is one of the world's most modern telecommunications structures. Deutsche Telekom is one of the market leaders in Germany in the use of ATM technology, which permits voice, text, data and video communications over one line and which supports flexible, cost-effective use of bandwidth resources.

Transition arrangements relating to Deutsche Telekom's disengagement from Global One are designed to permit continuity of service for up to two years for Deutsche Telekom's customers that have been making use of

the Global ATM service of Global One. This service provides broadband telecommunications links to 40 countries as of December 31, 1999.

T-InterConnect. Deutsche Telekom offers a high-performance network platform for Internet and Intranet communications applications under the brand name "T-InterConnect." This platform is based on "Internet Protocol" technology, which forms the basis for the world-wide Internet network. This platform can be used as the basis for private corporate networks. At December 31, 1999, the platform consisted of 74 national network nodes redundantly connected via 155 Mbit/s links in the core network. T-InterConnect, which can be accessed nationwide at "City" (local) rates, features access bandwidth ranging from 64 kbit/s to 34 Mbit/s, and up to 2.4 Gbit/s after March 2000, to support Internet and intranet solutions for the customers of Deutsche Telekom.

In 1999, Deutsche Telekom was one of Germany's largest Internet service providers for business customers. The volume of traffic transported on the T-InterConnect platform almost doubled in 1999 as compared to 1998. Deutsche Telekom reduced its rates for T-InterConnect services by up to 50 percent in 1999.

To achieve better integration with the international Internet network, Deutsche Telekom increased the "peering capacity" of its network almost fourfold in 1999 and entered into "peering" agreements with major Internet service providers worldwide. "Peering" refers to the exchange of information between two separate Internet networks.

Intranet Solution. Using the T-InterConnect and FrameLink Plus platforms, Deutsche Telekom provides customers with customized intranet solutions, under the general brand name "Intranet Solution." These solutions feature dial-in access through ISDN, through Deutsche Telekom's T-D1 mobile communications network and through the Datex-P service. Starting in 1999, Deutsche Telekom also began offering Intranet Solution on the basis of T-ATM and "T-DSL". Intranet solutions based on T-InterConnect were developed for a growing number of customers in 1999, and Deutsche Telekom also began offering "extranet" solutions through which business customers are linked to third parties such as dealers or suppliers. Deutsche Telekom also launched its "Global Intranet" solutions in 1999, through which Deutsche Telekom's business customers can permit their employees worldwide to access company intranets.

T-DSL. ADSL technology (Asymmetrical Digital Subscriber Line) is a telecommunications technology allows for the transmission of data at very high rates using conventional telephone lines. Deutsche Telekom continued to develop the potential of ADSL-based broadband communications for its customers in 1999 under the general brand name "T-DSL". For example, Deutsche Telekom made it possible in 1999 for customers to access its T-InterConnect and T-ATM data communications platforms via T-DSL connections. Due to the relatively low cost of this new access technology, T-DSL enables Deutsche Telekom to bring the benefits of fast Internet communications and innovative multimedia applications to new customer segments, in particular small and medium-sized business customers.

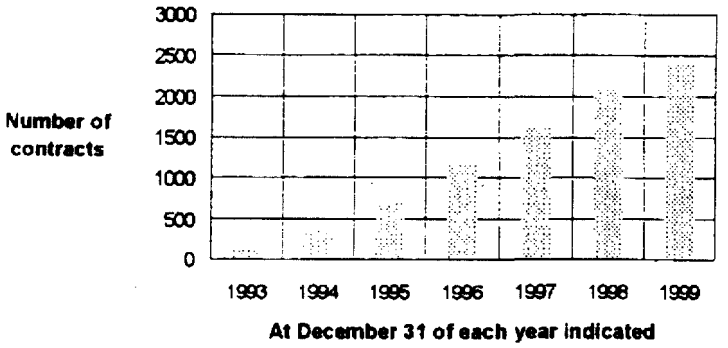
To combine the benefits of rapid data communications and fast Internet access with enhanced voice telecommunications via ISDN, Deutsche Telekom began offering T-DSL in a package with ISDN to its customers in April 1999. Since ADSL technology also permits fast access to the Internet by allowing customers to receive data over ordinary telephone lines at a transfer rate of up to 768 kbit/sec for residential customers and up to 6 Mbit/sec for business customers, Deutsche Telekom introduced a package consisting of T-DSL together with T-Online, Deutsche Telekom's Internet access service, in July 1999.

