SPRINT
2000 ILEC DATA REQUEST

For questions number 1 and 2, please provide the information requested as of June 30, 2000.

1. Please identify, <u>by exchange</u>, the number of **business** access lines served. (If available, please break down between resold v. non-resold lines.)

   See Attachment 1. (Resold information not available by exchange.)
   (Some or all of the response is Proprietary)

2. Please identify, <u>by exchange</u>, the number of **residential** access lines served. (If available, please break down between resold v. non-resold lines.)

   See Attachment 1. (Resold information not available by exchange.)
   (Some or all of the response is Proprietary)

3. Please indicate, by exchange, the number of CLEC resold access lines, by type (if available), and to whom they are provided.

   See Attachment 2. (Resold information not available by exchange.)
   (Some or all of the response is Proprietary)

4. Please indicate, by exchange served, the number of UNEs provided, by type of UNE (e.g. unbundled loop, port, etc.) and to whom they are provided.

   Sprint currently provides only UNE loops to the following CLECs. This information is currently not available by exchange. **(Some or all of the response is Proprietary)**

Electronet Intermedia Cons Inc	[redacted]
Florida Digital Network	[redacted]
KMC Telecom Inc	[redacted]
Northpoint Communications	[redacted]
Universal Comm Inc	[redacted]
Total UNE loops	2,211

5. Please provide any comments or information you believe will assist staff in evaluating and reporting on the development of local exchange competition in Florida.
   (Some or all of the response is Proprietary)

[redacted]

[redacted]

Part 1 of 5
DOCUMENT NUMBER-DATE
10875 SEP-18
FPSC-RECORDS/REPORTING

[redacted]

6. Please provide year-end 1999 data for total company Florida operations as outlined below. This data should be consistent in form with what your company previously provided in its 1995 Annual Report to the FPSC in Schedules I-1, S-2, and S-3.

7. Please provide a copy of your (or your parent company's) most recent annual report to stockholders, and Form 10-K.

Operating Revenues (methodology consistent with 1995's I-1)

Total Local Network Service Revenues:	$ 595,901,000
Total Network Access:	$ 529,784,000
Total Long Distance Network:	$ 31,484,000
Total Miscellaneous:	$ 63,121,000
Grand Total - Company:	$ 1,220,290,000

Access Lines in Service by Customer (methodology consistent with 1995's S-2)
Lines Not Resold

Business:	
Single Line:	82,424
Multi Line:	532,204
Public Access Lines:	1,774
Residential Access Lines:	1,501,240
Mobile Access Lines:	0
Total Access Lines (Switched and Special):	3,052,762

Telephone Calls (methodology consistent with 1995's S-3)

Local Calls:	6,244,957
IntraLATA Toll Calls Completed (Originating):	23,566
InterLATA Toll Calls Completed (Originating):	
Interstate:	647,822
Intrastate:	435,244
Total:	1,083,066
InterLATA Billed Access Minutes (Originating and Terminating):	
Interstate:	6,910,637
Intrastate:	3,066,088
Total:	9,976,725

8. Please provide the following information for each of the 12 month periods ending June 30, 1999, and 2000.

(a) the number of residential access lines that were switched to a CLEC (i.e., that became resold lines)

Residential Resale Access Lines Growth from 7/98 to 6/99	2,702
Residential Resale Access Lines Growth from 7/99 to 6/00	1,347

(b) the number of business access lines that were switched to a CLEC (i.e., that became resold lines)

Business Resale Access Lines Growth from 7/98 to 6/99	6,188
Business Resale Access Lines Growth from 7/99 to 6/00	9,052

(c) gross gain in residential access lines (not net of lines lost to resale)

Residential Access Lines Growth from 7/98 to 6/99	76,025
Residential Access Lines Growth from 7/99 to 6/00	74,897

(d) gross gain in business access lines (not net of lines lost to resale)

Business Access Lines Growth from 7/98 to 6/99	47,169
Business Access Lines Growth from 7/99 to 6/00	31,143

(e) an estimate of the average revenue per line, per residential line lost

Estimated Residential CLEC Access Lines Revenue from 7/98 to 6/99	[redacted]
Estimated Residential CLEC Access Lines Revenue from 7/99 to 6/00	[redacted]

(f) an estimate of the average revenue per line, per business line lost

Estimated Business CLEC Access Lines Revenue from 7/98 to 6/99	[redacted]
Estimated Business CLEC Access Lines Revenue from 7/99 to 6/00	[redacted]

Sprint
2000 ILEC Data Request

(g) the number of unbundled local loops provided to CLEC's, by type (if available - i.e., 2W VG analog, etc.)

Class of Service	USOC	Description	7/1/98 - 6/30/99	7/1/99 - 6/30/00
XCIL5	CLU01	Loop Band 1	[redacted]	
XCIN0	CLI01	2 Wire Loop	[redacted]	
XCIL2	CLU01	2 Wire Loop Band 1	[redacted]	
	CLU02	2 Wire Loop Band 2	[redacted]	
	CLU03	2 Wire Loop Band 3	[redacted]	
XCIL6	CLU02	Loops 2 Wire & 4 Wire	[redacted]	
XDH1X	B8ZS1	Special Clear Channel	[redacted]	
VLS2WCL		2W VG		[redacted]
VLSD3CL		2W Digital		[redacted]
VLSD2CL		4W Digital		[redacted]
VLSH1CL		High Cap Data 2W		[redacted]
			821	2,211

Sprint - Florida, Inc.

Attachment I
Pages 5 -6

2000 Competition Report: ILEC Data Request
June 2000 Access Lines

Exchange	Business Lines Resold	Residential Lines Resold	Business Lines Non-Resold	Residential Lines Non-Resold	Total Access Lines
Alford		7	143	1,622	1,772
Apopka	492	211	9,169	26,958	36,830
Arcadia	123	177	3,681	11,231	15,212
Astor	6	5	225	1,324	1,560
Avon Park	84	126	2,590	8,736	11,536
Baker	4	19	279	2,550	2,852
Belleview	150	154	3,817	19,499	23,620
Beverly Hills	83	32	3,477	11,609	15,201
Boca Grande	10		721	2,349	3,080
Bonifay	7	23	1,598	3,947	5,575
Bonita Springs	214	71	10,088	35,172	45,545
Bowling Green	2	28	377	1,309	1,716
Bushnell	22	62	2,325	10,208	12,617
Cape Coral	355	139	5,470	29,277	35,241
Cape Haze	23	24	1,242	11,008	12,297
Cherry Lake		12	96	1,319	1,427
Clermont	133	49	4,268	17,898	22,348
Clewiston	39	136	2,781	6,657	9,613
Cottondale	1	21	204	1,225	1,451
Crawfordville	25	25	1,492	5,994	7,536
Crestview	547	151	5,316	13,331	19,345
Crystal River	211	54	4,995	10,982	16,242
Dade City	53	149	3,340	10,034	13,576
Defuniak Springs	52	82	2,770	6,692	9,596
Destin	1,318	610	7,348	15,519	24,795
Eustis	145	92	4,108	15,725	20,070
Everglades	3	3	556	1,146	1,708
Forest			464	5,557	6,021
Fort Meade	7	48	678	2,687	3,420
Fort Myers	2,025	619	65,772	103,578	171,994
Fort Myers Beach	57	13	2,320	9,829	12,219
Fort Walton Beach	871	418	17,770	31,702	50,761
Freeport	2	11	574	2,736	3,323
Glendale		3	43	840	886
Grandridge		10	234	2,167	2,411
Greenville	1	23	247	1,219	1,490
Greenwood		18	77	823	918
Groveland	24	34	1,209	4,713	5,980
Homosassa Springs	53	58	2,071	13,290	15,472
Howey-In-The-Hills	1	5	353	1,544	1,903
Immokalee	19	76	2,552	4,605	7,252
Inverness	132	98	5,682	23,978	29,890
Kenansville		1	161	595	757
Kingsley Lake			96	280	376
Kissimmee	1,578	676	15,832	48,084	66,170
Labelle	55	45	2,487	7,051	9,638
Lady Lake	120	67	2,707	20,142	23,036
Lake Placid	58	46	3,007	10,896	14,007
Lawtey	3	11	171	1,059	1,244
Lee		6	154	1,062	1,222
Leesburg	1,356	208	14,235	25,113	40,912
Lehigh Acres	74	86	2,580	15,207	17,947
Madison	6	111	2,072	3,263	5,452
Malone	1	12	189	1,210	1,412

Sprint - Florida, Inc.

Attachment I
Pages 5 -6

2000 Competition Report: ILEC Data Request
June *2000 Access Lines*

Exchange	Business Lines Resold	Residential Lines Resold	Business Lines Non-Resold	Residential Lines Non-Resold	Total Access Lines
Marco Island	100	5	4,351	19,291	23,747
Marianna	89	68	5,518	6,384	12,059
Monticello	14	42	1,629	5,659	7,344
Montverde	3	7	258	1,541	1,809
Moore Haven	3	12	723	2,281	3,019
Mount Dora	251	66	3,423	13,117	16,857
Naples	985	253	40,182	94,853	136,273
North Cape Coral			6,625	23,617	30,242
North Fort Myers	165	119	5,294	30,109	35,687
North Naples			16,044	44,340	60,384
Ocala	2,582	981	38,121	71,784	113,468
Okeechobee	133	311	6,354	18,061	24,859
Oklawaha	9	42	376	4,039	4,466
Orange City	364	146	5,777	25,757	32,044
Panacea	5	5	235	925	1,170
Pine Island	37	16	1,127	8,368	9,548
Ponce De Leon	2	11	144	1,154	1,311
Port Charlotte	220	127	13,584	44,002	57,933
Punta Gorda	157	39	6,615	21,779	28,590
Reedy Creek			4,652	5,602	10,254
Reynolds Hill		1	65	1,528	1,594
Saint Cloud	157	87	3,416	19,421	23,081
Salt Springs	6	6	169	1,515	1,696
San Antonio	1	19	803	3,173	3,996
Sanibel - Captiva	81	2	2,942	9,718	12,743
Santa Rosa Beach	170	68	1,278	4,573	6,089
Seagrove Beach	76	214	1,313	4,363	5,966
Sebring	170	103	8,045	20,956	29,274
Shalimar	27	57	2,297	7,563	9,944
Silver Spring Shores	29	100	813	6,688	7,630
Sneads		7	309	1,712	2,028
Sopchoppy			137	1,062	1,199
Spring Lake	6	24	852	4,599	5,481
St. Marks	2		244	528	774
Starke	66	85	2,695	5,216	8,062
Tallahassee	1,738	800	114,382	115,304	232,224
Tavares	278	41	3,741	11,877	15,937
Trilacoochee	7	40	400	3,665	4,112
Umatilla	12	37	1,058	7,384	8,491
Valparaiso	328	56	6,416	16,368	23,168
Wauchula	93	91	2,419	4,910	7,513
West Kissimmee			5,731	9,455	15,186
Westville		6	99	827	932
Wildwood	326	72	1,955	6,721	9,074
Williston	14	74	1,110	5,482	6,680
Windemere	6	7	1,398	8,742	10,153
Winter Garden	300	132	7,121	18,277	25,830
Winter Park	4,344	711	95,997	145,555	246,607
Zolfo Springs	2	19	472	2,131	2,624

Total Access Lines - June 2000	23,903	10,274	654,922	1,518,527	2,207,626
Total Access Lines - June 1999	14,851	8,927	632,831	1,444,977	2,101,586
Gross Gain in Access Lines	9,052	1,347	22,091	73,550	106,040

Sprint - LTD Carrier Markets
Access Lines by CLEC by B/R
Florida 6/1/2000

CLEC	Business Units	Residence Units	Access lines
Advanced Cellular Corp	[redacted]		
Alternative Phone Inc			
Alternative Telecomm Svcs Inc			
American Fiber Network			
Appliance & TV Rentals Inc			
Arrow Communications			
Atlantic Net Broadband Inc.			
Burno			
Business Telecom Inc			
Buy-Tel			
Coral Bay Financial			
Data & Electronic Service Inc			
Dial Tone Inc			
DPI Teleconnect			
Electronet Intermedia Cons Inc			
Excellink Communications			
Express Telephone Service			
EZ Talk Telecommunications			
FLATEL			
Florida Comm South			
Florida Digital Network			
Frontier Telemanagement Inc			
GTE Communications Corp			
Hart Communications			
Hyperion Telecom of FL			
Intermedia Communications Inc			
International Design Group Inc			
Internet Access & Web Svc Fl			
Intetech L C			
ITC Deltacom			
Kingtel			
KMC Telecom Inc			
Local Line America Inc			
Max-Tel Communications			
Met Communicaions Inc			
National Phone			
National Tel			
Navigator Telecommunications			
Network Telephone Inc			
Newsouth Communications Corp.			
Now Communications			
Orlando Bus Telephone Sys Inc			
Parcom Communications Inc			
Phone-Link			
Preferred Carrier Services			
Quick-Tel Communications			

