

mixed election. A more detailed explanation of this adjustment, how it would be calculated, and how the value of the Deutsche Telekom shares issued in place of cash may differ from the value of the cash is provided beginning on page 128.

Additional Information About the Deutsche Telekom/VoiceStream Merger Consideration

We expect that the Deutsche Telekom/VoiceStream merger will be completed on or shortly after May 31, 2001, subject to the receipt of all necessary regulatory approvals. Before the completion of the Deutsche Telekom/VoiceStream merger, VoiceStream expects to declare a stock dividend of 0.0075 of a VoiceStream common share for each VoiceStream common share outstanding. This stock dividend will have the effect of increasing by 0.75% the number of shares owned by VoiceStream stockholders, and, accordingly, the aggregate amount of cash and Deutsche Telekom shares to be received by VoiceStream stockholders in the Deutsche Telekom/VoiceStream merger.

We estimate that, in the Deutsche Telekom/VoiceStream merger, Deutsche Telekom will pay approximately \$5.4 billion in cash and issue approximately 880.7 million Deutsche Telekom shares to VoiceStream stockholders, based on the price of Deutsche Telekom shares and the exchange rate as of February 7, 2001 and the other factors affecting the tax-related adjustment. Those Deutsche Telekom shares will represent approximately 22.5% of the equity of Deutsche Telekom after the Deutsche Telekom/VoiceStream merger and approximately 21.7% of the equity of Deutsche Telekom after both the Deutsche Telekom/VoiceStream and Deutsche Telekom/Powertel mergers. If circumstances change and the tax-related adjustment becomes unnecessary, we estimate that Deutsche Telekom would pay approximately \$7.6 billion in cash and issue approximately 808.9 million Deutsche Telekom shares to VoiceStream stockholders in the Deutsche Telekom/VoiceStream merger. Those Deutsche Telekom shares would represent approximately 21.1% of the equity of Deutsche Telekom after the Deutsche Telekom/VoiceStream merger and approximately 20.4% of the equity of Deutsche Telekom after both the Deutsche Telekom/VoiceStream and Deutsche Telekom/Powertel mergers.

In addition, as a result of the Deutsche Telekom/VoiceStream merger, Deutsche Telekom will assume approximately \$5.0 billion of long-term debt based on the total amount of VoiceStream long-term debt outstanding as of September 30, 2000, and an additional \$1.2 billion of long-term debt if the Deutsche Telekom/Powertel merger is completed based on the total amount of Powertel long-term debt outstanding as of September 30, 2000. The pro forma ownership of VoiceStream common stockholders in Deutsche Telekom described above is illustrative only and will vary as of the time of completion of the Deutsche Telekom/VoiceStream merger.

What Holders of Powertel Common Shares and Holders of Powertel Preferred Shares Will Receive in the Deutsche Telekom/Powertel Merger or the VoiceStream/Powertel Merger (see pages 154 and 176)

Deutsche Telekom/Powertel Merger

In the Deutsche Telekom/Powertel merger, holders of Powertel shares would have the right to receive a number of Deutsche Telekom shares determined as follows:

<u>Type of Powertel Share</u>	<u>Number of Deutsche Telekom Shares for each Powertel Share</u>
Common share*	2.6353
Series A preferred share	121.9294**
Series B preferred share	121.9294**
Series D preferred share	93.0106**
Series E preferred share	179.5979**
Series F preferred share	179.5979**

* Includes dividends payable in common shares on the Series E and Series F preferred shares.

** Before adjustment.

The following table illustrates the total value that you would receive for each Powertel share at various hypothetical prices of Deutsche Telekom ordinary shares.

Price Per Deutsche Telekom Ordinary Share (in dollars)*	Value Received per Share of Powertel**					
	Common	Series A	Series B	Series D	Series E	Series F
\$25	\$ 65.88	\$3,048.24	\$3,048.24	\$2,325.27	\$4,489.95	\$4,489.95
30	79.06	3,657.88	3,657.88	2,790.32	5,387.94	5,387.94
35	92.24	4,267.53	4,267.53	3,255.71	6,285.93	6,285.93
40	105.41	4,877.18	4,877.18	3,720.42	7,183.92	7,183.92
45	118.59	5,486.82	5,486.82	4,185.48	8,081.91	8,081.91
50	131.77	6,096.47	6,096.47	4,650.53	8,979.90	8,979.90
55	144.94	6,706.12	6,706.12	5,115.58	9,877.88	9,877.88

* Based on an exchange rate of one euro to 0.9331 of a U.S. dollar on February 7, 2001.

** Before adjustment.

The last sale price of Deutsche Telekom ordinary shares on the Frankfurt Stock Exchange on February 7, 2001 was 33.02 euros. You are urged to obtain a current market quotation for the Deutsche Telekom ADSs and Deutsche Telekom ordinary shares.

We expect that the Deutsche Telekom/Powertel merger will be completed on or shortly after May 31, 2001, subject to the receipt of all necessary regulatory approvals. Before the completion of the Deutsche Telekom/Powertel merger, Powertel expects to declare a stock dividend of 0.0075 of a Powertel common share for each Powertel common share outstanding. The exchange ratios of the Powertel preferred shares will adjust upward to reflect the payment of this dividend. The stock dividend and the upward adjustments to the exchange ratios of the Powertel preferred stock will have the effect of increasing by 0.75% the number of shares owned by Powertel stockholders, and, accordingly, the aggregate amount of Deutsche Telekom shares to be received by Powertel stockholders in the Deutsche Telekom/Powertel merger.

The number of Deutsche Telekom shares that Powertel stockholders will receive in the Deutsche Telekom/Powertel merger is subject to adjustments in circumstances explained in greater detail beginning on page 155.

We estimate that, in the Deutsche Telekom/Powertel merger, Deutsche Telekom will issue approximately 136 million Deutsche Telekom shares to Powertel stockholders. Those shares will represent approximately 3% of the equity of Deutsche Telekom after the Deutsche Telekom/Powertel merger and the Deutsche Telekom/VoiceStream merger, based on the estimated number of Deutsche Telekom shares to be issued to the VoiceStream and Powertel stockholders.

The number of Deutsche Telekom shares that Powertel stockholders will receive in the Deutsche Telekom/Powertel merger and the pro forma ownership of the Powertel stockholders in Deutsche Telekom described above are illustrative only and will vary as of the time of completion of the Deutsche Telekom/Powertel merger.

Form of Deutsche Telekom Shares (see pages 201 and 207)

If you are a VoiceStream or Powertel stockholder, you will receive Deutsche Telekom shares in the form of Deutsche Telekom ADSs, which are traded on the NYSE under the symbol "DT", or, if you elect, Deutsche Telekom ordinary shares, which are traded principally on the Frankfurt Stock Exchange under the symbol "DTE".

VoiceStream/Powertel Merger

If the VoiceStream/Powertel merger occurs, holders of Powertel common shares will receive VoiceStream common shares at a conversion number, subject to adjustments as explained below, ranging from 0.65 to 0.75 per Powertel common share, depending on the closing price of VoiceStream common shares on 10 trading days randomly selected from the 20 trading-day period ending five trading days before the completion of the VoiceStream/Powertel merger. The conversion number will be 0.65 if the average closing price of VoiceStream common shares is \$130.77 or above and 0.75 if the average closing price of VoiceStream common shares is \$113.33 or below. If the average closing price of VoiceStream common shares is greater than \$113.33 and less than \$130.77, the conversion number will be the quotient determined by dividing \$85.00 by the average closing price of VoiceStream common shares. Holders of Powertel preferred shares will receive VoiceStream common shares using the same conversion number, treating each preferred share on an as-converted-to common shares basis. Each Powertel share will receive VoiceStream common shares as follows, subject to adjustments as explained below:

Average price of VoiceStream common share between \$113.33 and \$130.77

<u>Type of Powertel Share</u>	<u>Value in VoiceStream Common Shares</u>
Common*	\$85.00
Series A preferred	\$3,932.76
Series B preferred	\$3,932.76
Series D preferred	\$3,000.00
Series E preferred	\$5,792.82
Series F preferred	\$5,792.82

* Includes dividends payable in common shares on the Series E and Series F preferred shares.

Average price of VoiceStream common share \$130.77 and above

<u>Type of Powertel Share</u>	<u>Number of VoiceStream Common Shares</u>
Common*	0.65
Series A preferred	30.07
Series B preferred	30.07
Series D preferred	22.94
Series E preferred	44.30
Series F preferred	44.30

* Includes dividends payable in common shares on the Series E and Series F preferred shares.

Average price of VoiceStream common share \$113.33 and below

<u>Type of Powertel Share</u>	<u>Number of VoiceStream Common Shares</u>
Common*	0.75
Series A preferred	34.70
Series B preferred	34.70
Series D preferred	26.47
Series E preferred	51.11
Series F preferred	51.11

* Includes dividends payable in common shares on the Series E and Series F preferred shares.

The following table illustrates the total value that you would receive for each Powertel share at various hypothetical prices of VoiceStream common shares, subject to adjustments as explained below.

Price Per VoiceStream Common Share	Value Received Per Share of Powertel					
	Common	Series A	Series B	Series D	Series E	Series F
\$100	\$75.00	\$3,470.00	\$3,470.00	\$2,647.00	\$5,111.00	\$5,111.00
110	82.50	3,817.00	3,817.00	2,911.70	5,622.10	5,622.10
120	85.00	3,932.76	3,932.76	3,000.00	5,792.82	5,792.82
130	85.00	3,932.76	3,932.76	3,000.00	5,792.82	5,792.82
140	91.00	4,209.80	4,209.80	3,211.60	6,202.00	6,202.00
150	97.50	4,510.50	4,510.50	3,441.00	6,645.00	6,645.00

In the event VoiceStream pays a stock dividend on the VoiceStream common shares and/or Powertel pays a stock dividend on the Powertel common shares prior to the completion of the VoiceStream/Powertel merger, the payment of either of these stock dividends will not affect the aggregate merger consideration to be received by the Powertel stockholders in the VoiceStream/Powertel merger.