T-LAN. Through its subsidiary DeTeLine, Deutsche Telekom configures local area networks (LANs) for its customers under the brand name T-LAN The T-LAN product portfolio was extended in 1999 to include specific solutions for small and medium sized business that permit voice transmission over local computer networks.

Telekom Designed Networks. Telekom Designed Networks (TDN) are a central component of the data communications systems solutions services offered by Deutsche Telekom. With TDNs, Deutsche Telekom offers its large corporate customers communications solutions that are tailored to specific customer requirements. Under TDN contracts, Deutsche Telekom takes charge of the design and installation of the network and provision of comprehensive operational services, including network management and complete ongoing service.

In 1999, the number of large corporate customers with TDN continued to grow. At the end of 1999, a total of 2,410 TDN contracts had been signed, 302 more than at the end of the previous year. The following chart

shows the numbers of TDN contracts that Deutsche Telekom had entered into at December 31 of each year indicated.



Deutsche Telekom considers these contracts to be strategically important as a means of creating longer-term relationships with large business customers, since the duration of these contracts is typically between two and five years.

Deutsche Telekom's systems solutions business is conducted through Deutsche Telekom Systemlösung GmbH (DeTeSystem), a subsidiary of Deutsche Telekom whose purpose is to provide intensive support to large companies and institutions with major telecommunications expenditures. During 1999, to increase its effectiveness in the market for international business customers, Deutsche Telekom combined its entire international systems solutions sales team under DeTeSystem. DeTeSystem hired a number of new sales experts thus increasing the number of employees of DeTeSystem by approximately 10 percent.

Deutsche Telekom has been providing international data communications solutions in cooperation with Global One. Transition arrangements relating to Deutsche Telekom's disengagement from Global One are designed to ensure continuity of service for up to two years for Deutsche Telekom's Global One customers. Deutsche Telekom intends, however, to build up its own international network as the basis for providing international systems solutions for its customers.

Information and Communications Systems

Integrated solutions that combine telecommunications and information technology for complex personal computer (PC) and server infrastructures are becoming increasingly important for companies in many industries. In 1999, Deutsche Telekom created a new business area, information and communications systems, which combines its information technology and telecommunications services – in particular those of its subsidiaries Deutsche Telekom Computer Service Management GmbH (DeTeCSM), T-Nova Deutsche Telekom Innovationsgesellschaft mbH (T-Nova) and Deutsche Telekom Kommunikationsnetze GmbH (DeTeLine) – with services of external suppliers to create customized solutions. The business area formerly designated as "systems solutions" has been divided between the data communications area and the newly founded information and communications systems area. Deutsche Telekom aims to become one of Germany's leading information technology suppliers over the next several years. Deutsche Telekom took an important step in this direction in December 1999 with the formation of a cooperation with Unisys for the provision of information technology systems.

Mobile Communications

Mobile communications is one of the most rapidly expanding areas of the global telecommunications industry. Deutsche Telekom expects that both mobile voice telephony and, to an increasing extent, mobile data communications and multimedia applications will experience significant growth in coming years. As a result, Deutsche Telekom is focusing on the mobile communications area as one of the four pillars of its growth strategy. The first major step in this direction was the bundling of substantially all of Deutsche Telekom's European mobile telecommunications subsidiaries (other than the Westel companies) under a newly formed holding company, T-Mobile International AG, which took retroactive effect from January 1, 2000.

For 1999, Deutsche Telekom's mobile communications business area included the activities of Deutsche Telekom MobilNet GmbH, (T-Mobil), Deutsche Telekom's German mobile communications subsidiary. The activities of non-German mobile phone subsidiaries, including the Austrian company max.mobil. and the British company One 2 One, are discussed below under "—International."