Sprint - LTD Carrier Markets
Access Lines by CLEC by B/R
Florida 6/1/2000

CLEC	Business Units	Residence Units	Access lines
Rebound Enterprises	[redacted]		
Smoke Signal	[redacted]		
Southern Telemanagement Grp	[redacted]		
Sterling Intl Funding (Reconex)	[redacted]		
Supra Telecom	[redacted]		
TCG	[redacted]		
Tel-Link	[redacted]		
Teleconex, Inc	[redacted]		
T.C.C.F.	[redacted]		
The East American Group, Inc.	[redacted]		
The Other Phone Company Inc	[redacted]		
Unicom Communications LLC	[redacted]		
United States Telecom Inc	[redacted]		
Universal Com	[redacted]		
Universal Telecom	[redacted]		
Vast-Tel Communications	[redacted]		
USA Telephone Inc	[redacted]		
	23,903	**10,274**	**34,177**

SPRINT - FLORIDA, INC.
2000: Competition Report: ILEC Data Request
June 2000

CLEC	Access lines
Advanced Cellular Corp	[redacted]
Alternative Phone Inc	[redacted]
Alternative Telecomm Svcs Inc	[redacted]
American Fiber Network	[redacted]
Appliance & TV Rentals Inc	[redacted]
Arrow Communications	[redacted]
Atlantic Net Broadband Inc.	[redacted]
Burno	[redacted]
Business Telecom Inc	[redacted]
Buy-Tel	[redacted]
Coral Bay Financial	[redacted]
Data & Electronic Service Inc	[redacted]
Dial Tone Inc	[redacted]
DPI Teleconnect	[redacted]
Electronet Intermedia Cons Inc	[redacted]
Excellink Communications	[redacted]
Express Telephone Service	[redacted]
EZ Talk Telecommunications	[redacted]
FLATEL	[redacted]
Florida Comm South	[redacted]
Florida Digital Network	[redacted]
Frontier Telemanagement Inc	[redacted]
GTE Communications Corp	[redacted]
Hart Communications	[redacted]
Hyperion Telecom of FL	[redacted]
Intermedia Communications Inc	[redacted]
International Design Group Inc	[redacted]
Internet Access & Web Svc Fl	[redacted]
Intetech L C	[redacted]
ITC Deltacom	[redacted]
Kingtel	[redacted]
KMC Telecom Inc	[redacted]
Local Line America Inc	[redacted]
Max-Tel Communications	[redacted]
Met Communicaions Inc	[redacted]
National Phone	[redacted]
National Tel	[redacted]
Navigator Telecommunications	[redacted]
Network Telephone Inc	[redacted]
Newsouth Communications Corp.	[redacted]
Now Communications	[redacted]
Orlando Bus Telephone Sys Inc	[redacted]
Parcom Communications Inc	[redacted]
Phone-Link	[redacted]
Preferred Carrier Services	[redacted]
Quick-Tel Communications	[redacted]

SPRINT - FLORIDA, INC.
2000: Competition Report: ILEC Data Request
June 2000

CLEC	Access lines
Rebound Enterprises	[redacted]
Smoke Signal	[redacted]
Southern Telemanagement Grp	[redacted]
Sterling Intl Funding (Reconex)	[redacted]
Supra Telecom	[redacted]
TCG	[redacted]
Tel-Link	[redacted]
Teleconex, Inc	[redacted]
T.C.C.F.	[redacted]
The East American Group, Inc.	[redacted]
The Other Phone Company Inc	[redacted]
Unicom Communications LLC	[redacted]
United States Telecom Inc	[redacted]
Universal Com	[redacted]
Universal Telecom	[redacted]
Vast-Tel Communications	[redacted]
USA Telephone Inc	[redacted]
	34,177

Sprint®

SPRINT-FLORIDA, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

WITH

REPORT OF INDEPENDENT AUDITORS

Part 2 of 5

DOCUMENT NUMBER-DATE
10875 SEP-1 8
FPSC-RECORDS/REPORTING

ERNST & YOUNG

Ernst & Young LLP
One Kansas City Place
1200 Main Street
Kansas City, Missouri 64105-2143

Phone: (816) 474-5200
www.ey.com

Report of Independent Auditors

The Board of Directors and Stockholder
Sprint-Florida, Incorporated

We have audited the accompanying balance sheets of Sprint-Florida, Incorporated (the Company), a wholly-owned subsidiary of Central Telephone Company, which is, indirectly, a wholly-owned subsidiary of Sprint Corporation, as of December 31, 1999 and 1998, and the related statements of income and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst + Young LLP

January 21, 2000

0003-0027327

BALANCE SHEETS Sprint-Florida, Incorporated

(thousands, except per share data)

December 31,		1999		1998
Assets				
Current assets				
Cash	$	206	$	-
Accounts receivable, net of allowance for doubtful accounts of $17,726 and $4,347		230,370		198,748
Affiliated receivables		36,115		39,601
Inventories		19,555		17,941
Other		11,889		9,361
Total current assets		298,135		265,651
Property, plant and equipment		4,176,373		3,899,571
Accumulated depreciation		(2,343,244)		(2,165,721)
Net property, plant and equipment		1,833,129		1,733,850
Other		97,277		82,711
Total	$	2,228,541	$	2,082,212
Liabilities and Shareholder's Equity				
Current liabilities				
Advances from parent company	$	340,016	$	299,229
Current maturities of long-term debt		200		200
Accounts payable		43,975		29,703
Affiliated payables		138,130		180,023
Advance billings		30,627		32,891
Accrued taxes		34,094		4,593
Other		59,465		45,706
Total current liabilities		646,507		592,345
Long-term debt		340,857		340,601
Deferred credits and other liabilities				
Deferred income taxes and investment tax credits		190,193		167,594
Postretirement and other benefit obligations		115,222		107,234
Other		8,960		11,467
Total deferred credits and other liabilities		314,375		286,295
Shareholder's equity				
Common stock, par value $2.50 per share, authorized - 16,000 shares, issued and outstanding - 6,500 shares		16,250		16,250
Capital in excess of par		229,298		229,298
Retained earnings		681,254		617,423
Total shareholder's equity		926,802		862,971
Total	$	2,228,541	$	2,082,212

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME AND RETAINED EARNINGS Sprint-Florida, Incorporated

(thousands)

Years Ended December 31,	1999	1998
Net Operating Revenues	$ 1,399,710	$ 1,299,078
Operating Expenses		
Cost of services and products	480,406	436,091
Selling, general and administrative	261,663	249,506
Depreciation and amortization	274,224	246,431
Total operating expenses	1,016,293	932,028
Operating Income	383,417	367,050
Interest expense	(46,535)	(40,846)
Other expense, net	(6,409)	(15,467)
Income before income taxes	330,473	310,737
Income taxes	(125,267)	(119,925)
Income before extraordinary item	205,206	190,812
Extraordinary item, net	-	(4,437)
Net Income	205,206	186,375
Retained Earnings at Beginning of Year	617,423	565,273
Dividends declared	(141,375)	(134,225)
Retained Earnings at End of Year	$ 681,254	$ 617,423

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS Sprint-Florida, Incorporated

(thousands)

Years Ended December 31,	1999	1998
Operating Activities		
Net income	$ 205,206	$ 186,375
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	274,224	246,431
Extraordinary item	-	(1,664)
Deferred income taxes and investment tax credits	10,721	22,140
Changes in assets and liabilities:		
Accounts receivable, net	(28,136)	(20,917)
Inventories and other current assets	6,828	(496)
Accounts payable and other current liabilities	13,942	(94,293)
Other assets and liabilities, net	(2,697)	1,982
Net cash provided by operating activities	480,088	339,558
Investing Activities		
Capital expenditures	(349,910)	(360,925)
Other, net	(29,184)	(15,108)
Net cash used by investing activities	(379,094)	(376,033)
Financing Activities		
Increase in advances from parent company	65,787	274,230
Sale of receivables, net	(25,000)	(14,000)
Payments on long-term debt	(200)	(115,000)
Dividends paid	(141,375)	(134,225)
Net cash provided (used) by financing activities	(100,788)	11,005
Increase (Decrease) in Cash	206	(25,470)
Cash at Beginning of Year	-	25,470
Cash at End of Year	$ 206	$ -
Supplemental Cash Flow Information		
Cash paid for interest, net of amount capitalized	$ 42,729	$ 47,016
Cash paid for income taxes	$ 78,095	$ 108,894

See accompanying Notes to Financial Statements.

1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements include the accounts of Sprint-Florida, Incorporated. Sprint-Florida is a wholly-owned subsidiary of Central Telephone Company (CTC), which is, indirectly, a wholly-owned subsidiary of Sprint Corporation.

The financial statements are prepared using generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholder's equity as previously reported.

Operations

Sprint-Florida provides local services, access by phone customers and other carriers to the local network, sales of telecommunications equipment, and long distance services within certain regional calling areas, or local access transport areas in Florida.

Revenue Recognition

Sprint-Florida recognizes operating revenues as services are rendered or as products are delivered to customers. Sprint-Florida records operating revenues net of an estimate for uncollectible accounts.

Cash

Sprint-Florida uses controlled disbursement banking arrangements as part of its cash management program. Outstanding checks in excess of cash balances were reflected as a current liability on the balance sheets. Sprint-Florida had sufficient funds available to fund the outstanding checks when they were presented for payment.

Inventories

Inventories consist of materials and supplies (stated at average cost) and equipment held for resale (stated at the lower of average cost or market).

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Generally, ordinary asset retirements and disposals are charged against accumulated depreciation with no gain or loss recognized. The cost of property, plant and equipment is generally depreciated on a straight-line basis over estimated economic useful lives. Repairs and maintenance costs are expensed as incurred.

Income Taxes

Sprint-Florida's operations are included in the consolidated federal income tax return of Sprint Corporation and its subsidiaries (Sprint). Income tax is calculated by Sprint-Florida on the basis of its filing a separate return.

Sprint Florida records deferred income taxes based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases (see Note 3.)

Investment tax credits (ITC) related to regulated telephone property, plant and equipment have been deferred and are being amortized over the estimated useful lives of the related assets.

2. Employee Benefit Plans

Defined Benefit Pension Plan

Most Sprint-Florida employees are covered by a noncontributory defined benefit pension plan sponsored by Sprint. Benefits for plan participants belonging to unions are based on negotiated schedules. For non-union participants, pension benefits are based on years of service and the participants' compensation.

Sprint-Florida's policy is to make plan contributions equal to an actuarially determined amount consistent with federal tax regulations. The funding objective is to accumulate funds at a relatively stable rate over the participants' working lives so benefits are fully funded at retirement.

Net periodic pension costs or credits are determined for each Sprint subsidiary based on a direct calculation of service costs and interest on projected benefit obligations, and an appropriate allocation of unrecognized prior service costs, transition asset and expected return on plan assets. Net periodic pension credits recorded by Sprint-Florida were $16 million in 1999 and $11 million in 1998.

Defined Contribution Plans

Sprint sponsors defined contribution employee savings plans covering most Sprint-Florida employees. Participants may contribute portions of their pay to the plans. For union employees, Sprint-Florida matches contributions based on negotiated amounts. Sprint-Florida also matches contributions of non-union employees in FON stock and PCS stock, both representing classes of Sprint common stock. The matching is equal to 50% of participants' contributions up to 6% of their pay. In addition, Sprint may, at the discretion of the Board of Directors, provide additional matching contributions based on the performance of FON stock and PCS stock compared to other telecommunications companies' stock. Sprint-Florida's matching contributions were $6 million in 1999 and $5 million in 1998.

Postretirement Benefits

Sprint provides postretirement benefits (mainly medical and life insurance) to most Sprint-Florida employees. Employees retiring before certain dates are eligible for benefits at no cost, or at a reduced cost. Employees retiring after certain dates are eligible for benefits on a shared-cost basis. Sprint-Florida funds the accrued costs as benefits are paid.

Net periodic postretirement benefit costs are determined for each Sprint subsidiary based on a direct calculation of service costs and interest on accumulated postretirement benefit obligations and an appropriate allocation of unrecognized prior service costs, unrecognized net gains and transition obligation. Sprint-Florida recorded net periodic postretirement benefit costs of $15 million in both 1999 and 1998.

3. Income Taxes

Income tax expense allocated to continuing operations consists of the following (thousands):

	1999	1998
Current income tax expense		
Federal	$ 97,889	$ 83,251
State	16,657	14,534
Total current	114,546	97,785
Deferred income tax expense (benefit)		
Federal	10,391	20,881
State	1,645	3,101
Amortization of deferred ITC	(1,315)	(1,842)
Total deferred	10,721	22,140
Total	$ 125,267	$ 119,925

3. **Income Taxes (continued)**

The differences that caused Sprint-Florida's effective income tax rate to vary from the 35% federal statutory rate were state income taxes and amortization of deferred ITC.

Sprint-Florida's principal temporary differences that give rise to the deferred income taxes are the result of using different depreciable lives and methods with respect to its property, plant and equipment for financial statement and income tax purposes and from certain reserves and benefit plan accruals not deductible for income tax purposes until paid. Sprint-Florida's total deferred tax assets were $71 million at year-end 1999 and $54 million at year-end 1998. Total deferred tax liabilities were $250 million at year-end 1999 and $220 million at year-end 1998.