In addition, the consideration to be received by the Powertel stockholders in the VoiceStream/Powertel merger is subject to a downward pro rata adjustment if the aggregate number of Powertel common shares outstanding as of the completion of the VoiceStream/Powertel merger on a fully diluted basis, an amount we call the "adjusted fully diluted shares amount", exceeds 55,742,000, exclusive of certain permitted dividends. In the event of such an adjustment, Powertel stockholders will receive fewer VoiceStream common shares for each Powertel share they own. The adjustment procedures are described in greater detail under "Summary of Deutsche Telekom/Powertel and VoiceStream/Powertel Transaction Documents — The VoiceStream/Powertel Merger Agreement — Consideration To Be Received in the VoiceStream/Powertel Merger."

The last sale price of VoiceStream common shares on February 7, 2001 was \$118.81. You are urged to obtain a current market quotation for the VoiceStream common shares.

We estimate that in the VoiceStream/Powertel merger VoiceStream will issue approximately 38.4 million VoiceStream common shares to Powertel stockholders, subject to adjustment. Those VoiceStream common shares will represent approximately 11.5% of the equity of VoiceStream after the VoiceStream/Powertel merger. In addition, as a result of the VoiceStream/Powertel merger, VoiceStream will assume approximately \$1.2 billion of long-term debt based on the total amount of Powertel long-term debt outstanding as of September 30, 2000.

The number of VoiceStream common shares that Powertel stockholders will receive in the VoiceStream/Powertel merger and the pro forma ownership of Powertel stockholders in VoiceStream described above are illustrative only and will vary as of the time of completion of the VoiceStream/Powertel merger.

Appraisal Rights

Deutsche Telekom/VoiceStream Merger (see page 67)

Delaware law entitles the record holders of VoiceStream common shares and VoiceStream voting preferred shares who follow the procedures specified in Section 262 of the Delaware General Corporation Law to have their VoiceStream shares appraised by the Delaware Court of Chancery and to receive, in place of the merger consideration, the "fair value" of their VoiceStream shares as of the completion of the Deutsche Telekom/VoiceStream merger, as may be determined by the court. In order to exercise these rights, a VoiceStream stockholder must demand and perfect its rights in accordance with Section 262. A copy of Section 262 is attached to this document as Annex G.

Deutsche Telekom/Powertel Merger and VoiceStream/Powertel Merger (see page 98)

Delaware law does not entitle the record holders of Powertel common shares to have their shares appraised in either merger.

Holders of Powertel preferred shares would have appraisal rights under Delaware law with respect to the Deutsche Telekom/Powertel and VoiceStream/Powertel mergers, except that all holders of Powertel preferred shares have agreed to waive their appraisal rights and to vote their shares in favor of each of these mergers.

U.S. Federal Tax Consequences

Deutsche Telekom/VoiceStream Merger (see page 111)

If the Deutsche Telekom/VoiceStream merger is completed as contemplated, for U.S. federal income tax purposes, if you are a U.S. holder of VoiceStream common shares and:

- you receive only Deutsche Telekom ADSs or Deutsche Telekom ordinary shares, you will generally recognize neither gain nor loss;
- you receive both cash and either Deutsche Telekom ADSs or Deutsche Telekom ordinary shares, you will generally not recognize any loss and you will generally recognize gain in an amount not exceeding the amount of cash received;
- you receive only cash, you will generally recognize gain or loss.

VoiceStream has received opinions from Jones, Day, Reavis & Pogue and Wachtell, Lipton, Rosen & Katz, dated as of the effective date of this proxy statement/prospectus, as to the material U.S. federal income tax consequences of the Deutsche Telekom/VoiceStream merger, as described under "U.S. Federal and German Tax Consequences — U.S. Federal Income Tax Consequences of the Deutsche Telekom/VoiceStream Merger to U.S. Holders of VoiceStream Common Shares."

Deutsche Telekom/Powertel Merger (see page 114)

If the Deutsche Telekom/Powertel merger is completed as contemplated, for U.S. federal income tax purposes, if you are a U.S. holder of Powertel common shares:

- you will generally not recognize any gain or loss on the receipt of Deutsche Telekom ADSs or Deutsche Telekom ordinary shares.

Powertel has received an opinion from Morris, Manning & Martin, LLP, and Deutsche Telekom has received an opinion from Cleary, Gottlieb, Steen & Hamilton, each dated as of the effective date of this proxy statement/prospectus, as to the material U.S. federal income tax consequences of the Deutsche Telekom/Powertel merger, as described under "U.S. Federal and German Tax Consequences — U.S. Federal Income Tax Consequences of the Deutsche Telekom/Powertel Merger to U.S. Holders of Powertel Common Shares" and "U.S. Federal and German Tax Consequences — U.S. Federal Income Tax Consequences of the Deutsche Telekom/Powertel Merger to U.S. Holders of Powertel Preferred Shares."

VoiceStream/Powertel Merger (see page 118)

If the VoiceStream/Powertel merger is completed as contemplated, for U.S. federal income tax purposes, if you are a U.S. holder of Powertel common shares:

- you will generally not recognize any gain or loss on the receipt of VoiceStream common shares.

Powertel has received an opinion from Morris, Manning & Martin, LLP, and VoiceStream has received opinions from Jones, Day, Reavis & Pogue and Preston Gates & Ellis LLP, each dated as of the effective date of this proxy statement/prospectus, as to the material U.S. federal income tax consequences of the VoiceStream/Powertel merger, as described under "U.S. Federal and German Tax Consequences — U.S. Federal Income Tax Consequences of the VoiceStream/Powertel Merger to U.S. Holders of Powertel

Common Shares” and “U.S. Federal and German Tax Consequences — U.S. Federal Income Tax Consequences of the VoiceStream/Powertel Merger to U.S. Holders of Powertel Preferred Shares.”

Tax matters are complex and holders of VoiceStream and Powertel shares are urged to consult their tax advisors as to the tax consequences to them of the mergers.

Recommendation of the VoiceStream Board of Directors (see page 52)

The VoiceStream board of directors determined that each of the Deutsche Telekom/VoiceStream merger and the VoiceStream/Powertel merger is advisable, fair to and in the best interests of VoiceStream and its stockholders, and has approved each of the merger agreements. The VoiceStream board of directors recommends that VoiceStream stockholders vote “FOR” approval and adoption of the Deutsche Telekom/VoiceStream merger agreement and “FOR” approval and adoption of the VoiceStream/Powertel merger agreement at the VoiceStream special meeting.

Recommendation of the Powertel Board of Directors (see page 76)

The Powertel board of directors determined that each of the Deutsche Telekom/Powertel merger and the VoiceStream/Powertel merger is advisable and in the best interests of Powertel and its stockholders, and has approved each of the merger agreements. The Powertel board of directors recommends that Powertel stockholders vote “FOR” approval and adoption of the Deutsche Telekom/Powertel merger agreement and “FOR” approval and adoption of the VoiceStream/Powertel merger agreement at the Powertel special meeting.

Opinions of Financial Advisors (see pages 57, 80 and 87)

In connection with each of the Deutsche Telekom/VoiceStream, Deutsche Telekom/Powertel and VoiceStream/Powertel mergers, financial advisors of VoiceStream or Powertel, as the case may be, each delivered an opinion to the effect that, as of the date of that opinion, the consideration to be received by stockholders of VoiceStream or Powertel, respectively, in the applicable merger was fair from a financial point of view to those stockholders.

In addition, in connection with the VoiceStream/Powertel merger, VoiceStream’s financial advisor delivered an opinion that, as of the date of that opinion, the conversion number under the VoiceStream/Powertel merger agreement was fair from a financial point of view to VoiceStream.

These opinions are attached as Annexes D, E and F to this document, and you are urged to read them carefully.

Stockholder Agreements (see pages 146, 173, 191 and 193)

VoiceStream and Powertel stockholders who had, in the aggregate and as of the respective record dates, sufficient voting power to approve the Deutsche Telekom/VoiceStream merger or the Deutsche Telekom/Powertel merger, as the case may be, and the VoiceStream/Powertel merger, have entered into separate stockholder agreements with the acquiring company in the applicable merger and have agreed to vote all of their shares in favor of that merger. Accordingly, stockholder approval of the three mergers is assured.

VoiceStream and Powertel Operating Losses (see page 31)

VoiceStream and Powertel have incurred substantial operating losses and generated negative cash flow. VoiceStream and Powertel expect to incur significant operating losses and to generate negative cash flow from operating activities during the next several years while they continue to develop and construct their systems and grow their subscriber bases. VoiceStream and Powertel may not be able to achieve or sustain profitability or positive cash flow from operating activities or generate sufficient cash flow to service current or future debt requirements.

Comparative Market Price Data

Deutsche Telekom/VoiceStream Merger

We present below the per share closing prices for Deutsche Telekom ordinary shares as quoted on the Frankfurt Stock Exchange and VoiceStream common shares as reported on Nasdaq. These prices are presented on the following dates:

- July 21, 2000, the last trading day before the public announcement of the signing of the Deutsche Telekom/VoiceStream merger agreement; and
- February 7, 2001, the latest practicable date before the printing of this document.

The table also presents implied equivalent per share values for VoiceStream common shares by:

- multiplying the price per Deutsche Telekom ordinary share, converted into U.S. dollars, on each of the two dates by the stock election of 3.7647, assuming no proration;
- multiplying the price per Deutsche Telekom ordinary share, converted into U.S. dollars, on July 21, 2000 by the mixed election exchange ratio of 3.2 and adding \$30;
- multiplying the price per Deutsche Telekom ordinary share, converted into U.S. dollars, on February 7, 2001 by the mixed election exchange ratio of 3.4837 and adding \$21.36, which reflects the effect of the tax-related adjustment described on page 128;
- for July 21, 2000, the value of a cash election of \$200; and
- for February 7, 2001, the likely value of a cash election assuming maximum proration and giving effect to the tax-related adjustment, as described on page 128.