Deutsche Telekom's mobile communications business area generated revenue of EUR 3.9 billion (11.0 percent of the consolidated revenue of Deutsche Telekom) and net income before taxes of EUR 1.0 billion in 1999. Approximately 85.3 percent of the consolidated revenues of this business area in 1999 were derived from mobile telephone service, with the remaining 14.7 percent derived from handset sales and from the sale of paging and other services.

With 9.2 million mobile phone subscribers in its two networks at December 31, 1999, including 9.1 million digital mobile phone subscribers, Deutsche Telekom estimates that it had a market share in the overall German mobile telephony market of approximately 39.4 percent and a market share of approximately 39.0 percent in the German digital mobile telephony market at that date.

Viewed as a separate company, T-Mobil reported revenues of EUR 5.0 billion in 1999. The difference between this figure and revenue reported for the mobile communications business area results from use of the T-Mobil network for termination of calls originating in Deutsche Telekom's fixed network.

Deutsche Telekom currently plans to have T-Mobile International AG become a publicly traded subsidiary in the fall of 2000, with Deutsche Telekom retaining a controlling shareholding.

Mobile Telephone and Data Services

T-D1

Deutsche Telekom offers digital mobile telephone services by means of its T-D1 digital network, which is based on the GSM (Global System for Mobile Communications) standard. Approximately 82 percent of revenues from Deutsche Telekom's mobile communications business area were derived from T-D1 in 1999. This figure does not include revenues from sales of handsets.

The importance of digital mobile communications networks in Germany has grown steadily since the T-D1 network went into operation in July 1992. The GSM standard, which Deutsche Telekom played a major role in developing, is now the technical basis for well over 200 digital mobile communications networks around the globe.

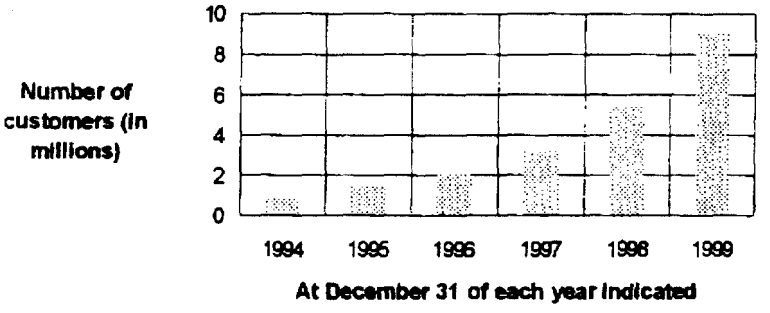
Network quality is one of the key factors affecting T-Mobil's business. To maintain network quality in light of strong growth in numbers of customers, T-Mobil continued to expand its GSM network during 1999. In the course of the year, the number of base stations in the T-D1 network increased from about 13,500 to about 25,000. At year-end 1999, the T-D1 network had 581 base station controllers and 46 switches. The investments made by T-Mobil in connection with network expansion in 1999 amounted to approximately EUR 0.7 billion. T-Mobil plans to continue this expansion in the coming year and has budgeted more than EUR 0.8 billion for investment in the T-D1-network in 2000. The network is expected to feature a total of around 37,000 base stations by the end of 2000.

In October 1999, T-Mobil successfully bid for additional mobile communications frequencies in the 1800 MHz range. The additional frequencies will permit T-Mobil to expand significantly the capacity of the T-D1 network and to offer services, such as data applications, that require higher transmission volumes. These frequencies were made available first in high-density urban areas starting in February 2000.

Prior to 1999, Deutsche Telekom had entered into roaming agreements with 121 operators in 75 countries, which in principle allow T-D1 subscribers to make and receive calls while abroad on the same mobile phone they use in Germany. In 1999, Deutsche Telekom further expanded the global coverage of the T-D1 network by entering into 44 new roaming agreements with GSM operators, with particular emphasis on operators of GSM 1800 networks in Europe and GSM 1900 networks in the United States. In the summer of 1999, T-Mobil began to provide national roaming service for VIAG Interkom subscribers.

Demand for mobile data communications services increased substantially during 1999. During December 1999, for example, the T-D1 network carried approximately 300 million "short messages". Since March 1999, T-D1 customers can use their mobile phones to access a number of programs that provide information, such as news, stock quotes, travel information or schedules for entertainment events. Deutsche Telekom expects that demand for mobile data services will grow substantially in the coming years.