4. **Long-term Debt**

Sprint-Florida's long-term debt at year-end was as follows (thousands):

	Interest rates	1999	1998
First Mortgage Bonds			
Maturity:			
2003	6.3%	$ 70,000	$ 70,000
2004	7.3%	50,000	50,000
2013	6.9%	60,000	60,000
2021	9.9%	18,400	18,600
2023	7.1%	75,000	75,000
2025	8.4%	70,000	70,000
Other	Various	169	193
Unamortized debt discount		(2,512)	(2,992)
		341,057	340,801
Less: current maturities		200	200
Long-term debt		$ 340,857	$ 340,601

Long-term debt maturities, including sinking fund requirements, during each of the next five years are as follows (thousands):

2000	$ 200
2001	200
2002	200
2003	70,200
2004	50,200

The first mortgage bonds and notes are secured by most of Sprint-Florida's property, plant and equipment.

Sprint-Florida had complied with all restrictive or financial covenants relating to its debt arrangements at year-end 1999.

In 1998, Sprint-Florida redeemed outstanding debt of $115 million, prior to maturity, resulting in an after-tax extraordinary loss of $4 million, net of income tax benefits of $3 million.

5. Commitments and Contingencies

Gross rental expense totaled $17 million in 1999 and $18 million in 1998. Sprint-Florida's minimum rental commitments at year-end 1999 are as follows (thousands):

2000	$	8,754
2001		4,937
2002		3,166
2003		643
2004		138
Thereafter		1,721

Various suits arising in the ordinary course of business are pending against Sprint-Florida. Management cannot predict the final outcome of these actions, but believes they will not be material to Sprint-Florida's financial statements.

6. Related Party Transactions

Sprint-Florida's related party transactions were as follows (thousands):

Transaction Description	Affiliated Company	1999	1998
Purchased telecommunications equipment, construction and maintenance equipment and materials and supplies.	North Supply	$ 156,199	$ 175,029
Reimbursed affiliate for data processing services, other data-related costs and certain management costs.	Sprint	201,004	182,898
Provided access, operator services, billing and collection, and the lease of network facilities	Sprint Comm. Co., L.P.	76,143	62,217
Received fees for listing and billing and collection services.	Sprint Publishing & Advertising and Centel Directory Company	10,018	18,231

7. Additional Financial Information

Major Customer Information

Operating revenues from AT&T, resulting mainly from network access, billing and collection services and the lease of network facilities totaled $174 million in 1999 and $195 million in 1998.

Sprint-Florida's customer and other accounts receivable are not subject to significant concentrations of credit risk due to the large number of customers in Sprint-Florida's customer base.

7. **Additional Financial Information (continued)**

Financial Instruments Information

Sprint-Florida estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. As a result, the following estimates do not necessarily represent the values Sprint-Florida could realize in a current market exchange. Although management is not aware of any factors that would affect the year-end 1999 estimated fair values, those amounts have not been comprehensively revalued for purposes of these financial statements since that date. Therefore, estimates of fair value after year-end 1999 may differ significantly from the amounts discussed below.

Sprint-Florida's financial instruments mainly consisted of long-term debt with carrying amounts of $341 million at both year-end 1999 and 1998 and estimated fair values of $336 million and $390 million at year-end 1999 and 1998, respectively. The estimated fair value of Sprint-Florida's long-term debt is based on the present value of estimated future cash flows using a discount rate based on the risks involved. The carrying value of Sprint-Florida's other financial instruments approximate fair value at year-end 1999 and 1998.

Sprint-Florida has not invested in derivative financial instruments.

Sales of Accounts Receivable

In January 2000 and 1999, Sprint-Florida repurchased $215 and $190 million of accounts receivable sold to United Telecommunications, Inc., an affiliated company, at year-end, 1999 and 1998, respectively. Accordingly, the transactions were treated as a borrowing in the balance sheets.

FCC 43-02
ARMIS USOA Report

Approved by OMB
3060-0395
Expires 03/31/2002(t)
Estimated Burden Hours - 960

Federal Communications Commission
Washington, D. C. 20554

ARMIS 43-02
USOA Report
Annual 1999

Submission #1 – 4/1/00

Sprint – Florida
UCFL

555 Lake Border Drive
Apopka, Florida 32703

DOCUMENT NUMBER-DATE
10875 SEP-18
FPSC-RECORDS/REPORTING

Part 3 of 5

FCC Report 43-02, the ARMIS USOA Report, is prescribed for each local exchange carrier (LEC) with annual operating revenues for the preceding year equal to or above the indexed revenue threshold. This report collects the operating results of the carriers, total activities for every account in the USOA, as specified in Part 32 of the Commission's Rules. The ARMIS USOA Report specified information requirements in a consistent format and is essential to the FCC to monitor revenue requirements, rate of return, jurisdictional separations and access charges. Response is mandatory. An agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a currently valid control number.
Public reporting burden for this collection of information is estimated to average 960 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden to the Federal Communications Commission, Office of Managing Director, Washington, D.C. 20554.

ARMIS 2000 (V2.0) 43-02
1999 Discrepancy Report
March 28, 2000

UCFL	Sprint - Florida, Inc. (includes UTFL & CEFL)	UCFL99US.U01

Message: File Passed, No Error Found
Contact: Sally Carr
Telephone Number: (816) 854-5039
Footnote: [1] 9999-B1(ZZ), [2] 9999-I1(ZZ)

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1
TABLE C-3

TABLE C-3 - BOARD OF DIRECTORS AND GENERAL OFFICERS

Row No.	Classif- ication	Name and Address (City and State)	SEC Form 10-K or Title and Department Over Which Jurisdiction is Exercised	Term Expired or Current Term Will Expire	Served Continuously From
	(a)	(b)	(c)	(d)	(e)
100	SEC 10-K	N/A	Yes	N/A	N/A
101	Director	Michael B. Fuller, Overland Park, KS	Chairman, President & CEO	0	11/26/1996 to Present
102	Director	Don A. Jensen, Westwood, KS	Director	0	11/26/1996 to Present
103	Director	Richard D. McRae, Overland Park, KS	Director	0	04/08/1997 to Present
201	Officer	Michael B. Fuller, Overland Park, KS	President and Chief Executive Officer	0	11/26/1996 to Present
202	Officer	Bruce H. Branyan, Overland Park, KS	President-Business Markets	0	01/20/1998 to Present
203	Officer	Randy W. Osler, Overland Park, KS	President-Carrier Markets	0	01/20/1998 to Present
204	Officer	R E Thompson III, Overland Park, KS	President, Consumer and Small Business Mark	0	11/26/1996 to Present
205	Officer	William E. McDonald, Overland Park, KS	Senior Vice President - Customer Service Op	0	08/20/1993 to Present
206	Officer	Derek H. Brennan, Westwood, KS	Senior Vice President - Network	0	02/19/1999 to Present
207	Officer	Gene M. Betts, Westwood, KS	Senior Vice President and Treasurer	0	02/19/1999 to Present
208	Officer	John A. Mihalovich, Overland Park, KS	Senior Vice President - Information Service	0	01/20/1998 to Present
209	Officer	Jerry M. Johns, Tallahassee, FL	Vice President - External Affairs-South	0	02/22/1983 to Present
210	Officer	Robert Longley, Apopka, FL	Vice President - Customer Service Operation		06/07/1996 to Present
211	Officer	H. Edward Lucas Jr., Overland Park, KS	Vice President - Finance Shared Services	0	11/26/1996 to Present
212	Officer	Michael A. McCarthy, Wake Forest, NC	Vice President-Customer Service Ops-Mid-Atl	0	04/01/1995 to Present
213	Officer	Richard D. McRae, Overland Park, KS	Vice President - Financial Support	0	04/08/1997 to Present
214	Officer	John Cascio, Apopka, FL	Vice President, Business Markets	0	06/01/1994 to Present
215	Officer	Denton C. Roberts, Overland Park, KS	Vice President Legal and External Affairs	0	10/16/1988 to Present
216	Officer	William E. Cheek, Overland Park, KS	Vice President - Sales and Account Manageme	0	01/20/1998 to Present
217	Officer	Faye S. Manker, Overland Park, KS	Vice President - Real Estate	0	02/19/1999 to Present
218	Officer	Dennis C. Piper, Westwood, KS	Assistant Vice President and Assistant Trea	0	02/19/1999 to Present
219	Officer	Mark V. Beshears, Overland Park, KS	Assistant Vice President - Tax	0	01/20/1998 to Present
220	Officer	Douglas B. Lynn, Westwood, KS	Assistant Vice President	0	05/01/1994 to Present
221	Officer	Michael T. Hyde, Westwood, KS	Secretary	0	01/20/1998 to Present
222	Officer	John I. Lehman, Overland Park, KS	Controller	0	07/17/1996 to Present
223	Officer	Leslie F. Klinger, Overland Park, KS	Assistant Secretary	0	02/12/1998 to Present
224	Officer	Alan N. Berg, Apopka, FL	Assistant Secretary		01/01/1993 to Present
225	Officer	Don A. Jensen, Westwood, KS	Assistant Secretary		11/26/1996 to Present
226	Officer	John W. Chapman, Kansas City, MO	Assistant Secretary		11/16/1999 to Present

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1
TABLE B-1-1

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS B LEVEL
(Dollars in Thousands)

Row No.	Account Title	Amount
	(a)	(b)
	Current Assets	
1120	Cash and Equivalents	250
1180	Telecommunications accounts receivable	34,127
1181	Accounts Receivable allowance-telecommunications	17,726
1190	Other accounts receivable	57,753
1191	Accounts receivable allowance-other	0
1200	Notes receivable	578
1201	Notes receivable allowance	0
1210	Interest and dividends receivable	0
1220	Inventories	10,219
120	Total NonCash Current (excluding prepayments)	84,951
1280	Prepayments	322
1350	Other Current Assets	0
130	Total Current Assets	85,523
	NonCurrent Assets	
1401	Investments in affiliated companies	5,858
1402	Investments in nonaffiliated companies	111
1406	Nonregulated investments	0
1407	Unamortized debt issuance expense	11,686
1408	Sinking funds	0
1410	Other noncurrent assets	79,714
1437	Deferred Tax Regulatory Asset	1,147
1438	Deferred maintenance and retirements	0
1439	Deferred charges	1,746
1500	Other jurisdictional assets-net	-4
150	Total Noncurrent Assets	100,258

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1
TABLE B-1-2

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS B LEVEL
(Dollars in Thousands)

Row No.	Account Title	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Ending Balance
	(aa)	(ab)	(ac)	(ad)	(ae)	(af)
	Plant					
2001	Telecommunications plant in service (TPIS)	3,765,884	330,781	68,845	4,961	4,032,781
2002	Property held for future telecommunications use (PHFTU)	0	0	0	0	0
2003	Telephone plant under construction (TPUC)	87,242	-11,752	0	0	75,490
2004	Reserved	N/A	N/A	N/A	N/A	N/A
2005	Telecommunications plant adjustment	0	0	0	0	0
2006	Nonoperating plant	3,423	575	183	-22	3,793
2007	Goodwill	0	0	0	0	0
210	Total Plant	3,856,548	319,605	69,028	4,939	4,112,064
2110	Land and Support	341,168	12,990	7,868	1,705	347,996
2210	Central Office-Switching	827,340	94,679	33,410	2,832	891,442
2220	Operator Systems	4,438	380	0	0	4,818
2230	Transmission	692,442	111,353	13,603	309	790,501
2310	Information Origination/Termination	67,335	4,857	-207	-94	72,305
2410	Cable & Wire	1,828,854	105,618	14,171	-62	1,920,239
240	Total TPIS (before amortizable assets)	3,761,578	329,877	68,845	4,690	4,027,300
2680	Amortizable tangibles	4,306	904	0	271	5,481
2690	Intangibles	0	0	0	0	0
260	Total TPIS	3,765,884	330,781	68,845	4,961	4,032,781

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1
TABLE B-1-4

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS B LEVEL
(Dollars in Thousands)

Row No.	Account Title (a)	Amount (b)
	Depreciation and Amortization	
3100	Accumulated depreciation	2,125,495
3200	Accumulated depreciation - PHFTU	-2
3300	Accumulated depreciation - Nonoperating	82
3400	Accumulated amortization - Tangibles	3,752
3500	Accumulated amortization - Intangibles	0
3600	Accumulated amortization - Other	4
340	Total Depreciation and Amortization	2,129,331
350	Net Plant	1,982,733
360	Total Assets	2,168,514
	Current Liabilities	
4010	Accounts payable	330,637
4020	Notes payable	0
4030	Advance billing and payments	30,627
4040	Customer deposits	3,890
4050	Current maturities - long term debt	200
4060	Current maturities - capital leases	0
4070	Income taxes - accrued	28,031
4080	Other taxes - accrued	4,565
4100	Net current deferred operating income taxes	-10,590
4110	Net current deferred nonoperating income taxes	-380
4120	Other accrued liabilities	52,384
4130	Other current liabilities	2,508
410	Total Current Liabilities	441,871
	Long-Term Debt	
4210	Funded debt	343,200
4220	Premium on long-term debt	0
4230	Discount on long-term debt	3,906
4240	Reacquired debt	0
4250	Obligations under capital leases	169
4260	Advances from affiliated companies	0
4270	Other long-term debt	0
420	Total Long-Term Debt	339,463