	<u>Deutsche Telekom ordinary share price (in euros)</u>	<u>Deutsche Telekom ordinary share price (in U.S. dollars)</u>	<u>VoiceStream common share price</u>	<u>Implied per share value of stock election</u>	<u>Implied per share value of mixed election</u>	<u>Implied per share value of cash election</u>
July 21, 2000	55.27	\$51.64	\$149.75	\$194.41	\$195.25	\$195.25
February 7, 2001	33.02	\$30.81	\$118.81	\$115.99	\$128.69	\$128.69

You are urged to obtain current market quotations for Deutsche Telekom ordinary shares and VoiceStream common shares before making a decision with respect to the Deutsche Telekom/VoiceStream merger.

Deutsche Telekom/Powertel Merger

We present below the per share closing prices for Deutsche Telekom ordinary shares as quoted on the Frankfurt Stock Exchange and Powertel common shares as reported on Nasdaq. These prices are presented on the following dates:

- August 25, 2000, the last trading day before the public announcement of the signing of the Deutsche Telekom/Powertel merger agreement; and
- February 7, 2001, the latest practicable date before the printing of this document.

The table also presents implied equivalent per share values for Powertel common shares by multiplying the price per Deutsche Telekom ordinary share, converted into U.S. dollars, on the two dates by the exchange ratio of 2.6353.

	<u>Deutsche Telekom ordinary share price (in euros)</u>	<u>Deutsche Telekom ordinary share price (in U.S. dollars)</u>	<u>Powertel common share price</u>	<u>Conversion number</u>	<u>Implied per share value of merger consideration (Deutsche Telekom ordinary share price × 2.6353)</u>
August 25, 2000	44.30	\$39.98	\$86.63	2.6353	\$105.36
February 7, 2001	33.02	\$30.81	\$76.69	2.6353	\$ 81.19

You are urged to obtain current market quotations for Deutsche Telekom ordinary shares and Powertel common shares before making a decision with respect to the Deutsche Telekom/Powertel merger.

Powertel preferred shares are not publicly traded and, under the Deutsche Telekom/Powertel merger agreement, holders of Powertel preferred shares will receive Deutsche Telekom shares at a fixed exchange ratio based on an as-converted-to common shares basis. This exchange ratio will be adjusted if Powertel pays a stock dividend prior to completion of the Deutsche Telekom/Powertel merger.

VoiceStream/Powertel Merger

We present below the per share closing prices for VoiceStream common shares and Powertel common shares, each as reported on Nasdaq. These prices are presented on the following dates:

- August 25, 2000, the last trading day before the public announcement of the signing of the VoiceStream/Powertel merger agreement; and
- February 7, 2001, the latest practicable date before the printing of this document.

In addition, the table below presents implied equivalent per share values for Powertel common shares on the two dates. Powertel preferred shares are not publicly traded.

	<u>VoiceStream common share price</u>	<u>Powertel common share price</u>	<u>Conversion number</u>	<u>Implied per share value of merger consideration</u>
August 25, 2000	\$118.19	\$86.63	0.7192	\$85.00
February 7, 2001	\$118.81	\$76.69	0.7154	\$85.00

You are urged to obtain current market quotations for VoiceStream common shares and Powertel common shares before making a decision with respect to the VoiceStream/Powertel merger.

Currencies and Exchange Rates

References in this document to “dollars”, “\$” or “cents” are to the currency of the U.S. and references to “euro” and “EUR” are to the currency of the European Union.

In this document, unless otherwise stated, euros have been translated, solely for convenience, into U.S. dollars using the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York. On February 7, 2001, the latest practicable date for which exchange rate information was available before the printing of this document, the noon buying rate for the euro was one euro per 0.9331 of a U.S. dollar, which, if expressed in Deutsche Marks, would have been equivalent to a rate of one DM per 0.477 of a U.S. dollar, translated from euros at the official fixed conversion rate. These translations should not be construed as a representation that the U.S. dollar amounts actually represent, or could be converted into, euros at the rates indicated.

For a five-year history of relevant exchange rates, see “Exchange Rates” on page 195.

Enforceability of Civil Liability and Service of Process

Deutsche Telekom is incorporated under the laws of the Federal Republic of Germany, and all of the members of the Deutsche Telekom management board, executive officers and certain of the experts named or referred to herein are non-residents of the United States. A substantial majority of the assets of Deutsche Telekom and its direct and indirect subsidiaries and such non-resident persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce in U.S. courts judgments against such persons and judgments of such courts predicated upon the civil liability provisions of the U.S. federal securities laws. Deutsche Telekom has been advised by Hengeler Mueller Weitzel Wirtz, its German legal counsel, that there is doubt as to the enforceability in Germany, in original actions or actions for enforcement of judgments of U.S. courts, of claims based solely upon U.S. federal securities laws.

Selected Consolidated Financial Data

We present below selected historical financial data of Deutsche Telekom, VoiceStream and Powertel for the nine months ended September 30, 2000 and 1999 and for each of the years in the five-year period ended December 31, 1999. We derived the selected historical financial data as of and for the nine-month periods ended September 30, 2000 and 1999 from the unaudited interim consolidated financial statements of Deutsche Telekom, VoiceStream and Powertel for those periods, including the notes to those financial statements. We derived the selected historical financial data as of and for each of the years in the five-year period ended December 31, 1999 from the audited annual consolidated financial statements of Deutsche Telekom, VoiceStream and Powertel, including the notes to those financial statements. All the data should be read in conjunction with the consolidated financial statements and notes thereto, of Deutsche Telekom, VoiceStream and Powertel incorporated by reference. See "Additional Information — Where You Can Find More Information."

VoiceStream and Powertel report their financial information in accordance with U.S. generally accepted accounting principles, which in this document we refer to as "U.S. GAAP". Deutsche Telekom reports its financial statements in accordance with German generally accepted accounting principles, which in this document we refer to as "German GAAP". German GAAP differs in certain significant respects from U.S. GAAP. For a discussion of the principal differences between German GAAP and U.S. GAAP as they relate to Deutsche Telekom, see Note 36 to Deutsche Telekom's audited annual consolidated financial statements. Deutsche Telekom historically has applied U.S. GAAP accounting principles to the extent allowable under German GAAP. It is Deutsche Telekom's policy to harmonize accounting principles according to German GAAP and U.S. GAAP through the extensive application of the principles of U.S. GAAP. Deutsche Telekom may depart from this policy. Any such departures are reflected in Deutsche Telekom's U.S. GAAP reconciliation footnote.

Selected Deutsche Telekom Consolidated Financial Data (in billions, except per share amounts)

	U.S.\$		euros		U.S.\$		euros		
	Nine months ended		Nine months ended		Year ended		Year ended December 31,		
	September 30,		September 30,		December 31,		December 31,		
	2000(a)	2000	1999(j)	1999(a)	1999(b)(j)	1998	1997	1996(c)	1995(c)
	(unaudited)	(unaudited)				(c)(b)(d)	(c)(b)		
Consolidated Statement of Operations Data:									
<i>Amounts in accordance with German GAAP</i>									
Net revenue(e).....	25.8	29.2	25.6	31.3	35.5	35.2	34.5	32.3	33.8
Other own capitalized costs.....	0.6	0.7	0.7	0.8	0.9	1.0	1.6	1.7	1.7
Other operating income(f).....	8.9	10.1	1.3	1.7	1.9	2.1	1.9	2.0	1.1
Goods and services purchased.....	(7.4)	(8.4)	(4.9)	(6.8)	(7.7)	(6.3)	(6.2)	(5.2)	(4.9)
Personnel costs.....	(6.2)	(7.0)	(6.9)	(8.1)	(9.2)	(9.2)	(9.4)	(9.6)	(9.4)
Depreciation and amortization(g).....	(7.0)	(8.0)	(6.0)	(7.5)	(8.5)	(9.0)	(9.5)	(9.0)	(7.9)
Other operating expenses.....	(6.1)	(6.9)	(4.5)	(6.0)	(6.8)	(5.4)	(5.2)	(4.9)	(4.9)
Financial expense, net.....	0.1	0.1	(2.1)	(2.6)	(2.9)	(3.3)	(4.0)	(3.9)	(4.2)
Results from ordinary business activities.....	8.7	9.8	3.2	2.8	3.2	5.1	3.7	3.4	5.3
Extraordinary items.....	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	—	—	(1.3)	(0.7)
Taxes(h).....	(1.1)	(1.2)	(1.5)	(1.3)	(1.5)	(2.7)	(1.9)	(1.1)	(1.9)
Income after taxes.....	7.5	8.5	1.5	1.3	1.5	2.4	1.8	1.0	2.7
Income applicable to minority shareholders.....	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)	—
Net income.....	7.4	8.4	1.3	1.0	1.2	2.2	1.7	0.9	2.7
Earnings per share(b).....	2.46	2.79	0.44	0.38	0.43	0.82	0.62	0.43	1.33
<i>Amounts in accordance with U.S. GAAP</i>									
Net income.....	8.7	9.8	1.2	1.3	1.5	2.2	1.3	1.3	2.9
Basic and diluted earnings per share(b)(d)(i).....	2.86	3.24	0.44	0.47	0.53	0.81	0.46	0.62	1.40
Cash Flow Data:									
<i>Amounts in accordance with German GAAP</i>									
Net cash provided by operating activities.....	6.2	7.0	7.0	8.5	9.6	13.5	11.6	11.4	12.1
Net cash used for investing activities.....	(21.7)	(24.6)	(11.0)	(16.5)	(18.7)	(7.5)	(5.4)	(13.0)	(6.8)
Net cash provided by (used for) financing activities.....	17.3	19.6	6.9	7.0	8.0	(6.8)	(7.0)	3.5	(7.8)
Net increase (decrease) in cash and cash equivalents.....	1.8	2.0	2.9	(1.0)	(1.1)	(0.8)	(0.8)	1.9	(2.5)