Subscribers. At the end of 1999, the T-D1 network had approximately 9.1 million subscribers, or 3.6 million (66 percent) more than it had a year earlier. This growth is generally attributable to strong demand for mobile services, and T-Mobil contributed to this demand with new products and services, a number of pricing campaigns and a customer-oriented pricing structure. The following chart shows the number of T-D1 customers at December 31 of each year indicated, in millions.



The following table sets forth the average number of subscribers in the T-D1 network for the periods indicated.

	Year ended December 31,				
	1999	1998	1997	1999/ 1998	1998/ 1997
				(% change)	
Average number of subscribers (in thousands) T-D1(1)	6,918	4,217	2,663	63.9	58.4
Average number of subscribers (in thousands) T-D1(2)	7,271	4,375	2,721	66.8	60.1

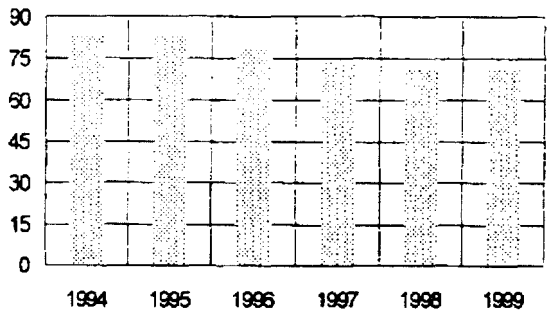
(22)Represents an average of monthly averages.

(23)Represents the average of number of subscribers at year-end and the number of subscribers at the beginning of the year.

T-Mobil had a churn rate in 1999 of approximately 13 percent, as compared to 15 percent in 1998. The churn rate for any given period represents the number of T-Mobil customers whose service was discontinued during that period due to a payment default or who voluntarily gave up a mobile telephony service during that period, expressed as a percentage of the average number of customers during that period. Deutsche Telekom estimates that the average churn rate during 1999 for domestic competitors such as D2 was 13 percent and for E-Plus was 18 percent.

The reduction in T-Mobil's churn rate from 1998 to 1999 was expected due to rapid growth in the number of new customers, which was greater than growth in the number of customers whose contracts were expiring. The probability that a customer will voluntarily terminate T-Mobil mobile service is highest at the time when the customer's contract expires. T-Mobil believes that measures taken during 1999, such as the development of systems to identify and contact customers who are likely to give up T-Mobil service when their contracts expire and programs to win back customers who have given up T-Mobil service, also contributed to some extent to the reduction in churn, despite the fact that a number of 24-month contracts signed in 1997 expired in 1999. Due to the highly competitive nature of the mobile communications business, however, churn is likely to rise in future periods.

Traffic. The following table shows average monthly outgoing traffic per T-D1 subscriber for the years indicated, in minutes per customer per month.



T-Mobil entered into an agreement with VIAG Interkom in 1999 which provides for the purchase of a significant number of bulk minutes for national roaming purposes by VIAG Interkom. This agreement, which has been approved by the Regulatory Authority, has led to increased utilization of the T-D1 network, particularly in rural areas. T-Mobil does not expect this agreement to lead to any capacity constraints. T-Mobil aims to use revenues from this arrangement for measures to improve its market position. The contract with VIAG Interkom expires in 2009.

Tariffs. The customers Deutsche Telekom serves directly are billed one-time installation charges, monthly rental charges and call charges for outgoing traffic. Independent service providers purchase mobile telephone services from T-Mobil at a discount, resell those services and bill subscribers directly at rates they set independently. During 1999, traffic charges (including those paid by independent service providers) accounted for approximately 69 percent and monthly rental charges and initial connection fees together accounted for approximately 31 percent of net revenues generated by T-D1 (excluding revenues from sales of digital handsets).