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1
TABLE B-1-5

TABLE B-1 - BALANCE SHEET ACCOUNTS - CLASS B LEVEL
(Dollars in Thousands)

Row No.	Account Title	Amount
	(a)	(b)
	Other Liabilities and Deferred Credits	
4310	Other long-term liabilities	121,618
4320	Unamortized operating investment tax credits - net	8,497
4330	Unamortized nonoperating investment tax credits - net	0
4340	Net noncurrent deferred operating income taxes	244,793
4341	Net Deferred Tax Liability Adjustment	-6,746
4350	Net noncurrent deferred nonoperating income taxes	2,679
4360	Other deferred credits	2,177
4361	Deferred Tax Regulatory Liability	7,893
4370	Other jurisdictional liabilities/deferred credits - net	331
430	Total Other Liabilities and Deferred Credits	381,241
	Stockholders' Equity	
4510	Capital stock	16,250
4520	Additional Paid-in Capital	188,145
4530	Treasury stock	0
4540	Other capital	41,153
4550	Retained Earnings	760,390
440	Total Stockholders's Equity	1,005,938
450	Total Liabilities and Stockholders' Equity	2,168,514
460	Retained Earnings (Beginning of Year)	718,545
465	Net Income	183,221
470	Dividends Declared	141,375
475	Miscellaneous Debits	0
480	Miscellaneous Credits	0
490	Retained Earnings (End of Year)	760,390

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1
TABLE B-2-1

TABLE B-2 - STATEMENT OF CASH FLOWS
(Dollars in Thousands)

Row No.	Description (a)	Amount (b)	Amount (c)
	INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS:		
	Cash Flows From Operating Activities:		
100	Net Income/Loss	N/A	183,221
	Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
110	Depreciation and Amortization	261,691	N/A
120	Provision for Losses for Accounts Receivables	13,482	N/A
130	Deferred Income Taxes - Net	590	N/A
140	Unamortized ITC - Net	-1,315	N/A
150	Allowance for Funds Used During Construction	-4,533	N/A
160	Net Change in Operating Receivables	-25,646	N/A
170	Net Change in Materials, Supplies & Inventories	3,483	N/A
180	Net Change in Operating Payables & Accrued Liabilities	166,267	N/A
190	Net Change in Other Assets and Deferred Charges	-18,344	N/A
200	Net Change in Other Liabilities and Deferred Credits	11,861	N/A
210	Other	555	N/A
220	Total Adjustments	N/A	408,091
230	Net Cash Provided by/Used in Operating Activities	N/A	591,312
	Cash Inflows/Outflows from Investing Activities:		
240	Construction/Acquisition of Property, Plant and Equipment	-318,607	N/A
250	Proceeds from Disposals of Property, Plant and Equipment	-4,836	N/A
260	Investments in & Advances to Affiliates	0	N/A
270	Proceeds from Repayment of Advances	125	N/A
280	Other Investing Activities	95	N/A
290	Net Cash Provided by/Used in Investment Activites	N/A	-323,223

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1
TABLE B-2-2

TABLE B-2 - STATEMENT OF CASH FLOWS
(Dollars in Thousands)

Row No.	Description (a)	Amount (b)	Amount (c)
	Cash Flows from Financing Activities:		
300	Net Increase/Decrease in Short-Term Debt	-123,579	N/A
310	Advances from Affiliates	0	N/A
320	Repayment of Advances from Affiliates	0	N/A
330	Proceeds from Long-Term Debt	0	N/A
340	Repayment of Long-Term Debt	-200	N/A
350	Payment of Capital Lease Obligations	0	N/A
360	Proceeds from Issue of Common Stock/Equity Investment from Parent	0	N/A
370	Repurchase of Treasury Shares	0	N/A
380	Dividends Paid	-141,375	N/A
390	Other Financing Activities	0	N/A
400	Net Cash Provided by Financing Activities	N/A	-265,154
410	Effect of Exchange Rate Changes on Cash	N/A	0
420	Net Increase/Decrease in Cash and Cash Equivalents	N/A	2,935
430	Cash & Cash Equivalents-Beginning of Period	N/A	-2,685
440	Cash & Cash Equivalents-End of Period	N/A	250

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1
TABLE B-4

TABLE B-4 - ANALYSIS OF ASSETS PURCHASED FROM OR SOLD TO AFFILIATES
(Dollars in Thousands)

Row No.	Classification	Name of Affiliate	Net Book Cost	Fair Market Value	Tariff	Publicly Agreements	Prevailing Market	Total Purch/Sales
	(a)	(b)	(c)	(d)	(e)	(ee)	(f)	(g)
	A. ANALYSIS OF ASSETS PURCHASED FROM AFFILIATES (> $100K)							
140	Total Purchases		0	0	0	0	0	0
	B. ANALYSIS OF ASSETS SOLD TO AFFILIATES (> $100K)							
201	Asset Sold	North Supply Company	933,880	0	0	0	0	933,880
240	Total Sales		933,880	0	0	0	0	933,880

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1

TABLE I-1 - INCOME STATEMENT ACCOUNT - CLASS B LEVEL
(Dollars in Thousands)

Row No.	Account Title	Amount
	(a)	(b)
	Revenue Accounts	
520	Local Network Service (Acct. 5000)	595,901
	Network Access Services Revenues	
5081	End user revenue	127,306
5082	Switched access revenue	161,125
5083	Special access revenue	48,430
5084	State access revenue	192,924
5080	Network access revenue	529,784
525	LD Network Service Revenues	31,484
5200	Miscellaneous revenue	63,121
5280	Nonregulated revenue	183,617
5300	Uncollectible revenue	13,482
530	Total Operating Revenues	1,390,425

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1

TABLE I-1 - INCOME STATEMENT ACCOUNT - CLASS B LEVEL
(Dollars in Thousands)

Row No.	Account Title	Total	Salaries and Wages	Benefits	Rents	Other Expenses
	(aa)	(ab)	(ac)	(ad)	(ae)	(af)
	EXPENSE ACCOUNTS					
	Plant Specific Operations					
6110	Network support	437	32	8	8	389
6210	Central office-switching	60,054	11,251	2,027	19	46,756
6220	Operator systems	87	31	6	0	50
6230	Central office-transmission	21,035	7,533	1,298	30	12,174
6310	Information origination/termination expense	86,628	9,946	1,081	53	75,548
6410	Cable and wire	102,187	27,904	2,704	5,438	66,140
650	Total Plant Specific Operations	339,787	60,122	7,875	16,604	255,186
	Plant Nonspecific Operations					
6510	Other property plant and equipment expense	4,158	1,012	249	N/A	2,898
6530	Network operations	69,268	32,644	6,629	N/A	29,994
6540	Access	26,538	0	0	N/A	26,538
6560	Depreciation & Amortization Expense	261,691	N/A	N/A	N/A	261,691
690	Total Plant Nonspecific Operations	361,655	33,656	6,878	N/A	321,121
	Customer Operations					
6610	Marketing expense	61,320	23,026	3,898	N/A	34,396
6620	Services expense	125,135	51,668	11,735	N/A	61,732
700	Total Customer Operations	186,455	74,694	15,633	N/A	96,128
	Corporate Operations					
6710	Executive and Planning	4,294	687	89	N/A	3,518
6720	General & Administrative	122,994	21,672	8,277	N/A	93,046
6790	Provision for uncollectible notes	-5	N/A	N/A	N/A	-5
710	Total Corporate Operations Expense	127,282	22,358	8,366	N/A	96,559
720	Total Operating Expenses	1,015,180	190,830	38,752	16,604	768,993
730	Income Before Other Operating Items and Taxes	375,245	N/A	N/A	N/A	N/A

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1

TABLE I-1 - INCOME STATEMENT ACCOUNT - CLASS B LEVEL
(Dollars in Thousands)

Row No.	Account Title	Amount
	(ba)	(bb)
7100	Other ops inc/expen	315
7200	Operating taxes	144,377
7300	Nonoperating Income and Expense	16,287
7400	Nonoperating Taxes	2,941
7500	Interest and Related Items	61,423
7600	Extraordinary Items	0
7910	Income effects of jurisdictional differences-net	112
7990	Nonregulated net income	0
790	Net Income	183,221
830	Total Number of employees at the end of the year	5,135
840	Number of full-time employees	5,080
850	Number of part-time employees	55
860	Total Compensation for the year	250,259

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
COSA: UCFL
Mar 28,2000 4:07PM

UNRESTRICTED Version
SUBMISSION 1
TABLE I-2

TABLE I-2 - ANALYSIS OF SERVICES PURCHASED FROM OR SOLD TO AFFILIATES
(Dollars in Thousands)

Row No.	Classification	Name of Affiliate	Fully Distributed Cost	Fair Market Value	Tarrif Rate	Publicly Filed Agreement	Prevailing Market Prices	Total Purchase/ Sales
	(a)	(b)	(c)	(cc)	(d)	(dd)	(e)	(f)
101	Service Purchased	Sprint Mid-Atlantic Telecom Inc.	9404	0	0	0	0	9404
102	Service Purchased	Sprint/United Management Company	201004	0	0	0	0	201004
103	Service Purchased	Sprint/United Midwest Mgmt Services Co.	21261	0	0	0	0	21261
104	Service Purchased	Sprint Publishing & Advertising Inc.	0	7	0	283	0	290
105	Service Purchased	Sprint Communications Co. Ltd. Part.	8	0	7848	0	1665	9521
106	Service Purchased	NOCUTS Inc.	0	72	0	0	4682	4754
107	Service Purchased	North Supply Company	145083	0	0	0	0	145083
108	Service Purchased	Sprint TELECENTERs Inc.	8021	27	0	0	0	8048
109	Service Purchased	Sprint Payphone Services, Inc.	0	0	49	0	378	427
110	Service Purchased	The CenDon Partnership	81	0	0	99	0	180
111	Service Purchased	Sprint Spectrum L.P.	0	0	0	133	0	133
112	Service Purchased	Carolina Telephone & Telegraph Co.	251	0	0	0	0	251
140	Total Purchases	N/A	385113	106	7897	515	6725	400356

B. ANALYSIS OF SERVICES SOLD TO AFFILIATES (> $100K)

Row No.	Classification	Name of Affiliate	Fully Distributed Cost	Fair Market Value	Tarrif Rate	Publicly Filed Agreement	Prevailing Market Prices	Total Purchase/ Sales
201	Service Sold	Sprint Communications Co. L.P.	122	9408	53306	0	5663	68499
202	Service Sold	Sprint Publishing & Advertising, Inc.	87	9	0	92	0	188
203	Service Sold	Sprint Payphone Services, Inc.	1340	0	0	0	0	1340
204	Service Sold	The CenDon Partnership	10815	0	0	0	0	10815
205	Service Sold	Sprint/United Management Company	2762	322	0	0	0	3084
206	Service Sold	Sprint Spectrum L.P.	99	2715	254	635	127	3830
240	Total Sales	N/A	15225	12454	53560	727	5790	87756

FCC Report 43-02
ARMIS USOA REPORT
Company: Sprint-Florida, Inc.
Study Area: Florida
Period: From JAN 1999 to DEC 1999
Cosa: UCFL
Mar 28,2000 1:52PM

FOOTNOTE TABLE

UNRESTRICTED Version
SUBMISSION 1
FOOTNOTE TABLE

Table	Row	Col	FN#	Footnote
(a)	(b)	(c)	(d)	(e)
B1	ALL	ZZ	1	The rounding of all amounts to thousands occurs as a final step in the preparation of this report. Summary rows and columns are calculated using the unrounded amounts, which may cause these amounts to appear not to foot or crossfoot.
I1	ALL	ZZ	2	The rounding of all amounts to thousands occurs as a final step in the preparation of this report. Summary rows and columns are calculated using the unrounded amounts, which may cause these amounts to appear not to foot or crossfoot.

ARMIS Certification

<u>43-02, USOA Report</u>

Annual 1999
Submission #1

I certify that I am an officer of the *Local Telecommunications Division of Sprint/United* Management Company; and as such I have overall responsibility for the preparation of these reports. I also certify that I have examined the foregoing reports and that to the best of my knowledge, information and belief, all statements of fact contained in these reports are true and that said reports are an accurate statement of the affairs of the companies listed below in respect to the data set forth herein for the time period from January 1, 1999 to December 31, 1999.