Selected Deutsche Telekom Consolidated Financial Data — Continued (in billions)

	U.S.\$	euros	U.S.\$	euros				
	as of	as of	as of	as of December 31,				
	September 30, 2000(a)	September 30, 2000	December 31, 1999(a)	1999(b)	1998(c)(b)	1997(c)(b)	1996(c)	1995(c)
	(unaudited)	(unaudited)						
Balance Sheet Data:								
<i>Amounts in accordance with German GAAP</i>								
Non-current assets	95.2	107.8	72.3	82.0	66.5	70.0	73.8	71.2
Current assets, prepaid expenses, deferred charges	16.1	18.3	11.1	12.6	12.8	13.2	15.3	10.7
Total assets	<u>111.3</u>	<u>126.1</u>	<u>83.4</u>	<u>94.6</u>	<u>79.3</u>	<u>83.2</u>	<u>89.1</u>	<u>81.9</u>
Shareholders' equity . . .	38.5	43.6	31.5	35.7	25.1	24.6	23.8	12.7
Accruals	10.0	11.3	8.2	9.3	8.3	7.7	7.6	6.6
Debt	54.8	62.1	37.3	42.3	39.9	44.9	51.1	56.4
Other liabilities and deferred income	8.0	9.1	6.4	7.3	6.0	6.0	6.6	6.2
Total shareholders' equity and liabilities	<u>111.3</u>	<u>126.1</u>	<u>83.4</u>	<u>94.6</u>	<u>79.3</u>	<u>83.2</u>	<u>89.1</u>	<u>81.9</u>
<i>Amounts in accordance with U.S. GAAP</i>								
Shareholders' equity . . .	<u>41.9</u>	<u>47.4</u>	<u>33.2</u>	<u>37.6</u>	<u>26.9</u>	<u>26.1</u>	<u>25.9</u>	<u>15.1</u>

- (a) For convenience purposes, the selected financial data has been translated from euros into U.S. dollars at the rate of one euro per 0.8837 of a U.S. dollar, the exchange rate as of September 30, 2000. Such translations should not be construed as representations that the euro amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.
- (b) Includes changes in the composition of the group (in particular the acquisition of a minority interest in MATAV in 1997 and the acquisition of DT Mobile Holdings (One 2 One) and max.mobil. in 1999).
- (c) Amounts have been restated from Deutsche Marks to euros using the official fixed conversion rate established on January 1, 1999, which is EUR 1.00 = DM 1.95583.
- (d) Since the beginning of the 1999 financial year, revenues have been reported in line with the changed organizational structure of group business areas of the Deutsche Telekom Group. The prior year figures have been restated to reflect the new structure. The difference in the figures compared to those stated in prior years is mainly attributable to the deduction of the revenues from the billing of services of other network operators, amounting to approximately 0.5 billion euros, which were previously shown under other services expense.
- (e) In 1995, the amount includes pro forma value-added tax, which in this document we refer to as "VAT." Adjusted to exclude VAT, the net revenue would have been 30.5 billion euros.
- (f) In 1996, the amount includes a one-time value-added tax refund amounting to 338 million euros.
- (g) Including, for periods after 1995, depreciation of value-added tax capitalized prior to January 1, 1996.
- (h) In 1995, the levy to the Federal Republic of Germany was paid for the last time, with Deutsche Telekom becoming essentially exempt from this levy. Since January 1, 1996, Deutsche Telekom has been subject to normal corporate taxation.
- (i) As of and prior to September 30, 2000, Deutsche Telekom did not have any potentially dilutive securities outstanding. Accordingly, there was no difference between basic and diluted earnings per share for U.S. GAAP purposes.
- (j) In fiscal 2000, Deutsche Telekom reclassified fiscal 1999 research and development costs as well as certain other expenses to "Other expenses" from "Goods and services purchased" to conform with the fiscal 2000 presentations. The reclassifications did not impact reported net income.

Selected VoiceStream Consolidated Financial Data (dollars in thousands)

	Nine months ended September 30,		Years ended December 31,				
	2000	1999	1999	1998	1997	1996	1995
	(unaudited)						
Consolidated Statements of Operations Data:							
Revenues:							
Subscriber revenues	\$ 942,961	\$ 245,209	\$ 366,802	\$ 123,966	\$ 52,360	\$ 7,794	\$ —
Roamer revenues	74,174	6,205	9,295	3,506	227	—	—
Equipment revenues	177,673	48,554	78,025	40,490	25,143	9,745	—
Other revenues	77,989	11,725	21,407	—	—	—	—
Total revenues	<u>1,272,797</u>	<u>311,693</u>	<u>475,529</u>	<u>167,962</u>	<u>77,730</u>	<u>17,539</u>	<u>—</u>
Operating expenses:							
Cost of service	328,818	74,100	114,007	50,978	43,183	12,470	—
Cost of equipment sales	317,174	93,904	136,584	77,071	53,469	20,789	—
General and administrative	443,576	83,938	134,812	75,343	51,678	20,209	3,069
Sales and marketing	502,006	134,689	211,399	85,447	59,466	31,505	339
Depreciation and amortization	541,197	96,280	140,812	83,767	66,875	14,395	269
Stock based compensation	30,729	53,935	60,690	—	—	—	—
Total operating expenses	<u>2,163,500</u>	<u>536,846</u>	<u>798,304</u>	<u>372,606</u>	<u>274,671</u>	<u>99,368</u>	<u>3,677</u>
Operating loss	<u>(890,703)</u>	<u>(225,153)</u>	<u>(322,775)</u>	<u>(204,644)</u>	<u>(196,941)</u>	<u>(81,829)</u>	<u>(3,677)</u>
Other income (expense):							
Interest and financing expense, net	(343,679)	(58,800)	(103,461)	(34,118)	(57,558)	(3,607)	(40)
Equity in net loss of unconsolidated affiliates	(96,380)	(25,260)	(50,945)	(24,120)	(9,327)	(954)	(11)
Interest income and other, net	55,883	6,176	22,442	8,616	11	40	—
Net loss	<u>\$ (1,274,879)</u>	<u>\$ (303,037)</u>	<u>\$ (454,739)</u>	<u>\$ (254,266)</u>	<u>\$ (263,815)</u>	<u>\$ (86,350)</u>	<u>\$ (3,728)</u>
Consolidated Balance Sheet Data:							
Current assets	\$ 4,731,209	\$ 158,695	\$ 410,576	\$ 59,398	\$ 49,945	\$ 59,515	\$ 1,684
Property and equipment, net	2,497,426	770,170	931,792	619,280	420,638	318,473	37,914
Goodwill, licensing costs and other intangible assets, net	10,976,381	321,412	450,261	312,040	315,653	227,997	145,728
Other assets	1,224,637	218,978	429,284	60,938	36,055	8,142	8,484
Total assets	<u>\$ 19,429,653</u>	<u>\$ 1,469,255</u>	<u>\$ 2,221,913</u>	<u>\$ 1,051,656</u>	<u>\$ 822,291</u>	<u>\$ 614,127</u>	<u>\$ 193,810</u>
Current liabilities	\$ 872,515	\$ 185,043	\$ 203,085	\$ 125,026	\$ 126,184	\$ 155,769	\$ 25,444
Long-term debt	5,031,699	1,165,000	2,011,451	540,000	300,000	143,000	13,000
Other long-term liabilities	—	—	—	—	—	173,705	7,613
Redeemable preferred shares and minority interest	5,708,409	—	—	—	—	—	—
Shareholders' equity	7,817,030	119,212	7,377	386,630	396,107	141,653	147,753
Total liabilities and shareholders' equity	<u>\$ 19,429,653</u>	<u>\$ 1,469,255</u>	<u>\$ 2,221,913</u>	<u>\$ 1,051,656</u>	<u>\$ 822,291</u>	<u>\$ 614,127</u>	<u>\$ 193,810</u>
Other Data:							
Licensed population	121,704,000	62,593,000	64,825,000	62,593,000	62,808,000	19,488,000	14,853,000
Covered population (a)	95,175,000	19,754,000	23,411,000	16,121,000	12,529,000	6,133,000	—
Subscribers/Users:							
Subscribers	3,067,900	685,100	845,700	322,400	128,600	35,500	—
Prepaid users	748,200	9,400	9,700	10,400	—	—	—
Adjusted EBITDA (b)	\$ (318,777)	\$ (74,938)	\$ (121,273)	\$ (120,877)	\$ (130,066)	\$ (67,434)	\$ (3,408)
Cash Flows Provided By (Used In):							
Operating activities	\$ (554,750)	\$ (116,753)	\$ (241,827)	\$ (112,931)	\$ (198,129)	\$ (81,272)	\$ (4,115)
Investing activities	(1,800,487)	(431,447)	(947,657)	(253,633)	(370,202)	(342,587)	(145,632)
Financing activities	6,227,322	589,009	1,416,860	374,284	563,254	429,250	149,770

(a) Represents population that is covered by VoiceStream's network, excluding unconsolidated affiliates.

(b) Adjusted EBITDA represents operating loss before depreciation and amortization and non-cash stock-based compensation. VoiceStream's management believes Adjusted EBITDA provides meaningful additional information on VoiceStream's operating results and on its ability to service its long-term debt and other fixed obligations and to fund its continuing growth. Adjusted EBITDA is considered by many financial analysts to be a meaningful indicator of an entity's ability to meet its future financial obligations, and growth in Adjusted EBITDA is considered to be an indicator of future profitability, especially in a capital-intensive industry such as wireless telecommunications. Adjusted EBITDA should not be construed as an alternative to operating income (loss) as determined in accordance with U.S. GAAP, as an alternative to cash flows from operating activities, as determined in accordance with U.S. GAAP, or as a measure of liquidity. Because Adjusted EBITDA is not calculated in the same manner by all companies, VoiceStream's presentation may not be comparable to other similarly titled measures of other companies.