Tariffs for subscribers serviced directly by T-Mobil are set by T-Mobil, although they would be subject to regulatory review if T-Mobil were deemed to have a dominant position in relevant markets. See "—Regulation—Special Requirements Applicable to Market-Dominant Providers". During 1999, T-Mobil promoted the development of the German GSM market with a series of tariff innovations. In March 1999, T-Mobil became the first network operator in Germany to introduce optional "City" rates, which provide discounts on calls within a given local area to customers that select this option, and discounted weekend rates. In 1999, T-Mobil also introduced options relating to the length of the billing unit for some existing tariffs. Many of T-Mobil's tariff initiatives are intended to tailor tariffs to the needs of specific customer groups. Additional tariff initiatives are planned for 2000.

The following table provides information on the basic tariff packages that T-Mobil made available to individual T-D1 customers as of December 31, 1999, giving effect to the tariff initiatives described above.

All prices include VAT

Calling Plans

	Telly	TellyPlus	ProTel	ProTel DataOnly	Prepaid Xtra	Prepaid YoYo
	in DM					
One-time connection fee	49.95	49.95	49.95	49.95	0.00 *	0.00*
Monthly rental fee						
For 60/1-second intervals (1)	24.95	-	64.95	-	-	-
For 10-second intervals	29.95	49.95	69.95	23.95	0.00	0.00
Call charges (per minute) (2)						
National – mobile to fixed						
Daytime (3)	1.29	0.79	0.39	0.68	1.69	1.19
Nighttime (4)	0.39	0.39	0.39	0.39	0.69	1.19
National – mobile to mobile (5)						
Daytime (3)	0.68	0.68	0.39	0.68	0.69	1.19
Nighttime (4)	0.39	0.39	0.39	0.39	0.39	1.19
Xtra-Weekend (6)	-	-	-	-	0.39	-
XtraNummer Eins/YoYoLine (7)	-	-	-	-	0.39	0.39
T-D1 Local – mobile to fixed(8)						
Daytime (2)	0.68	0.68	-	-	-	-
Nighttime (3)	0.39	0.39	-	-	-	-
T-D1 City – mobile to fixed(8)	0.29	0.29	0.29	-	-	-
T-D1 Weekend – mobile to fixed(8)	0.29	0.29	0.29	-	-	-

* No additional connection fee after purchase of a prepaid SIM Card.

(24)After the first minute, calls are charged by the second.

(25)"Telly", "TellyPlus", "ProTel" and "ProTel DataOnly" plans include "10plus": after the first minute, and a discount of up to 30 percent is given for national and international mobile to fixed calls and for mobile to mobile calls (T-D1, T-C-Tel).

(26)(3Monday through Friday 7:00 to 17:00 for the "Telly" plan; Monday through Friday 7:00 to 20:00 for the "TellyPlus", "ProTel", "ProTel DataOnly" , "Xtra" and "YoYo" plans.

(27)All other times Monday through Friday; Saturdays, Sundays and public holidays.

(28)Calls to T-D1 and T-C-Tel only.

(29)Friday 20:00 through Sunday 24:00.

(30)Calls to an individually specified fixed or mobile number.

(31)Customers may use only one of these three optional calling plans at any given time.

A substantial majority of T-D1 customers make use of the "Telly" tariff packages. The use of the prepaid "Xtra" tariffs increased in 1999, with customers using the "Xtra" prepaid cards accounting for 20 percent of T-D1 customers at year-end 1999. T-Mobil also promoted the growth of the prepaid market through a series of tariff initiatives. Deutsche Telekom expects that prepaid service offerings will continue to increase in acceptance in the coming years.

T-C-Tel

Deutsche Telekom's analog mobile telephone service, T-C-Tel, is the only analog mobile telephone network in Germany. T-C-Tel contributed approximately EUR 139 million to the total revenue of the mobile communications business area in 1999. Deutsche Telekom intends to discontinue T-C-Tel service by December 31, 2000 and therefore no longer actively markets T-C-Tel service. T-Mobil is offering T-C-Tel customers the option of transferring to the T-D1 platform on attractive terms.

Data, Satellite, Navigation and Paging Services

T-Mobil offers specialized mobile data transmission services under the name "Modacom". T-Mobil intends to continue to provide these services in unchanged form, while offering possibilities for Modacom customers to migrate to the new General Packet Radio Service platform beginning in the year 2000.