Study Area	COSA Code
Sprint Florida, Incorporated	UCFL
Sprint/Carolina Telephone & Telegraph Company	UTNC
Sprint/United Telephone – Southeast, Inc.	UTIM
Sprint/Central Telephone of Virginia	CEVA
Sprint/United Telephone of Ohio	UTOH
Sprint/United Telephone of Indiana	UTIN
Sprint/United Telephone of New Jersey	UTNJ
Sprint/United Telephone of Pennsylvania	UTPA
Sprint/Missouri, Inc.	UTMO
Sprint/Central Telephone of Texas	CETX
Sprint/United Telephone of Texas	UTTX
Sprint/United Telephone of the Northwest	UTNW
Sprint/Central Telephone Company (NC & NV)	CETO

Printed Name: W. D. Whinery

Position: Assistant Vice President, Revenue Analysis and Reporting

Signature:

Date: March 31, 2000

Contact Person: Sally Carr
Position: Senior Manager, Separations/USF Matters
Telephone: 816/854-5097

FCC 43-08
ARMIS Operating Data Report

Approved by OMB
3060-0496
Expires 03/31/2002(t)
Estimated Burden Hours - 160

Federal Communications Commission
Washington, D. C. 20554

ARMIS 43-08
Operating Data Report
Annual 1999

Submission #1 - 4/1/00

Sprint - Florida
(UCFL)

555 Lake Border Drive
Apopka, Florida 32703

FCC Report 43-08, the ARMIS Operating Data Report, is prescribed for each local exchange carrier (LEC) with annual operating revenues for the preceding year equal to or above the indexed revenue threshold. This report collects annual company level statistical data. The Operating Data Report specifies information requirements in a consistent format and is essential to the FCC to monitor network growth, usage, and reliability. Response is mandatory. . An agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a current valid control number.
Public reporting burden for this collection of information is estimated to average 160 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden to the Federal Communications Commission, Records Management Branch, Washington, D.C. 20554. Management Branch, Washington, D.C. 20554.

ARMIS 2000 (V2.0) 43-08
1999 Discrepancy Report
March 14, 2000

UCFL	Sprint - Florida, Inc. (includes UTFL & CEFL)	UCFL99OD.U01

Message: File Passed, No Error Found
Contact: SALLY CARR
Telephone Number: (816) 854-5097

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-1
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE I.A

TABLE I.A OUTSIDE PLANT STATISTICS-CABLE AND WIRE FACILITIES

Row No.	State or Terr (a)	Code (b)	Km of Aerial Wire (c)	Aerial Cable Sheath Km of Copper (d)	Aerial Cable Sheath Km of Fiber (e)	Underground Cable Sheath Km of Copper (f)	Underground Cable Sheath Km of Fiber (g)	Buried Cable Sheath Km of Copper (h)	Buried Cable Sheath Km of Fiber (i)	Submarine Cable Sheath Km of Copper (j)	Submarine Cable Sheath Km of Fiber (k)
0200	Florida	FL	338	7,921	151	2,671	1,388	76,783	4,798	29	2
0910	Total	TO	338	7,921	151	2,671	1,388	76,783	4,798	29	2

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-1
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE I.A

TABLE I.A OUTSIDE PLANT STATISTICS-CABLE AND WIRE FACILITIES

			Deep Sea Cable		Intrabldg Ntwk Cable		Total Cable		Km of Fiber in Cable	
Row No.	State or Terr (a)	Code (b)	Sheath Km of Copper (l)	Sheath Km of Fiber (m)	Sheath Km of Copper (n)	Sheath Km of Fiber (o)	Sheath Km of Copper (p)	Sheath Km of Fiber (q)	Fiber Km Equipped (Lit) (r)	Total Fiber Km Deployed (Lit & Dark) (s)
0200	Florida	FL	0	0	375	9	87,779	6,348	65,938	238,495
0910	Total	TO	0	0	375	9	87,779	6,348	65,938	238,495

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-1
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE I.A

TABLE I.A OUTSIDE PLANT STATISTICS-CABLE AND WIRE FACILITIES

Row No.	State or Territory (a)	Code (b)	Km of Copper Wire in NonCoax Cable (t)	Equipped Km of Tube in Coax Cable (u)	Number of Poles (v)	Conduit System Trench Km (w)	Conduit System Duct Km (x)
0200	Florida	FL	27,546,466	0	64,548	1,322	7,405
0910	Total	TO	27,546,466	0	64,548	1,322	7,405

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-1
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE I.B

TABLE I.B OUTSIDE PLANT STATISTICS-OTHER

			Radio Relay System				
				Km of One-Way Radio Channel		Km of Telephone Channel	
Row No.	State or Territory (ba)	Code (bb)	Km of Terrestrial System (bc)	Km of One-Way Terrestrial Radio Channel (bd)	Terrestrial Km of One-Way Satellite Radio Channel (be)	Analog (4Khz or Equiv) (bf)	Digital (64 Kb/S or Equiv) (bg)
0200	Florida	FL	583	761	0	0	473,390
0910	Total	TO	583	761	0	0	473,390

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-1
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE I.B

TABLE I.B OUTSIDE PLANT STATISTICS-OTHER

Row No.	State or Territory (ba)	Code (bb)	Total Equipped Local Loop Circuit Km (Cable and Microwave Systems) Analog (4Khz or Eq) (bh)	Digital (64Kb/S or Eq) (bi)	Video (bj)	Total Equipped Interoffice Circuit Km (Cable and Microwave Systems) Analog (4Khz or Eq) (bk)	Digital (64Kb/S or Eq) (bl)	Video (bm)
0200	Florida	FL	0	49,523	0	0	24,555,520	0
0910	Total	TO	0	49,523	0	0	24,555,520	0

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-2
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE II

TABLE II SWITCHED ACCESS LINES IN SERVICE BY TECHNOLOGY

Row No.	State or Terr (ca)	Code (cb)	Analog (4Khz or Equivalent) Main Access Lines (cc)	PBX and Centrex Trunks (cd)	Centrex Extensions (ce)	Digital (64Kb/Sec or Equivalent) Main Access Lines (cf)	PBX and Centrex Trunks (cg)	Centrex Extensions (ch)	Other Switched AccessLines (ci)	Total Switched AccessLines (cj)
0200	Florida	FL	1,916,841	52,032	133,056	5,833	9,930	0	0	2,117,692
0910	Total	TO	1,916,841	52,032	133,056	5,833	9,930	0	0	2,117,692

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-2
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE II

TABLE II SWITCHED ACCESS LINES IN SERVICE BY TECHNOLOGY

Row No.	State or Terr (ca)	Code (cb)	Central Office Switches Exc Remotes (ck)	Remote Switches (cl)	Total Central Office Switches (cm)	Basic Rate ISDN Cntrl Channels (cn)	PrimaryRate ISDN Cntrl Channels (co)
0200	Florida	FL	89	67	156	5,833	1,986
0910	Total	TO	89	67	156	5,833	1,986

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-3
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE III

TABLE III - ACCESS LINES IN SERVICE BY CUSTOMER

Row No.	State or Terr (da)	Code (db)	Business Access Lines: Analog Single Line (dc)	Business Access Lines: Analog Multi Line (dd)	Business Access Lines: Digital (de)	Public Access Lines (df)	Res Access Lines: Analog (dg)	Res Access Lines: Digital (dh)	Moblie Access Lines (di)	Total Switched Access Lines (dj)
0200	Florida	FL	82,424	516,441	15,763	1,774	1,501,290	0	0	2,117,692
0910	Total	TO	82,424	516,441	15,763	1,774	1,501,290	0	0	2,117,692

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-3
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE III

TABLE III - ACCESS LINES IN SERVICE BY CUSTOMER

Row No.	State or Terr (da)	Code (db)	Special Access Lines (non-switched) Analog (dk)	Digital (dl)	Total AccessLines (Switched & Special) (dm)
0200	Florida	FL	4,103	930,967	3,052,762
0910	Total	TO	4,103	930,967	3,052,762

FCC Report 43-08
ARMIS OPERATING DATA REPORT
FORM M SCHEDULE S-4
COMPANY: Sprint-Florida, Inc.
STUDY AREA: Florida
PERIOD: From Jan 1999 To Dec 1999
COSA: UCFL
Mar 14,2000 3:13PM

UNRESTRICTED VERSION
SUBMISSION 1
TABLE IV

TABLE IV - TELEPHONE CALLS
(Amounts in Thousands)

Row No.	State or Terr (ca)	Code (eb)	Local Calls (ec)	IntraLATA Toll Calls Completed (Originating) (ed)	InterLATA Toll Calls Completed (Originating) Interstate (ee)	Intrastate (ef)	Total (eg)	InterLATA Billed Access Minutes (Originating and Terminating) Interstate (eh)	Intrastate (ei)	Total (ej)
0200	Florida	FL	6,244,957	23,566	647,822	435,244	1,083,066	6,910,637	3,066,088	9,976,725
0910	Total	TO	6,244,957	23,566	647,822	435,244	1,083,066	6,910,637	3,066,088	9,976,725

<u>43-08, Operating Data Report</u>

Annual 1999
Submission #1

I certify that I am an officer of the Local Telecommunications Division of Sprint/United Management Company; and as such I have overall responsibility for the preparation of these reports. I also certify that I have examined the foregoing reports and that to the best of my knowledge, information and belief, all statements of fact contained in these reports are true and that said reports are an accurate statement of the affairs of the companies listed below in respect to the data set forth herein for the time period from January 1, 1999 to December 31, 1999.

Study Area	COSA Code
Sprint Florida, Incorporated	UCFL
Sprint/Carolina Telephone & Telegraph Company	UTNC
Sprint/United Telephone – Southeast, Inc.	UTIM
Sprint/Central Telephone of Virginia	CEVA
Sprint/United Telephone of Ohio	UTOH
Sprint/United Telephone of Indiana	UTIN
Sprint/United Telephone of New Jersey	UTNJ
Sprint/United Telephone of Pennsylvania	UTPA
Sprint/Missouri, Inc.	UTMO
Sprint/United Telephone of Texas	UTTX
Sprint/Central Telephone of Texas	CETX
Sprint/Central Telephone – (NC & NV)	CETO
Sprint/United Telephone of the Northwest	UTNW

Printed Name: W. D. Whinery

Position: Assistant Vice President,
Revenue Analysis & Reporting

Signature: W D Whinery

Date: March 31, 2000

Contact Person: Sally Carr
Position: Senior Manager, Separations/USF Matters
Telephone: 816/854-5097

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **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**

For the transition period from ______________ to ______________

Commission File Number 1-04721

SPRINT CORPORATION
(Exact name of registrant as specified in its charter)

KANSAS **(State or other jurisdiction of incorporation or organization)**	**48-0457967** **(IRS Employer Identification No.)**
P.O. Box 11315, Kansas City, Missouri **(Address of principal executive offices)**	**64112** **(Zip Code)**
Registrant's telephone number, including area code	**(913) 624-3000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Preferred Stock, without par value	
First series, $7.50 stated value	New York Stock Exchange
Second series, $6.25 stated value	New York Stock Exchange
FON Common Stock, Series 1, $2.00 par value, and FON Group Rights	New York Stock Exchange
PCS Common Stock, Series 1, $1.00 par value, and PCS Group Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 these shorter period that the registrant was required to file these reports), and (2) has been subject to these filing requirements for the past 90 days. Yes __X__ No ______

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Aggregate market value of voting and non-voting stock held by non-affiliates at February 29, 2000, was $86,009,182,449.

COMMON SHARES OUTSTANDING AT FEBRUARY 29, 2000:

FON COMMON STOCK	**789,829,611**
PCS COMMON STOCK	**913,848,026**
CLASS A COMMON STOCK	**86,236,036**

Documents incorporated by reference.

Part 4 of 5

Registrant's definitive proxy statement filed under Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, which definitive proxy statement is to be filed within 120 days after the end of Registrant's fiscal year ended December 31, 1999, is incorporated by reference in Part III hereof.

DOCUMENT NUMBER-DATE
10875 SEP-18
FPSC-RECORDS/REPORTING

Part I

Item 1. Business

The Corporation

Sprint Corporation, incorporated in 1938 under the laws of Kansas, is mainly a holding company.

In October 1999, Sprint announced a definitive merger agreement with MCI WorldCom. Under the agreement, each share of Sprint FON stock will be exchanged for $76 of MCI WorldCom common stock, subject to a collar. In addition, each share of Sprint PCS stock will be exchanged for one share of a new WorldCom PCS tracking stock and 0.116025 shares of MCI WorldCom common stock. The terms of the WorldCom PCS tracking stock will be equivalent to those of Sprint's PCS common stock and will track the performance of the company's personal communication services (PCS) business. The merger is subject to the approvals of Sprint and MCI WorldCom shareholders as well as approvals from the Federal Communications Commission (FCC), the Justice Department, various state government bodies and foreign antitrust authorities. The companies anticipate that the merger will close in the second half of 2000.

In November 1998, Sprint's shareholders approved the formation of the FON Group and the PCS Group and the creation of the FON stock and the PCS stock. In addition, Sprint purchased the remaining ownership interests in Sprint Spectrum Holding Company, L.P. and PhillieCo, L.P. (together, Sprint PCS), other than a minority interest in Cox Communications PCS, L.P. (Cox PCS). Sprint acquired these ownership interests from Tele-Communications, Inc. (TCI), Comcast Corporation and Cox Communications, Inc. (the Cable Partners). In exchange, Sprint issued the Cable Partners special low-vote PCS shares and warrants to acquire additional PCS shares. Sprint also issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares. The purchase of the Cable Partners' interests is referred to as the PCS Restructuring. In the 1999 second quarter, Cox Communications, Inc. exercised a put option requiring Sprint to purchase the remaining 40.8% interest in Cox PCS. Sprint issued additional low vote PCS shares in exchange for this interest.