Selected Powertel Consolidated Financial Data (dollars in thousands, except per share)

	Nine months ended September 30,		Years ended December 31,				
	2000 (unaudited)	1999	1999	1998	1997	1996	1995
Statement of Operations Data:							
Service revenues	\$ 312,617	\$ 177,921	\$ 254,051	\$ 152,275	\$ 62,745	\$ 31,875	\$ 25,384
Equipment revenues	17,941	20,377	29,360	23,161	16,171	7,250	3,928
Total revenues	<u>330,558</u>	<u>198,298</u>	<u>283,411</u>	<u>175,436</u>	<u>78,916</u>	<u>39,125</u>	<u>29,312</u>
Cost of service	71,272	42,642	59,183	42,777	28,277	5,811	2,394
Cost of equipment sales	77,046	48,650	73,526	79,144	45,318	11,653	3,127
Operations expenses	49,131	46,619	64,269	56,522	23,989	9,927	3,596
Sales and marketing	86,098	65,414	99,012	63,936	41,409	13,301	4,280
General and administrative	33,817	30,429	44,184	37,639	25,742	16,963	4,218
Depreciation and amortization	74,981	65,763	89,180	67,654	49,282	10,101	5,101
Operating expenses	<u>392,345</u>	<u>299,517</u>	<u>429,354</u>	<u>347,672</u>	<u>214,017</u>	<u>67,756</u>	<u>22,716</u>
Operating (loss) income	(61,787)	(101,219)	(145,943)	(172,236)	(135,101)	(28,631)	6,596
Other income (expense):							
Interest and financing expense, net	(102,955)	(94,296)	(127,054)	(113,170)	(63,604)	(16,607)	(1,657)
Gain on sale of assets(a)	—	127,161	129,172	—	41,912	—	—
Interest income and other, net	17,292	13,616	19,159	19,576	21,625	18,556	295
(Loss) income before income taxes and cumulative effect	(147,450)	(54,738)	(124,666)	(265,830)	(135,168)	(26,682)	5,234
Income tax (benefit) provision	—	—	—	—	—	(1,654)	2,230
Net (loss) income before cumulative effect	(147,450)	(54,738)	(124,666)	(265,830)	(135,168)	(25,028)	3,004
Dividends on cumulative convertible, redeemable preferred stock	(7,312)	(7,312)	(9,750)	(5,010)	—	—	—
Net (loss) income before cumulative effect	(154,762)	(62,050)	(134,416)	(270,840)	(135,168)	(25,028)	3,004
Cumulative effect of change in accounting principle, net of tax(b)	—	—	—	—	—	(2,583)	—
Net (loss) income	<u>\$ (154,762)</u>	<u>\$ (62,050)</u>	<u>\$ (134,416)</u>	<u>\$ (270,840)</u>	<u>\$ (135,168)</u>	<u>\$ (27,611)</u>	<u>\$ 3,004</u>
Earnings (loss) per share:							
Net (loss) income before cumulative effect of change in accounting principle	\$ (5.07)	\$ (2.24)	\$ (4.75)	\$ (10.02)	\$ (5.04)	\$ (1.00)	\$ 0.30
Cumulative effect of change in accounting principle	—	—	—	—	—	(0.10)	—
Basic and diluted (loss) income per common share	<u>\$ (5.07)</u>	<u>\$ (2.24)</u>	<u>\$ (4.75)</u>	<u>\$ (10.02)</u>	<u>\$ (5.04)</u>	<u>\$ (1.10)</u>	<u>\$ 0.30</u>
Other Financial And Operating Data:							
Licensed population	24,426,000	24,426,000	24,426,000	24,722,000	24,722,000	18,198,000	733,000
Covered population	17,100,000	15,687,600	16,916,000	15,688,000	12,313,000	5,816,000	674,000
Subscribers/Users:							
Subscribers	393,000	319,000	341,000	282,000	145,000	63,000	39,000
Prepaid users	410,000	119,000	205,000	42,000	—	—	—
Adjusted EBITDA(c)	\$ 13,194	\$ (35,456)	\$ (56,763)	\$ (104,582)	\$ (85,819)	\$ (18,530)	\$ 11,697
Cash Flows Provided By (Used In):							
Operating activities	\$ (36,567)	\$ (73,919)	\$ (98,977)	\$ (165,818)	\$ (57,030)	\$ (15,255)	\$ 5,640
Investing activities	(110,351)	263,786	255,343	(184,072)	(248,710)	(489,084)	(22,795)
Financing activities	9,711	8,880	10,243	227,723	447,169	669,234	17,278

Selected Powertel Consolidated Financial Data — Continued (dollars in thousands)

	Nine months ended September 30,		Years ended December 31,				
	2000	1999	1999	1998	1997	1996	1995
	(unaudited)						
Balance Sheet Data:							
Current assets	\$ 321,255	\$ 503,762	\$ 454,378	\$ 296,819	\$ 405,484	\$289,859	\$ 6,548
Property and equipment, net	579,060	560,162	561,110	642,404	491,750	251,269	18,066
Goodwill and licenses, net	392,392	403,134	400,587	407,998	416,252	388,634	23,283
Other assets	49,172	17,171	23,720	33,357	65,106	17,355	26,433
Total assets	1,341,879	1,484,229	1,439,795	1,380,578	1,378,592	947,117	74,330
Current liabilities	107,192	85,438	103,588	69,958	91,762	33,510	5,571
Long-term debt	1,203,053	1,165,385	1,170,491	1,107,994	968,319	503,324	29,003
Other long-term liabilities	76,707	82,715	83,354	76	695	741	408
Total stockholders' (deficit) equity ...	(197,292)	(1,528)	(69,857)	50,331	317,816	407,007	36,674
Total liabilities and stockholders' equity	1,341,879	1,484,229	1,439,795	1,380,578	1,378,592	947,117	74,330

- (a) During the year ended December 31, 1999, Powertel sold substantially all of its remaining cellular telephone assets for \$89.3 million and 650 of its wireless towers for \$274.6 million, resulting in an aggregate gain of \$129.2 million. During the year ended December 31, 1997, Powertel sold substantially all of its cellular telephone assets in the state of Maine for \$77.2 million, resulting in a gain of \$41.9 million.
- (b) During 1996, Powertel changed its method of accounting for costs incurred in connection with certain promotional programs in which customers receive discounted cellular equipment or airtime usage credits. Under Powertel's previous accounting method, all such costs were deferred and amortized over the life of the related non-cancelable cellular telephone service agreement. Under the new accounting method, the costs are expensed as incurred.
- (c) Adjusted EBITDA represents operating income (loss) before depreciation and amortization and non-cash stock-based compensation. Powertel's management believes Adjusted EBITDA provides meaningful additional information on Powertel's operating results and on its ability to service its long-term debt and other fixed obligations and to fund its continuing growth. Adjusted EBITDA is considered by many financial analysts to be a meaningful indicator of an entity's ability to meet its future financial obligations, and growth in Adjusted EBITDA is considered to be an indicator of future profitability, especially in a capital-intensive industry such as wireless telecommunications. Adjusted EBITDA should not be construed as an alternative to operating income (loss) as determined in accordance with U.S. GAAP, as an alternative to cash flows from operating activities, as determined in accordance with U.S. GAAP, or as a measure of liquidity. Because Adjusted EBITDA is not calculated in the same manner by all companies, Powertel's presentation may not be comparable to other similarly titled measures of other companies.

Unaudited Selected Pro Forma Condensed Combined Financial Information

In the table below, we provide you with the unaudited pro forma condensed combined financial information for the Deutsche Telekom/VoiceStream merger only and the Deutsche Telekom/VoiceStream/Powertel mergers, each of which is presented under German GAAP and reconciled to U.S. GAAP. Additionally, we have provided you with unaudited pro forma condensed consolidated financial statement information for the VoiceStream/Powertel merger prepared in accordance with U.S. GAAP. The unaudited pro forma condensed consolidated statements of operations information has been prepared as if the mergers were effected on January 1, 1999. The unaudited pro forma condensed combined balance sheets give effect to the mergers as if they had occurred on September 30, 2000. The data set forth below gives effect to each merger using the purchase method of accounting.

We prepared this information based upon currently available data. You should read these unaudited pro forma condensed combined financial statements in conjunction with the separate historical financial statements and accompanying notes of the companies incorporated by reference in this document.

We have provided these pro forma condensed combined statements for informational purposes only in response to the requirements of the SEC. We do not claim that they represent what the actual financial position or results of operations would have been if the transactions had occurred at such dates or that they project the financial position or results of operations for any future date or period.

For further discussion of the pro forma adjustments and more detailed pro forma financial statements, see "Deutsche Telekom Unaudited Pro Forma Condensed Combined Financial Statements" beginning on page 264 and "VoiceStream Unaudited Pro Forma Condensed Combined Financial Statements" beginning on page 294.

Deutsche Telekom/VoiceStream/Powertel Mergers (euros in millions, except per share data):

Statements of Operations (Unaudited)	Nine months ended September 30, 2000		Year ended December 31, 1999	
	Deutsche Telekom and VoiceStream	Deutsche Telekom, VoiceStream and Powertel	Deutsche Telekom and VoiceStream	Deutsche Telekom, VoiceStream and Powertel
Total operating performance	31,582	31,936	37,424	37,691
Net (loss) income	5,006	4,607	(2,756)	(3,109)
U.S. GAAP reconciling items	905	887	(314)	(408)
Net income (loss) under U.S. GAAP ..	5,911	5,494	(3,071)	(3,517)
Earnings (loss) per share:				
German GAAP	1.32	1.17	(0.75)	(0.82)
U.S. GAAP:				
Basic	1.56	1.40	(0.84)	(0.93)
Diluted	1.47	1.32	(0.84)	(0.93)
Cash dividends per ordinary share	—	—	0.49	0.47

<u>Condensed Combined Balance Sheet (Unaudited)</u>	As of September 30, 2000	
	<u>Deutsche Telekom and VoiceStream</u>	<u>Deutsche Telekom, VoiceStream and Powertel</u>
Non-current assets	150,590	157,314
Current assets	22,749	23,094
Other assets	1,291	1,309
Total assets	<u>174,630</u>	<u>181,717</u>
Shareholders' equity	76,847	82,434
Accruals	11,791	11,843
Liabilities	85,287	86,726
Deferred income	705	714
Total liabilities and shareholders' equity	<u>174,630</u>	<u>181,717</u>
U.S. GAAP reconciling items	<u>11,414</u>	<u>11,849</u>
Shareholders' equity under U.S. GAAP	<u>88,261</u>	<u>94,283</u>

VoiceStream/Powertel Merger (U.S. dollars in millions, except per share data):

<u>Statements of Operations (Unaudited)</u>	<u>Nine months ended September 30, 2000</u>	<u>Year ended December 31, 1999</u>
Revenues	\$ 1,788	\$ 1,324
Net loss	(1,907)	(2,033)
Basic and diluted loss per share	\$ (7.51)	\$ (8.14)
Cash dividends per common share	—	—

<u>Condensed Combined Balance Sheet (Unaudited)</u>	<u>As of September 30, 2000</u>
Current assets	\$ 5,039
Property and equipment, net	3,076
Goodwill, licensing costs and other intangible assets, net	15,751
Other assets	1,274
Total assets	<u>\$25,140</u>
Current liabilities	\$ 980
Long-term debt	6,235
Redeemable preferred stock and minority interest	5,708
Shareholders' equity	<u>12,217</u>
Total liabilities and shareholders' equity	<u>\$25,140</u>

Comparative Per Share Data

Set forth below are earnings (loss) per share and book value per share amounts presented separately for Deutsche Telekom, VoiceStream and Powertel on a historic basis and on a pro forma combined basis per equivalent share as of and for the nine months ended September 30, 2000 and the year ended December 31, 1999. The pro forma data are not indicative of the results of future operations or the actual results that would have occurred had the mergers been completed at the beginning of the periods presented. You should read the data presented in conjunction with the unaudited pro forma condensed combined financial statements and notes thereto included elsewhere in this document.

<u>Historic per share data:</u>	<u>September 30, 2000</u>		<u>December 31, 1999</u>	
	<u>Euro</u>	<u>U.S. \$</u>	<u>Euro</u>	<u>U.S. \$</u>
Deutsche Telekom historic per ordinary share data (b):				
Net earnings	2.79	2.47	0.43	0.38
Book value (a)	14.41	12.73	11.78	10.41
VoiceStream historic per common share data (c):				
Net loss, basic and diluted	(8.16)	(7.21)	(5.38)	(4.75)
Book value (a)	67.24	59.42	0.09	0.08
Powertel historic per common share data (c):				
Net loss, basic and diluted	(5.74)	(5.07)	(5.38)	(4.75)
Book value (a)	(1.62)	(1.43)	3.11	2.75
<u>Unaudited pro forma combined per equivalent share data:</u>				
Deutsche Telekom/VoiceStream/Powertel (b):				
German GAAP				
Net earnings (loss)	1.17	1.04	(0.82)	(0.72)
Book value (a)	20.96	18.52	—	—
U.S. GAAP				
Net earnings (loss) – basic	1.40	1.24	(0.93)	(0.82)
Net earnings (loss) – diluted	1.31	1.16	(0.93)	(0.82)
Book value (a)	24.06	21.26	—	—
Deutsche Telekom/VoiceStream (b):				
German GAAP				
Net earnings (loss)	1.32	1.16	(0.75)	(0.66)
Book value (a)	20.21	17.86	—	—
U.S. GAAP				
Net earnings (loss) – basic	1.56	1.38	(0.84)	(0.74)
Net earnings (loss) – diluted	1.46	1.29	(0.84)	(0.74)
Book value (a)	23.30	20.59	—	—
VoiceStream/Powertel (c):				
U.S. GAAP				
Net loss – basic and diluted	(8.50)	(7.51)	(9.21)	(8.14)
Book value (a)	77.23	68.25	—	—

(a) The book value calculation represents the shareholders' equity divided by the number of shares outstanding at the end of the period.

(b) For convenience purposes, the selected financial data has been translated from euros into U.S. dollars at the rate of one euro per 0.8837 of a U.S. dollar, the exchange rate as of September 30, 2000. Such

translations should not be construed as representations that the euro amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.

- (c) For convenience purposes, the comparative per share data has been translated from U.S. dollars into euros at the rate of one dollar per 1.1316 euros, the exchange rate as of September 30, 2000. Such translations should not be construed as representations that the dollar amounts represent, or have been or could be converted into, euros at that or any other rate.

RISK FACTORS RELATING TO THE DEUTSCHE TELEKOM/VOICESTREAM MERGER AND THE DEUTSCHE TELEKOM/POWERTEL MERGER

The value of Deutsche Telekom ADSs and Deutsche Telekom ordinary shares may decrease significantly between the time you vote on the relevant merger and the time the mergers are completed. As a result, at the time you vote on the relevant merger you will not know the value you will receive for your VoiceStream or Powertel shares or whether the value you will receive will be less than you paid for your VoiceStream or Powertel shares

The exchange ratios for the portion of the merger consideration to be paid in Deutsche Telekom shares are fixed, and neither the Deutsche Telekom/VoiceStream merger agreement nor the Deutsche Telekom/Powertel merger agreement contains a mechanism to adjust the exchange ratios in the event that the market price of the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares declines. As a result, if the market price of Deutsche Telekom ADSs and Deutsche Telekom ordinary shares at the completion of the Deutsche Telekom/VoiceStream merger and the Deutsche Telekom/Powertel merger is lower than their market prices on the respective dates of the VoiceStream special meeting and the Powertel special meeting, the value of Deutsche Telekom ADSs and Deutsche Telekom ordinary shares representing the portion of the merger consideration to be paid in Deutsche Telekom shares will be less than the value on the date of your respective special meetings and may be less than you paid for your VoiceStream or Powertel shares.

Because of proration or the tax-related adjustment, VoiceStream stockholders may receive more stock and less cash, or more cash and less stock, than they elect to receive, or are deemed to have elected to receive, and might not be able to exchange their VoiceStream common shares in an entirely tax-free transaction

The consideration to be received by VoiceStream stockholders in the Deutsche Telekom/VoiceStream merger is subject to proration to preserve the limitations on the maximum amount of cash and Deutsche Telekom shares to be issued in the Deutsche Telekom/VoiceStream merger for outstanding VoiceStream common shares. In addition, all three types of elections are subject to a tax-related adjustment that would reduce the total amount of cash to be received in the Deutsche Telekom/VoiceStream merger to the extent necessary to preserve tax-free treatment of the receipt of Deutsche Telekom shares by VoiceStream stockholders for U.S. federal income tax purposes. Based on a number of factors, the tax-related adjustment generally would be triggered if the trading price of Deutsche Telekom shares immediately prior to the completion of the merger is less than approximately \$47.10, but could also be triggered at a higher trading price. **If the merger had closed on February 7, 2001 and no dissenters' rights had been exercised, which may not be the case, the tax-related adjustment would have been necessary and, as a result, the amount of cash to be paid to each VoiceStream stockholder receiving cash in the Deutsche Telekom/VoiceStream merger would have been reduced by approximately 29%, with additional Deutsche Telekom shares, which would have been of a slightly greater value, issued in substitution. A more detailed explanation of this tax-related adjustment and how it would be calculated is provided beginning on page 128.**

Accordingly, holders of VoiceStream common shares may not receive the type of consideration they elect to receive in the Deutsche Telekom/VoiceStream merger. If a holder of VoiceStream common shares elects to receive all of the merger consideration in cash and the cash portion is oversubscribed, then the holder will receive a portion of the Deutsche Telekom/VoiceStream merger consideration in Deutsche Telekom shares. Similarly, if a holder elects to receive all of the merger consideration in Deutsche Telekom shares and the Deutsche Telekom share portion is oversubscribed, then the holder will receive a portion of the Deutsche Telekom/VoiceStream merger consideration in cash. As of the date of this document, the non-prorated \$200 value of the cash election is substantially greater than the current value of the stock and mixed elections. If this remains true at the election deadline, it is expected that all or nearly all VoiceStream stockholders will make the cash election. If this occurs, stockholders making the cash election will receive a mix of cash and Deutsche Telekom shares, in a proportion very close to or

equal to the mixed election. Further, in all cases, if it is necessary to reduce the amount of cash to be paid in order to preserve beneficial U.S. tax treatment, holders, including those holders making a mixed election, may receive more Deutsche Telekom shares than they elected even after accounting for proration and such additional Deutsche Telekom shares may have a value that is less than the amount of the cash that they replace. In addition, because the receipt of cash in the Deutsche Telekom/VoiceStream merger may be taxable to a VoiceStream stockholder, VoiceStream stockholders might not be able to exchange VoiceStream common shares in an entirely tax-free transaction. The proration and tax-related adjustment procedures are described in greater detail under “Summary of the Deutsche Telekom/VoiceStream Transaction Documents — The Deutsche Telekom/VoiceStream Merger Agreement — Consideration To Be Received in the Deutsche Telekom/VoiceStream Merger.”