Also in November 1998, Sprint reclassified each of its publicly traded common shares into one share of FON stock and ½ share of PCS stock. This recapitalization was tax-free to shareholders. Each Class A common share owned by France Telecom S.A. (FT) and Deutsche Telekom AG (DT) was reclassified to represent an equity interest in the FON Group and the PCS Group that entitles FT and DT to one share of FON stock and ½ share of PCS stock. These transactions are referred to as the Recapitalization.

The PCS stock is intended to reflect the performance of Sprint's domestic wireless PCS operations. These operations are referred to as the PCS Group.

The FON stock is intended to reflect the performance of all of Sprint's other operations. These operations are referred to as the FON Group and include the following:

- Core businesses
  - Long distance division
  - Local division
  - Product distribution and directory publishing businesses
- Activities to develop and deploy Sprint ION(SM), Integrated On-Demand Network
- Other strategic ventures.

Characteristics of Tracking Stock

FON and PCS shareholders are subject to the risks related to all of Sprint's businesses, assets and liabilities. Owning FON or PCS shares does not represent a direct legal interest in the assets and liabilities of the Groups. Rather, shareholders remain invested in Sprint and continue to vote as a single voting class for Board member elections (other than Class A directors elected by FT and DT) and most other company matters.

The vote per share of the PCS stock is different from the vote of the FON stock. The FON stock has one vote per share. The vote of the PCS stock is based on the market price of a share of PCS stock relative to the market price of a share of FON stock for a period of time prior to the record date for a shareholders meeting. The shares of PCS stock held by the Cable Partners have 1/10 of the vote per share of the publicly traded PCS stock. The shares held by the Cable Partners convert into full voting PCS stock upon sale to the public. For 90 days after the merger, each Cable Partner will have the right to convert all of its shares of WorldCom series 2 PCS common stock and WorldCom series 2 common stock into an equivalent number of shares of WorldCom series 1 PCS common stock and WorldCom common stock, respectively.

The price of the FON stock may not accurately reflect the performance of the FON Group and the price of the PCS stock may not accurately reflect the performance of the PCS Group. Events affecting the results of one Group could adversely affect the results and stock price of the other Group. Net losses of either Group, and dividends or distributions on, or repurchases of, one stock will reduce Sprint funds legally available for dividends on both stocks. Debt incurred by either Group could affect the credit rating of Sprint as a whole and increase borrowing costs for both Groups.

Holders of one of the stocks may have different or conflicting interests from the holders of the other stock. For example, conflicts could arise with respect to decisions by the Sprint Board to (1) convert the outstanding shares of PCS stock into shares of FON stock, (2) sell assets of a Group, either to the other Group or to a third party, (3) transfer assets from one Group to the other Group, (4) formulate public policy positions which could have an unequal effect on the interests of the FON Group and the PCS Group, and (5) make operational and financial decisions with respect to one Group that could be considered to be detrimental to the other Group. Material conflicts are addressed in accordance with the Tracking Stock Policies adopted by the Sprint Board. In addition, the Board has appointed a committee of its members (the Capital Stock Committee) to interpret and oversee the implementation of these policies.

Transfers of assets from the FON Group to the PCS Group treated as an equity contribution will result in an increase in the intergroup interest of the FON Group in the PCS Group. This interest is similar to the FON Group holding PCS stock. A transfer of funds from the PCS Group to the FON Group would decrease the intergroup interest. An intergroup interest of the PCS Group in the FON Group cannot be created.

Sprint FON Group

General Overview of the Sprint FON Group

The main activities of the FON Group include its core businesses, consisting of domestic and international long distance communications, local exchange communications, and product distribution and directory publishing activities. The FON Group also includes results from Sprint ION(SM), and other ventures, including Sprint's investment in EarthLink.

Core Businesses—Long Distance Division

General

The FON Group's long distance division (LDD) is the nation's third-largest long distance phone company. LDD operates a nationwide, all-digital long distance communications network that uses fiber-optic and electronic technology. LDD primarily provides domestic and international voice, video and data communications services. It consists mainly of Sprint Communications Company L.P. (the Limited Partnership).

LDD's financial performance for 1999, 1998 and 1997 is summarized as follows:

	1999	1998	1997
		(millions)	
Net operating revenues	$10,567	$9,658	$8,684
Operating income[1]	$ 1,634	$1,367	$1,025

[1] *Includes nonrecurring litigation charges of $20 million in 1997.*

Competition

The division competes with AT&T, MCI WorldCom and other telecommunications providers in all segments of the long distance communications market. AT&T continues to have the largest market share of the domestic long distance communications market. The Regional Bell Operating Companies (RBOCS) are beginning to obtain authorization to provide in-region long distance service, which is expected to heighten competition. Competition in long distance is based on price and pricing plans, the types of services offered, customer service, and communications quality, reliability and availability.

Strategy

In order to achieve profitable market share growth in an increasingly competitive long distance communications environment, LDD intends to leverage its principal strategic assets: its national brand, innovative marketing and pricing plans, its reputation for superior customer service, its state-of-the-art technology, and offerings available from other FON Group operating entities and the PCS Group. LDD will focus on expanding its presence in the high-growth data communications markets and intends to become the provider of choice for delivery of end-to-end service to companies with complex distributed computing environments. The FON Group continues to deploy network and systems infrastructure which provides reliability, cost effectiveness and technological improvements. In order to create integrated product offerings for its customers, the FON Group is solidifying the linkage of its long distance division with Sprint's other operations such as the local division and the PCS Group. The long distance division is also entering local markets of the RBOCS through resale and unbundled network element (UNE) offerings of the RBOCS. These local products will be primarily marketed in connection with long distance products to customers who desire a single voice service provider but do not need advanced services. The long distance division also supports Sprint ION(SM) activities. See "Sprint ION—Strategy" for more details.

Core Businesses—Local Division

General

The local division (LTD) consists of regulated local phone companies serving more than 8 million access lines in 18 states. LTD provides local phone services, access by phone customers and other carriers to LTD's local network, sales of telecommunications equipment, and long distance services within certain regional calling areas, or LATAs.

LTD's financial performance for 1999, 1998 and 1997 is summarized as follows:

	1999	1998	1997
		(millions)	
Net operating revenues[1]	$ 5,650	$ 5,372	$ 5,294
Operating income	$ 1,500	$ 1,407	$ 1,392

[1] *Beginning in July 1997, Sprint changed its transfer pricing for certain transactions between FON Group entities to more accurately reflect market pricing. For further discussion, see the FON Group's "Management's Discussion and Analysis of Financial Condition and Results of Operations."*

AT&T is LTD's largest customer for network access services. The division's net operating revenues from services (mainly network access services) provided to AT&T were 11% in 1999 and 13% in 1998 and 1997. Revenues from AT&T were 4% of the FON Group's revenues in 1999 and 5% in 1998 and 1997.

Competition

Because LTD operations are largely in secondary and tertiary markets, competition in its markets is occurring more gradually. There is already some competition in urban areas served by LTD and for business customers located in all areas. There continues to be significant competition for intraLATA toll. The merger of AT&T and TCI may accelerate competition in the areas served by LTD by enabling AT&T to bypass the local phone company and reach local customers through the cable of TCI. In addition, wireless services will continue to grow as an alternative to wireline services as a means of reaching local customers.

Strategy

To continue to build on its successful track record, LTD has embarked on a growth strategy whereby it will aggressively market Sprint's entire product portfolio to its local customers as well as its core product line of advanced network features and data products. LTD also supports the FON Group's initiatives with Sprint ION(SM). See "Sprint ION—Strategy" for more details.

Core Businesses—Product Distribution and Directory Publishing Businesses

The product distribution business provides wholesale distribution services of telecommunications products. The directory publishing business publishes and markets white and yellow page phone directories.

The financial performance for the product distribution and directory publishing businesses for 1999, 1998 and 1997 is summarized as follows:

	1999	1998	1997
		(millions)	
Net operating revenues[1]	$ 1,731	$ 1,683	$ 1,454
Operating income[1]	$ 242	$ 231	$ 179

[1] *Beginning in July 1997, Sprint changed its transfer pricing for certain transactions between FON Group entities to more accurately reflect market pricing. For further discussion, see the FON Group's "Management's Discussion and Analysis of Financial Condition and Results of Operations."*

Sprint ION(SM)

Sprint is developing and deploying new integrated communications services, referred to as Sprint ION. Sprint ION extends Sprint's existing network capabilities to the customer and enables Sprint to provide the network infrastructure to meet customers' demands for advanced services including integrated voice, data, Internet and video. It is also expected to be the foundation for Sprint to provide advanced services in the competitive local service market. Sprint will use various advanced services last mile technologies including dedicated access, Digital Subscriber Line (xDSL), and Multipoint Multichannel Distribution Services (MMDS).

The financial performance for Sprint ION for 1999, 1998 and 1997 is summarized as follows:

	1999	1998	1997
		(millions)	
Net operating expenses	$358	$143	$5

Strategy

This integrated services capability is expected to generate increased demand for Sprint's products and services, and at the same time reduce the costs to provide those services.

Sprint ION intends to rely largely on the long distance division's transmission infrastructure, Sprint's MMDS capabilities and, to a lesser extent, on the transmission infrastructure of the local division. Sprint will evaluate whether facilities should be built, leased or acquired where they currently do not exist. Because a great amount of future investment will be related to specific customer contracts, Sprint expects to manage its investment in Sprint ION consistent with customer demand.

Other Ventures

The "other ventures" segment includes the operating results of the cable TV service operations of the broadband fixed wireless companies after their 1999 acquisition dates.

This segment also includes the FON Group's investments in EarthLink, Inc., an Internet service provider; Call-Net, a long distance provider in Canada operating under the Sprint brand name; and certain other telecommunications investments and ventures. All of the investments and ventures are accounted for on the equity basis.

The financial performance of the operations of other ventures for 1999, 1998 and 1997 is summarized as follows:

	1999	1998	1997
		(millions)	
Net operating revenues	$ 20	$—	$—
Operating expenses	$ 68	$ 40	$ 84
Operating loss	$ (48)	$ (40)	$ (84)
Equity in losses of affiliates	$ (89)	$ (51)	$ (10)

Operating expenses in 1998 and 1997 mainly relate to the FON Group's offering of Internet services. In June 1998, the FON Group completed the strategic alliance to combine its Internet business with EarthLink. As part of the alliance, Earthlink obtained the FON Group's the FON Group's Sprint Internet Passport customers and took over the day-to-day operations of those services. In exchange, the FON Group acquired an equity interest in EarthLink.

This segment previously included the FON Group's investment in Global One. In January 2000, Sprint reached a definitive agreement with FT and DT to sell its interest in Global One. The sale was completed in February 2000. Sprint's equity share of the results of Global One has been reported as a discontinued operation in Sprint's earnings for all periods presented.

Sprint PCS Group

General Overview of the Sprint PCS Group

The PCS Group includes Sprint's domestic wireless PCS operations. It operates a 100% digital PCS wireless network in the United States, with licenses to provide service nationwide using a single frequency and a single technology. At year-end 1999, the PCS Group, together with affiliates, operated PCS systems in over 360 metropolitan markets, including the 50 largest U.S. metropolitan areas. The PCS Group has licenses to serve more than 270 million people in all 50 states, Puerto Rico and the U.S. Virgin Islands. The PCS Group's service, including affiliates, now reaches nearly 190 million people. The PCS Group provides nationwide service through:

- operating its own digital network in major U.S. metropolitan areas,
- affiliating with other companies, mainly in and around smaller U.S. metropolitan areas,
- roaming on other providers' analog cellular networks using dual-band/dual-mode handsets, and
- roaming on other providers' digital PCS networks that use code division multiple access (CDMA).

The financial performance for the PCS Group for 1999, 1998 and 1997 is summarized as follows:

	1999	1998	1997
		(millions)	
Net operating revenues[1]	$ 3,180	$ 1,225	$ —
Operating loss[1],[2]	$(3,237)	$(2,570)	$ (19)
Other partners' loss in Sprint PCS	$ —	$ 1,251	$ —
Equity in loss of Sprint PCS	$ —	$ —	$(660)

[1] *The PCS Group's 1998 results of operations included SprintCom's operating results as well as Sprint PCS' operating results on a consolidated basis for the entire year. Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method.*

[2] *Includes a nonrecurring charge to write-off $179 million of acquired in-process research and development costs related to the PCS Restructuring in 1998. For further discussion, see the PCS Group's "Management's Discussion and Analysis of Financial Condition and Results of Operations."*

License Coverage

The PCS Group holds licenses covering 276 million Pops (one person residing in a license area equals one Pop).

Competition

Each of the markets in which the PCS Group competes is served by other two-way wireless service providers, including cellular and PCS operators and resellers. A majority of the markets will have five or more commercial mobile radio service (CMRS) providers and each of the top 50 metropolitan markets have at least one other PCS competitor in addition to two cellular incumbents. Many of these competitors have been operating for a number of years and currently service a significant subscriber base.