VoiceStream’s board has the right to terminate the Deutsche Telekom/VoiceStream merger agreement if the price of Deutsche Telekom shares close to the time of the Deutsche Telekom/VoiceStream merger is below 33 euros, but if VoiceStream’s board does not exercise this right, then the market value of any additional Deutsche Telekom shares issued in the tax-related adjustment will likely be less than the value of the cash that those shares replace

VoiceStream has the right to terminate the Deutsche Telekom/VoiceStream merger agreement if the average price of Deutsche Telekom ordinary shares to be used in any tax-related adjustment to the cash amount of the merger consideration in the Deutsche Telekom/VoiceStream merger, as calculated close to the time that the Deutsche Telekom/VoiceStream merger is completed, is less than 33 euros. The average price of Deutsche Telekom ordinary shares to be used in any tax-related adjustment, if necessary, will be calculated by taking the average trading price of those shares on the Frankfurt Stock Exchange on seven trading days randomly selected from the 15 trading days immediately preceding the date on which any tax-related adjustment determination is to be made, which will be very close to the time the Deutsche Telekom/VoiceStream merger is completed. However, even if the Deutsche Telekom ordinary share price reaches this level, VoiceStream’s board of directors may or may not exercise its right to terminate the Deutsche Telekom/VoiceStream merger agreement. In this circumstance, in the event a portion of the cash consideration is replaced with Deutsche Telekom shares to preserve the beneficial tax treatment, it is likely that the market value of the additional Deutsche Telekom shares that you will receive in substitution for the reduced cash amount will be less than the value of the cash amount that those shares replace. Although the Deutsche Telekom/Powertel merger agreement will terminate if the Deutsche Telekom/VoiceStream merger agreement is terminated under the circumstances described in this paragraph or otherwise, neither Powertel nor the Powertel board of directors has any right to cause the VoiceStream board of directors to invoke or waive any of VoiceStream’s termination rights at any time.

As a Powertel stockholder, the merger consideration that you receive may be adjusted downward and you may receive fewer Deutsche Telekom shares for each Powertel share you own

The consideration to be received by the Powertel stockholders in the Deutsche Telekom/Powertel merger is subject to a downward pro rata adjustment if the aggregate number of Powertel common shares outstanding as of the completion of the Deutsche Telekom/Powertel merger on a fully diluted basis, including Powertel common shares issuable in connection with existing commitments to sell or issue Powertel common shares and securities convertible into Powertel common shares, an amount we call the “adjusted fully diluted shares amount”, exceeds 55,742,000, subject to adjustment. In the event of such an adjustment, Powertel stockholders will receive fewer Deutsche Telekom shares for each Powertel share they own. The adjustment procedures are described in greater detail under “Summary of Deutsche Telekom/Powertel and VoiceStream/Powertel Transaction Documents — The Deutsche Telekom/Powertel Merger Agreement — Consideration To Be Received in the Deutsche Telekom/Powertel Merger.”

Regulators may impose conditions that reduce the anticipated benefits from the mergers. As a result, the price of the Deutsche Telekom ADSs and Deutsche Telekom ordinary shares may be adversely affected

As a condition to our respective obligations to complete the Deutsche Telekom/VoiceStream merger and the Deutsche Telekom/Powertel merger, we must obtain the approval of various regulatory authorities, including the Federal Communications Commission, which in this document we refer to as the FCC, and the Committee on Foreign Investment in the United States. Any of these entities could impose conditions or restrictions on their approvals and we might not be able to obtain these approvals without conditions or restrictions that are materially adverse to us. Depending on their nature and extent, any conditions, restrictions or waivers may jeopardize or delay completion of the mergers or may lessen the anticipated potential benefits of the mergers.

The Deutsche Telekom/VoiceStream merger and the Deutsche Telekom/Powertel merger may be terminated in the event that the conditions or restrictions imposed by the regulatory authorities are materially adverse to Deutsche Telekom.

However, even if these conditions or restrictions are imposed, the Deutsche Telekom management board or the VoiceStream board may or may not exercise its right to terminate the Deutsche Telekom/VoiceStream merger agreement and the Deutsche Telekom management board might not exercise its right to terminate the Deutsche Telekom/Powertel merger agreement, or might waive conditions to the completion of the mergers or the Deutsche Telekom management board might take actions that it is not required to take in connection with receipt of the necessary regulatory approvals under the Deutsche Telekom/Powertel merger agreement. If we were to proceed with the Deutsche Telekom/VoiceStream merger or the Deutsche Telekom/Powertel merger despite the imposition of these conditions or restrictions, or should we take such actions, they might result in a material adverse effect on Deutsche Telekom and the price of the Deutsche Telekom ADSs and Deutsche Telekom ordinary shares.

Sales volume of the VoiceStream common shares and the Powertel common shares after stockholder approval is obtained and before the mergers are completed, and of Deutsche Telekom ADSs and Deutsche Telekom ordinary shares before and after the mergers are completed, may increase significantly. As a result, the market price for and the ability to sell in the market the VoiceStream common shares and the Powertel common shares before the mergers are completed and the Deutsche Telekom ADSs and Deutsche Telekom ordinary shares before and after the mergers are completed, may be adversely affected

For a number of reasons, including those discussed under “Other Effects of the Mergers — Other Effects of the Deutsche Telekom/VoiceStream Merger and the Deutsche Telekom/Powertel Merger — Potential Effects on Trading in Deutsche Telekom ADSs and Deutsche Telekom Ordinary Shares,” a substantial number of the stockholders of VoiceStream and Powertel, including the principal stockholders of VoiceStream and Powertel, may wish to sell their VoiceStream common shares or Powertel common shares prior to completion of the mergers, or Deutsche Telekom ADSs or Deutsche Telekom ordinary shares that they will receive in the mergers, and Deutsche Telekom’s two largest shareholders may sell all or a substantial amount of Deutsche Telekom ordinary shares that they currently hold. In addition, the market price of the Deutsche Telekom ordinary shares and the Deutsche Telekom ADSs may be adversely affected by arbitrage activities occurring prior to the completion of the mergers. These sales or the prospects of future such sales could adversely affect the market price for and the ability to sell in the market the VoiceStream common shares and the Powertel common shares before the mergers are completed and the Deutsche Telekom ADSs or Deutsche Telekom ordinary shares before and after the mergers are completed.

We may fail to integrate our operations successfully. As a result, we may not achieve the anticipated potential benefits of the mergers, and the price of the Deutsche Telekom ADSs and the Deutsche Telekom ordinary shares might be adversely affected

The Deutsche Telekom/VoiceStream merger and the Deutsche Telekom/Powertel merger will combine three companies that have previously operated independently. We expect to face significant challenges in consolidating operations, integrating our organizations and services in a timely and efficient manner, refinancing or consolidating indebtedness and retaining key VoiceStream and Powertel executives and other personnel. The integration of Deutsche Telekom, VoiceStream and Powertel also will require substantial attention from management, particularly in light of the geographically dispersed operations and different business cultures and compensation structures at the three companies. In addition, after the completion of the mergers, we may elect, or be required, to refinance or renegotiate all or a portion of the VoiceStream and Powertel long-term debt and, in doing so, Deutsche Telekom may incur additional costs. The diversion of management attention and any difficulties associated with integrating the three companies could have a material adverse effect on the revenues, the level of expenses and the operating and financial results of Deutsche Telekom and the value of the Deutsche Telekom ADSs and the Deutsche Telekom ordinary shares.

The increased depreciation and amortization expense associated with the Deutsche Telekom/VoiceStream and Deutsche Telekom/Powertel mergers and the increased capital expenditures to be incurred to continue building out the VoiceStream and Powertel mobile networks in the United States may have a significant adverse effect on Deutsche Telekom's financial results

Deutsche Telekom expects to recognize substantial additional depreciation and amortization expense as a result of the allocation of the purchase price of the mergers to tangible and intangible assets. Goodwill resulting from the mergers is expected to be amortized over 20 years and certain other tangible and intangible assets are expected to be amortized over useful lives ranging from three to 20 years. In addition, VoiceStream and Powertel have incurred substantial operating losses and generated negative cash flow from operating activities and expect to incur significant operating losses and to generate negative cash flow during the next several years while they continue to develop and construct their systems and grow their subscriber base. On a pro forma basis, the combined statement of operations for Deutsche Telekom, VoiceStream and Powertel for the year ended December 31, 1999 and for the nine months ended September 30, 2000 reflects a net loss of euro 3,109.3 million and net income of euro 4,606.6 million, respectively, in accordance with German GAAP and a net loss of euro 3,516.9 million and net income of euro 5,493.7 million, respectively, in accordance with US GAAP, as compared to Deutsche Telekom's net income for such periods of euro 1,253.0 million and euro 8,445.0 million, respectively, in accordance with German GAAP and euro 1,513.0 million and euro 9,812.0 million, respectively, in accordance with US GAAP. See "Deutsche Telekom Unaudited Pro Forma Condensed Combined Financial Statements."

RISK FACTORS RELATING TO THE VOICESTREAM/POWERTEL MERGER

The value of VoiceStream common shares that Powertel stockholders receive may decrease significantly between the time they vote on the VoiceStream/Powertel merger and the time the VoiceStream/Powertel merger is completed. As a result, at the time Powertel stockholders vote on the VoiceStream/Powertel merger, they will not know the value they will receive for their Powertel shares or whether the value they will receive will be less than they paid for the Powertel shares

The number of VoiceStream common shares that you will receive in the VoiceStream/Powertel merger for each of your Powertel common share equivalents is calculated, subject to adjustments, at a conversion number of .65 if the average closing price of VoiceStream common shares is \$130.77 per share or above, or .75 if the average closing price of VoiceStream common shares is \$113.33 per share or below. Between these two points, the conversion number adjusts to yield approximately \$85 in VoiceStream common shares for each Powertel common share equivalent. The average closing price of VoiceStream common shares will be calculated by averaging the closing prices on 10 trading days randomly selected from the 20 trading-day period ending five trading days before the completion of the VoiceStream/Powertel merger. The stock market experiences significant price and volume fluctuations that could have a material adverse effect on the market prices of the VoiceStream common shares. Because the market price of VoiceStream common shares may fluctuate, the value at the time of the VoiceStream/Powertel merger of the consideration to be received by Powertel stockholders will depend on the closing prices of VoiceStream common shares during the selected 10 trading days and could be less than \$85 in market value for each Powertel common share equivalent. If the market price of VoiceStream common shares at the completion of the VoiceStream/Powertel merger is less than the market price on the date of the Powertel special meeting, the value of VoiceStream common shares that you will receive would be lower than the value on the date of the Powertel special meeting and may be less than you, as a Powertel stockholder, paid for your Powertel shares.