Strategy

The business objective of the PCS Group is to expand network coverage and increase market penetration by aggressively marketing competitively priced PCS products and services under the Sprint and Sprint PCS brand names, offering enhanced services and seeking to provide superior customer service. The principal elements of the PCS Group's strategy for achieving these goals are:

- Operating a nationwide digital wireless network
- Leveraging Sprint's national brand
- Utilizing state-of-the-art CDMA technology
- Delivering superior value to its customers
- Growing customer base using multiple distribution channels
- Continuing to expand coverage

Regulatory Developments

Sprint FON Group

Competitive Local Service

The Telecommunications Act of 1996 (Telecom Act) was designed to promote competition in all aspects of telecommunications. It eliminated legal and regulatory barriers to entry into local phone markets. It also required incumbent local phone companies, among other things, to allow local resale at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to unbundled network elements and allow collocation of interconnection equipment by competitors. Sprint has obtained interconnection and collocation agreements with a number of incumbent local telephone carriers, and is rolling out Sprint ION in cities across the nation.

Sprint is also rolling out resold and UNE based local services obtained from other local phone companies under the Telecom Act. This rollout of local services obtained from other local phone companies will occur in major areas across the nation not served by the LTD.

In January 1999, the Supreme Court affirmed the FCC's authority to establish rules and prices relating to interconnection and unbundling of the incumbent local phone companies' networks. The FCC subsequently reaffirmed in large part the list of network elements incumbents are required to provide on an unbundled basis, and strengthened collocation requirements. It also took steps to speed the deployment of advanced technologies such as xDSL.

RBOC Long Distance Entry

The Telecom Act also allows RBOCs to provide in-region long distance service once they obtain state certification of compliance with a competitive "checklist," have a facilities-based competitor, and obtain a FCC ruling that the provision of in-region long distance service is in the public interest. One RBOC, Bell Atlantic, obtained FCC authorization to provide in-region long distance service in New York in December 1999; RBOCs may gain such authorization in the near future in other states. The entry of the RBOCs into the long distance market will impact competition, but the extent of the impact will depend upon factors such as the RBOCs' competitive ability, the appeal of the RBOC brand to different market segments, and the response of competitors. Some of the impact on Sprint may be offset by wholesale revenues from those RBOCs which choose to resell Sprint services.

Customer Service Slamming

The Telecom Act also established liability for the unauthorized switch of a consumer's telephone service from one carrier to another (slamming). In late 1998, the FCC adopted new rules intended to prevent slamming and to compensate victims of slamming; these rules were stayed by the Court of Appeals, and the FCC is currently considering an industry proposal that would streamline the process for adjudicating alleged slams.

Mergers

As a result of increasing competitive pressures, a number of carriers have combined or proposed to combine. Sprint and MCI WorldCom filed a merger application with the FCC (November 1999) and with the European Commission (January 2000); Sprint and MCI WorldCom are also continuing to provide the Department of Justice with information supporting the proposed merger. SBC completed its merger with Ameritech in 1999; the Bell Atlantic-GTE proposed merger remains pending before the FCC. In 1999, AT&T completed its merger with TCI, and announced its pending merger with MediaOne. AT&T is expected to use its newly acquired cable facilities to provide competitive local telephone services.

Universal Services Requirements

The FCC continued to address issues related to Universal Service and access charge reform. It increased the amount of money available to schools and libraries under the "e-rate" program; adopted a computer model designed to calculate "high cost" universal service subsidies (and to replace high cost subsidies implicit in interstate access charges with explicit contributions); and continued to shift certain non-traffic sensitive costs from usage-sensitive to flat-rated access charges. Sprint's long distance and local divisions both benefit from cost-based access charges. In addition, the shift in costs from usage-sensitive to flat-rated access charges has contributed to sharp decreases in long distance usage rate charges.

The FCC and many states have established "universal service" programs to ensure affordable, quality local telecommunications services for all Americans. The FON Group's assessment to fund these programs is typically a percentage of end-user revenues. The FON Group's 1999 results contained assessments for 1999. Currently, management cannot predict the extent of the FON Group's future federal and state universal service assessments, or its ability to recover its contributions from the universal service fund.

Communications Assistance for Law Enforcement Act

The Communications Assistance for Law Enforcement Act (CALEA) was enacted in 1994 to preserve electronic surveillance capabilities authorized by federal and state law. CALEA requires local telecommunications companies to meet certain "assistance capability requirements" by the end of June 2000 where circuit-switching is used and by September 2001 where packet-switching is used. Where circuit-switched technology was installed before 1995, reimbursement for hardware and software upgrades to facilitate CALEA compliance was authorized. The U.S. Department of Justice has published guidelines concerning what is required for it to support, at the FCC, petitions for extension of the CALEA enforcement deadlines. LTD uses circuit-switching for the bulk of its traffic and most LTD switches were installed before 1995 and qualify for reimbursement if upgrades are required by the Justice Department. Sprint ION uses packet switching for its local operations. In the case of Sprint ION, CALEA compliance capabilities are not currently available from equipment and software vendors involved in Sprint ION's deployment. Sprint believes it will be in compliance with CALEA by the appropriate deadlines for local circuit-switched equipment. Sprint ION will apply for an extension for the local packet-based services to allow for development of required hardware and software.

Sprint PCS Group

The FCC sets rules, regulations and policies to, among other things:

- grant licenses for PCS frequencies and license renewals,
- rule on assignments and transfers of control of PCS licenses,
- govern the interconnection of PCS networks with other wireless and wireline carriers,
- establish access and universal service funding provisions,
- impose fines and forfeitures for violations of any of the FCC's rules, and
- regulate the technical standards of PCS networks.

The FCC currently prohibits a single entity from having a combined attributable interest (20% or greater interest in any license) in broadband PCS, cellular and specialized mobile radio licenses totaling more than 45 megahertz (MHz) in any geographic area except that in rural service areas no licensee may have an attributable interest in more than 55 MHz of commercial mobile radio service (CMRS) spectrum.

PCS License Transfers and Assignments

The FCC must approve any substantial changes in ownership or control of a PCS license. Noncontrolling interests in an entity that holds a PCS license or operates PCS networks generally may be bought or sold without prior FCC approval. In addition, a recent FCC order requires only post-consummation notification of certain pro forma assignments or transfers of control.

PCS License Conditions

All PCS licenses are granted for 10-year terms if the FCC's buildout requirements are followed. Based on those requirements, all 30 MHz broadband major trading area licensees must build networks offering coverage to ⅓ of the population within five years and ⅔ within 10 years. All 10 MHz broadband PCS licensees must build networks offering coverage to at least ¼ of the population within five years or make a showing of "substantial service" within that five-year period. Licenses may be revoked if the rules are violated.

PCS licenses may be renewed for additional 10-year terms. Renewal applications are not subject to auctions. However, third parties may oppose renewal applications and/or file competing applications.

Other FCC Requirements

Broadband PCS providers cannot unreasonably restrict or prohibit other companies from reselling their services. They also cannot unreasonably discriminate against resellers. CMRS resale obligations will expire in 2002.

Local phone companies must program their networks to allow customers to change service providers without changing phone numbers. This is referred to as service provider number portability. CMRS providers are currently required to deliver calls from their networks to ported numbers anywhere in the country. By November 24, 2002, CMRS providers must be able to offer their own customers number portability in their switches in the 100 largest metropolitan areas. They must also be able to support nationwide roaming.

Broadband PCS and other CMRS providers may provide wireless local loop and other fixed services that would directly compete with the wireline services of local phone companies. Broadband PCS and other CMRS providers must implement enhanced emergency 911 capabilities to be completed in phases by October 2001.

Communications Assistance for Law Enforcement Act

CALEA was enacted in 1994 to preserve electronic surveillance capabilities authorized by federal and state law. CALEA requires telecommunications carriers to meet certain "assistance capability requirements" by the end of June 2000. In 1997, telecommunications industry standard-setting organizations agreed to a joint standard to implement CALEA's capability requirements. The PCS Group believes it will be in compliance with CALEA requirements.

Other Federal Regulations

Wireless systems must comply with certain FCC and Federal Aviation Administration regulations about the siting, lighting and construction of transmitter towers and antennas. In addition, certain FCC environmental regulations may cause certain cell site locations to come under National Environmental Policy Act (NEPA) regulation. NEPA requires carriers to meet certain land use and radio frequency standards.

Universal Service Requirements

The FCC and many states have established "universal service" programs to ensure affordable, quality telecommunications services for all Americans. The PCS Group's "contribution" to these programs is typically a percentage of end-user revenues. The PCS Group's 1999 results contained assessments for 1999. Currently, management cannot predict the extent of the PCS Group's future federal and state universal service assessments, or its ability to recover its contributions from the universal service fund.

Environmental Compliance

Sprint's environmental compliance and remediation expenditures mainly result from the operation of standby power generators for its telecommunications equipment. The expenditures arise in connection with standards compliance, permits or occasional remediation, which are usually related to generators, batteries or fuel storage. Sprint has been identified as a potentially responsible party at a site relating to discontinued power generation operations. Sprint's environmental compliance and remediation expenditures have not been material to its financial statements or to its operations and are not expected to have any future material adverse effects on the FON Group or the PCS Group.

Patents, Trademarks and Licenses

Sprint owns numerous patents, patent applications, service marks and trademarks in the United States and other countries. Sprint expects to apply for and develop trademarks, service marks and patents for the benefit of the Groups in the ordinary course of business. Sprint is a registered trademark of Sprint and Sprint PCS is a registered service mark of Sprint. Sprint is also licensed under domestic and foreign patents and trademarks owned by others. In total, these patents, patent applications, trademarks, service marks and licenses are of material importance to the business. Generally, Sprint's trademarks, trademark licenses and service marks have no limitation on duration; Sprint's patents and licensed patents have remaining lives generally ranging from one to 17 years.

Pursuant to certain of the PCS Group's third party supplier contracts, the PCS Group has certain rights to use third party supplier trademarks in connection with the buildout, marketing and operation of its network.

Employee Relations

At year-end 1999, Sprint had approximately 77,600 employees. Approximately 10,600 FON Group employees were represented by unions. During 1999, Sprint had no material work stoppages caused by labor controversies.

Management

For information concerning the executive officers of Sprint, see "Executive Officers of the Registrant" in this document.

Information as to Business Segments

For information required by this section, refer to Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the FON Group's "Management's Discussion and Analysis of Financial Condition and Results of Operations." Also refer to Note 13 of Sprint's "Notes to Consolidated Financial Statements" and Note 12 of the FON Group's "Notes to Combined Financial Statements" sections of the Financial Statements and Financial Statement Schedules filed as part of this document.

Item 2. Properties

Sprint's gross property, plant and equipment totaled $37.1 billion at year-end 1999, of which $15.8 billion relates to the FON Group's local communications services, $9.8 billion relates to the FON Group's long distance communications services, $9.4 billion relates to the PCS Group's PCS wireless services and the remainder relates to the FON Group's product distribution and directory publishing businesses' properties, Sprint ION properties and general support assets.

The FON Group's gross property, plant and equipment totaled $27.7 billion at year-end 1999. These properties mainly consist of land, buildings, digital fiber-optic network, switching equipment, microwave radio and cable and wire facilities. Sprint leases certain switching equipment and several general office facilities. The LDD has been granted easements, rights-of-way and rights-of-occupancy, mainly by railroads and other private landowners, for its fiber-optic network.

The product distribution and directory publishing businesses' properties mainly consist of office and warehouse facilities to support the business units in the distribution of telecommunications products and publication of telephone directories.

The PCS Group's properties consist of leased and owned office space for its corporate operations, network monitoring personnel, customer care centers and retail stores. The PCS Group leases space for base station towers and switch sites for its PCS network. At year-end 1999, the PCS Group had under lease (or options to lease) approximately 14,400 cell sites.

Sprint owns its corporate headquarters building and is in the process of building a $1 billion corporate campus in the greater Kansas City metropolitan area.

Gross property, plant and equipment totaling $14.3 billion for the FON Group is either pledged as security for first mortgage bonds and certain notes or is restricted for use as mortgaged property.

Item 3. Legal Proceedings

Eight purported class action suits were filed by shareholders in connection with the proposed merger of Sprint into MCI WorldCom. The suits allege that Sprint's directors breached their fiduciary duties, and certain other duties, to shareholders by entering into the merger agreement with MCI WorldCom and seek various relief, including injunction of the merger, requiring Sprint to conduct an auction for the sale of the company and awarding compensatory damages and costs. Six lawsuits were filed in Johnson County, Kansas District Court and two lawsuits were filed in the Supreme Court of New York. The six lawsuits filed in Kansas were dismissed without prejudice in February 2000. Plaintiffs in the remaining two cases have agreed to dismissal and the documents necessary to dismiss those cases have been filed with the court. The dismissal will become final following a court hearing.

The PCS Group has been involved in legal proceedings in various states concerning the suspension of the processing or approval of permits for wireless telecommunications towers, the denial of applications for permits and other issues arising in connection with tower siting. There can be no assurance that such litigation and similar actions taken by others seeking to block the construction of individual cell sites of the PCS Group's network will not, in the aggregate, significantly delay expansion of the PCS Group's network coverage.

Sprint is involved in various other legal proceedings incidental to the conduct of its business. While it is not possible to determine the ultimate disposition of each of these proceedings, Sprint believes that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on Sprint's, the FON Group's or the PCS Group's financial conditions or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the fourth quarter of 1999.