The merger consideration that Powertel stockholders may receive may be adjusted downward. As a result, Powertel stockholders may receive fewer VoiceStream common shares for each Powertel share they own

The consideration to be received by the Powertel stockholders in the VoiceStream/Powertel merger is subject to a downward pro rata adjustment if the aggregate number of Powertel common shares outstanding as of the completion of the VoiceStream/Powertel merger on a fully diluted basis, including Powertel common shares issuable in connection with existing commitments to sell or issue Powertel common shares and securities convertible into Powertel common shares, an amount we call the "adjusted fully diluted shares amount", exceeds 55,742,000. In the event of such an adjustment, Powertel stockholders will receive fewer VoiceStream common shares for each Powertel share they own. The adjustment procedures are described in greater detail under "Summary of Deutsche Telekom/Powertel and VoiceStream/Powertel Transaction Documents — The VoiceStream/Powertel Merger Agreement — Consideration To Be Received in the VoiceStream/Powertel Merger."

The FCC and other regulatory agencies must approve the VoiceStream/Powertel merger and could delay or refuse to approve the VoiceStream/Powertel merger or impose conditions that could adversely affect VoiceStream's business or financial condition

The Communications Act and FCC rules require the FCC's prior approval of the transfer of control of Powertel's PCS licenses to VoiceStream. Completion of the VoiceStream/Powertel merger is conditioned, among other factors, upon grants of the requisite FCC consents becoming final. A "final" FCC order is one that has not been stayed and is no longer subject to review by the FCC or the courts because the statutory period for seeking such review has expired without any request for review or stay pending. Following the FCC's grant of consent to the VoiceStream/Powertel merger, there might be actions by the FCC or the courts that would delay or prevent finality.

The FCC might not grant the application for transfer of control or the FCC might grant the application with conditions. In addition, there might be a delay caused by the filing of a challenge to the

transfer and assignment application. Conditions imposed on any licenses granted or delays in granting of the licenses could impair the value of the licenses and reduce the value of VoiceStream common shares, and could lead to VoiceStream's inability to obtain financing necessary for its growth. If VoiceStream is denied a license in a market, it will not be able to operate in that market unless it obtains rights to another, existing license from its current owner or acquires through an FCC auction a new license for that market.

VoiceStream may fail to integrate successfully VoiceStream's and Powertel's operations. As a result, VoiceStream may not achieve the anticipated potential benefits of the VoiceStream/Powertel merger and the price of the VoiceStream common shares might be adversely affected

VoiceStream expects to face significant challenges in consolidating operations, integrating VoiceStream's and Powertel's organizations and services in a timely and efficient manner, refinancing or consolidating indebtedness and retaining key Powertel executives and other personnel. The integration of VoiceStream and Powertel also will require substantial attention from management. The diversion of management attention, any requirement that VoiceStream refinance Powertel debt and any difficulties associated with integrating the companies could have a material adverse effect on the revenues, the level of expenses and the operating results of VoiceStream and the value of the VoiceStream common shares.

VoiceStream will be highly leveraged, which may limit VoiceStream's ability to borrow additional funds to meet VoiceStream's capital requirements for the build-out and development of its systems and for its participation in upcoming FCC license auctions

VoiceStream's level of debt could affect VoiceStream's ability to build out its systems and develop new systems. VoiceStream may have to incur further debt if the \$265 million credit facility between Powertel and certain lenders, dated February 6, 1998, becomes due and payable prior to its stated maturity and cannot be renegotiated on terms similar to existing ones. Without sufficient funds, VoiceStream may have to delay or abandon some or all of VoiceStream's plans to participate in upcoming FCC license auctions and/or its planned build-out, which could materially limit VoiceStream's ability to compete in the wireless telecommunications industry. VoiceStream's level of debt and the incurrence of additional debt could have other consequences, such as requiring VoiceStream to dedicate a greater portion of its cash flow from operations to paying principal and interest and limiting its flexibility to react competitively to changes in the wireless telecommunications industry.

VoiceStream faces intense competition from other wireless service providers who may have greater financial resources and who may be targeting many of the same customers that VoiceStream targets. This competition could adversely affect VoiceStream's ability to grow its subscriber base and revenues

VoiceStream and Powertel compete with providers of PCS, cellular and other wireless telecommunications services. Under the current rules of the FCC, up to six PCS licensees and two cellular licensees, as well as digital specialized mobile radio licensees, may operate in each geographic area. Proposed or future rules may increase the number of licenses available. VoiceStream and Powertel compete against AT&T Wireless Services, Inc., Verizon Wireless Inc., Nextel Communications, Inc., Cingular Wireless LLC, which is the joint venture between SBC Communications and BellSouth, Sprint Corporation and US West Wireless LLC, among others. Many of these competitors have substantially greater financial resources than VoiceStream or Powertel, and several operate in multiple segments of the industry. AT&T Wireless, Nextel and Sprint PCS operate substantially nationwide networks, and Verizon and Cingular, among others, through joint ventures and affiliation arrangements, operate or plan to operate substantially nationwide wireless systems throughout the continental United States. With so many companies targeting many of the same customers, the combined company, after the completion of the VoiceStream/Powertel merger, might not be able to successfully attract and retain customers and grow its subscriber base and revenues.

VoiceStream and Powertel each has substantial operating losses and negative cash flow and VoiceStream may not become profitable following the VoiceStream/Powertel merger

VoiceStream sustained operating losses of approximately \$890.7 million for the nine months ended September 30, 2000, and \$322.8 million in fiscal 1999, \$204.6 million in fiscal 1998 and \$196.9 million in fiscal 1997. At September 30, 2000, VoiceStream had an accumulated deficit of \$2.4 billion and equity, net of accumulated deficit, of \$7.8 billion. Powertel sustained operating losses of approximately \$61.8 million for the nine months ended September 30, 2000, and \$145.9 million in fiscal 1999, \$172.2 million in fiscal 1998 and \$135.1 million in fiscal 1997. At September 30, 2000, Powertel had an accumulated deficit of \$718.0 million and negative equity, net of accumulated deficit, of \$197.3 million.

VoiceStream expects to incur significant operating losses and to generate negative cash flow from operating activities during the next several years while it continues to develop and construct its systems and grow its subscriber base. After the VoiceStream/Powertel merger, VoiceStream might not be able to achieve or sustain profitability or positive cash flow from operating activities in the future and VoiceStream might not generate sufficient cash flow to service current or future debt requirements.

VoiceStream's ability to expand and provide service is limited by its ability to obtain FCC licenses, which are limited in number

Even on a combined basis, VoiceStream and Powertel do not have licenses covering the entire United States. VoiceStream's and Powertel's ability to expand is limited to those markets where they have obtained or can obtain licenses with sufficient spectrum to provide PCS service, or where they economically can become resellers of service. Because there are a limited number of licenses available, and because resale agreements require mutual consent of the incumbent PCS license holders, there is a risk that they may not be able to obtain the licenses they need for expansion.

VoiceStream and Powertel are at risk of losing coverage in certain markets because they have entered into joint ventures that they do not control in an attempt to expand into those markets

C Block and F Block licenses are two sets of licenses issued by the FCC that enable their holders to provide wireless communications services in the portion of the radio spectrum that is commonly referred to as "PCS". When implementing the PCS licensing scheme in the United States, the FCC adopted rules that granted a narrow category of entities, referred to as designated entities, the right to bid for and own C and F Block licenses. In order to continue expansion of service to VoiceStream customers, VoiceStream obtained 49.9% minority interests in two joint ventures controlled by Cook Inlet Region, Inc., each of which is qualified through its subsidiaries to obtain C and F Block licenses that VoiceStream cannot directly obtain. Subsidiaries of one of the joint ventures have entered into agreements to acquire C and F Block licenses and a subsidiary of the other joint venture is participating in FCC Auction No. 35 of C and F Block licenses. Through reseller and other contractual arrangements between VoiceStream and the two joint ventures, VoiceStream customers will be able to obtain service in the joint ventures' territories. In all markets where the joint ventures operate, VoiceStream will be at risk because Cook Inlet will be in control and can choose to operate independently of VoiceStream. If these joint venture entities determine to operate independently, VoiceStream's ability to compete on a national scale may be adversely affected.

Like VoiceStream, Powertel did not qualify to obtain C and F Block licenses. In order to continue expansion of service to Powertel customers, Powertel has obtained a 49.9% minority interest in an affiliate of Eliska Wireless Ventures I, Inc., an entity that is qualified to hold licenses that Powertel could not directly obtain. Eliska Wireless holds C and F Block licenses that it purchased from DiGiPH PCS, Inc. Powertel also has a creditor relationship with another Eliska Wireless entity, which holds two designated entity licenses. It is anticipated that Powertel customers, through reseller, roaming or other contractual arrangements between Powertel and the Eliska Wireless entities, will be able to obtain service in these markets. In all markets where these entities operate, Powertel is at risk because these entities are in control and can choose to operate independently of Powertel. If these entities choose to operate