Item 10(b). Executive Officers of the Registrant

Office	Name	Age
Chairman and Chief Executive Officer	William T. Esrey[1]	60
President and Chief Operating Officer	Ronald T. LeMay[2]	54
President—Local Telecommunications Division	Michael B. Fuller[3]	55
President—Sprint PCS	Andrew J. Sukawaty[4]	44
President—Sprint International	John E. Berndt[5]	59
President—National Integrated Services and Sprint Business	Kevin E. Brauer[6]	49
Executive Vice President—General Counsel and External Affairs	J. Richard Devlin[7]	49
Executive Vice President—Chief Financial Officer	Arthur B. Krause[8]	58
Senior Vice President and Treasurer	Gene M. Betts[9]	47
Senior Vice President—One Sprint Strategic Development	Arthur A. Kurtze[10]	55
Senior Vice President—Federal External Affairs	Vonya B. McCann[11]	45
Senior Vice President and Controller	John P. Meyer[12]	49
Senior Vice President—Strategic Planning and Corporate Development	Theodore H. Schell[13]	55
Senior Vice President—Human Resources	I. Benjamin Watson[14]	51
Senior Vice President—Consumer Market Strategy and Communications	Thomas E. Weigman[15]	52
Vice President—Secretary	Don A. Jensen[16]	64

(1) *Mr. Esrey was elected Chairman in 1990. He was elected Chief Executive Officer and a member of the Board of Directors in 1985.*

(2) *Mr. LeMay was first elected President and Chief Operating Officer in 1996. From July 1997 to October 1997, he served as Chairman and Chief Executive Officer of Waste Management, Inc., a provider of comprehensive waste management services. He was re-elected President and Chief Operating Officer of Sprint effective October 1997. From 1995 to 1996 Mr. LeMay served as Vice Chairman of Sprint. He also served as Chief Executive Officer of Sprint Spectrum Holding Company from 1995 to 1996. From 1989 to 1995, he served as President and Chief Operating Officer—Long Distance Division. Mr. LeMay served on Sprint's Board of Directors from 1993 until he went to work for Waste Management, Inc. He was re-elected to Sprint's Board of Directors in December 1997.*

(3) *Mr. Fuller was elected President—Local Telecommunications Division in 1996. From 1990 to 1996, he served as President of United Telephone—Midwest Group, an operating group of subsidiaries of Sprint.*

(4) *Mr. Sukawaty was elected President—Sprint PCS in 1998. He was appointed Chief Executive Officer of Sprint Spectrum Holding Company in September 1996. Prior to joining Sprint Spectrum Holding Company, Mr. Sukawaty was Chief Executive Officer of NTL, the British diversified broadcast transmission and communications company, since 1994.*

(5) *Mr. Berndt was elected President—Sprint International in 1998. Before that, Mr. Berndt was President of Fluor Daniel Telecommunications since January 1997. He was President—Multimedia Ventures and Technologies for AT&T and Lucent Technologies from 1995 to 1996. From 1993 to 1995, Mr. Berndt was President of New Business Development for AT&T.*

(6) *Mr. Brauer became President—National Integrated Services and Sprint Business in July 1999. He had served as President—National Integrated Services since 1997. From 1994 to 1997, he was President of Sprint Business.*

(7) *Mr. Devlin was elected Executive Vice President—General Counsel and External Affairs in 1989.*

(8) *Mr. Krause was elected Executive Vice President—Chief Financial Officer in 1988.*

(9) *Mr. Betts was elected Senior Vice President in 1990. He was elected Treasurer in December 1998.*

(10) *Mr. Kurtze was appointed Senior Vice President—One Sprint Strategic Development in February 1999. He had served as Chief Operating Officer of Sprint Spectrum Holding Company since 1995. Prior to joining Sprint Spectrum Holding Company, Mr. Kurtze was Senior Vice President—Operations for Sprint's Local Division since 1993.*

(11) *Ms. McCann was elected Senior Vice President—Federal External Affairs in October 1999. Prior to joining Sprint, Ms. McCann served in the U.S. Department of State as Ambassador and Deputy Assistant Secretary for International Communications and Information Policy since 1994. Ms. McCann also served as Principal Deputy Assistant Secretary of State for Economic and Business Affairs since 1997.*

(12) *Mr. Meyer was elected Senior Vice President—Controller in 1993.*

(13) *Mr. Schell was elected Senior Vice President—Strategic Planning and Corporate Development in 1990.*

(14) *Mr. Watson was elected Senior Vice President—Human Resources in 1993.*

(15) *Mr. Weigman was appointed Senior Vice President—Consumer Market Strategy and Communications in February 1999. He had served as President—Consumer Services Group of Sprint's Long Distance Division since 1995. From 1993 to 1995, he served as President—Multimedia/Strategic Services of the Long Distance Division.*

(16) *Mr. Jensen was elected Vice President—Secretary in 1975.*

There are no known family relationships between any of the persons named above or between any of these persons and any outside directors of Sprint. Officers are elected annually.

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Common Stock Data

	1999 Market Price		
	High	Low	End of Period
FON Stock[1]			
First quarter	$50 11/32	$36 7/8	$49 1/16
Second quarter	57 15/32	48 5/8	53
Third quarter	55 11/16	42 5/8	54 1/4
Fourth quarter	75 15/16	54	67 5/16
PCS Stock[2]			
First quarter	24 5/32	10 7/16	22 5/32
Second quarter	30 3/8	20 3/4	28 1/2
Third quarter	39 1/8	26 15/32	37 9/32
Fourth quarter	57 7/32	33 13/32	51 1/4

	1998 Market Price		
	High	Low	End of Period
Sprint Stock			
First quarter	$75 5/8	$55 1/4	$67 11/16
Second quarter	75 5/8	65	70 1/2
Third quarter	80 1/8	61 1/2	72
Fourth quarter[3]	82 7/8	69 1/16	81 5/16
FON Stock[1],[4]	42 21/32	35 13/16	42 1/16
PCS Stock[2],[4]	11 11/16	7 1/32	11 9/16

[1] *In the second quarter of 1999, Sprint effected a two-for-one stock split of its Sprint FON common stock. Market prices prior to the split have been restated.*

[2] *On February 4, 2000, Sprint effected a two-for-one stock split of its Sprint PCS common stock. Market prices prior to the split have been restated.*

[3] *Fourth quarter per share market data is for the period October 1, 1998 through November 23, 1998, before the Recapitalization when Sprint stock was reclassified into FON stock and PCS stock.*

[4] *FON Stock and PCS Stock per share market data is for the period November 24, 1998 through December 31, 1998.*

As of February 29, 1999, Sprint had approximately 74,000 FON stock record holders, 68,000 PCS stock record holders and two Class A common stock record holders. The principal trading market for Sprint's FON stock and PCS stock is the New York Stock Exchange. The Class A common stock is not publicly traded. Adjusting for the effects of the two-for-one split of the FON Stock in the 1999 second quarter, Sprint paid a FON stock dividend of $0.125 per share in each of the quarters of 1999 and the fourth quarter of 1998. Sprint paid common stock dividends of $0.25 per share in the first three quarters of 1998. Sprint paid Class A common stock dividends of $0.125 per share in each of the last three quarters of 1999 and $0.25 per share in the first quarter of 1999 and in each quarter of 1998. Sprint does not intend to pay dividends on the PCS stock in the foreseeable future.

In December 1999, Sprint issued an aggregate of 490,000 shares of Series 3 FON Stock and 478,750 shares of Series 3 PCS stock that were not registered under the Securities Act of 1933 to FT and DT for an aggregate of $57.1 million. These shares were purchased by FT and DT in order to maintain their aggregate voting power at 20% of Sprint's outstanding voting power.

The sale of shares to FT and DT was exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act. No solicitation was made to sell such shares to the public, and all material information regarding Sprint was available to FT and DT. FT and DT are accredited investors having sufficient knowledge and experience in financial and business matters necessary to evaluate the merits and risks of their investment. FT and DT were informed that the transactions were being effected without registration under the Securities Act and that the shares acquired could not be resold without registration under the Securities Act unless the sale is effected pursuant to an exemption from the registration requirements of the Securities Act. FT and DT have been given certain registration rights by Sprint.

Item 6. Selected Financial Data

The information required by Item 6 is incorporated by reference from Annex I, Annex II and Annex III included herein.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Item 7 is incorporated by reference from Annex I, Annex II and Annex III included herein.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Sprint's exposure to market risk—through derivative financial instruments, other financial instruments, such as investments in marketable securities and long-term debt, from changes in interest rates and from changes in foreign currency exchange rates—is not material.

Item 8. Financial Statements and Supplementary Data

The information required by Item 8 is incorporated by reference from Annex I, Annex II and Annex III included herein.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

As previously reported in Sprint's Current Report on Form 8-K dated June 13, 1999, as amended, Deloitte & Touche LLP, the independent auditors for Sprint Spectrum Holding Company, L.P., and its subsidiaries, was replaced by Ernst & Young LLP.

Part III

Item 10. Directors and Executive Officers of the Registrant

Pursuant to Instruction G(3) to Form 10-K, the information relating to Directors of Sprint required by Item 10 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 1999.

For information pertaining to Executive Officers of Sprint, as required by Instruction 3 of Paragraph (b) of Item 401 of Regulation S-K, refer to the "Executive Officers of the Registrant" section of Part I of this document.

Pursuant to Instruction G(3) to Form 10-K, the information relating to compliance with Section 16(a) required by Item 10 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 1999.

Item 11. Executive Compensation

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 11 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 1999.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 12 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 1999.

Item 13. Certain Relationships and Related Transactions

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 13 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 1999.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. The consolidated financial statements of Sprint and the combined financial statements of the FON Group and the PCS Group, filed as part of this report, are listed in the Index to Financial Statements and Financial Statement Schedules.

2. The consolidated financial statement schedule of Sprint and the combined financial statement schedules of the FON Group and the PCS Group, filed as part of this report, are listed in the Index to Financial Statements and Financial Statement Schedules.

3. The following exhibits are filed as part of this report:

EXHIBITS

(2) Merger Agreement and Transfer Agreement

(a) Amended and Restated Agreement and Plan of Merger dated March 8, 2000 between MCI WorldCom, Inc. and Sprint Corporation (filed as Annex I to the Proxy Statement/Prospectus that forms a part of MCI WorldCom's Registration Statement No. 333-90421 and incorporated herein by reference).

(b) Master Transfer Agreement dated January 21, 2000 between and among France Telecom, Deutsche Telekom AG, NAB Nordamerika Beteiligungs Holding GmbH, Atlas Telecommunications, S.A., Sprint Corporation, Sprint Global Venture, Inc. and the JV Entities set forth in Schedule II thereto (filed as Exhibit 2 to Sprint Corporation's Current Report on Form 8-K dated January 26, 2000 and incorporated herein by reference).

(c) Amendment No. 1 to the Master Transfer Agreement, dated as of February 22, 2000 (filed as Exhibit 2B to Sprint Corporation's Current Report on Form 8-K dated February 22, 2000 and incorporated herein by reference).

(3) Articles of Incorporation and Bylaws:

(a) Articles of Incorporation, as amended (filed as Exhibit 4A to Post-Effective Amendment No. 2 to Sprint Corporation's Registration Statement on Form S-3 (No. 33-58488) and incorporated herein by reference).

(b) Bylaws, as amended (filed as Exhibit 4C to Post-Effective Amendment No. 2 to Sprint Corporation's Registration Statement on Form S-3 (No. 33-58488) and incorporated herein by reference).

(4) Instruments defining the Rights of Sprint's Security Holders:

(a) The rights of Sprint's equity security holders are defined in the Fifth, Sixth, Seventh and Eighth Articles of Sprint's Articles of Incorporation. See Exhibit 3(a).

(b) Rights Agreement dated as of November 23, 1998, between Sprint Corporation and UMB Bank, n.a. (filed as Exhibit 4.1 to Amendment No. 1 to Sprint Corporation's Registration Statement on Form 8-A relating to Sprint's PCS Group Rights, filed November 25, 1998, and incorporated herein by reference).

(c) Tracking Stock Policies of Sprint Corporation (filed as Exhibit 4D to Post-Effective Amendment No. 2 to Sprint Corporation's Registration Statement on Form S-3 (No. 33-58488) and incorporated herein by reference).

(d) Amended and Restated Standstill Agreement dated November 23, 1998, by and among Sprint Corporation, France Telecom S.A. and Deutsche Telekom AG (filed as Exhibit 4E to Post-Effective Amendment No.2 to Sprint Corporation's Registration Statement on Form S-3 (No. 33-58488) and incorporated herein by reference).

(e) Indenture, dated as of October 1, 1998, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(b) to Sprint Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and incorporated herein by reference).

(f) First Supplemental Indenture, dated as of January 15, 1999, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(b) to Sprint Corporation Current Report on Form 8-K dated February 2, 1999 and incorporated herein by reference).

(g) *Indenture, dated as of October* 1, 1998, between Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(a) to Sprint Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and incorporated herein by reference).

(h) First Supplemental Indenture, dated as of January 15, 1999, between Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(a) to Sprint Corporation Current Report on Form 8-K dated February 2, *1999 and incorporated herein by reference).*

(10) Material Agreements

(a) Amended and Restated Stockholders' Agreement among France Telecom S.A., Deutsche Telekom AG and Sprint Corporation, dated as of November 23, 1998 (filed as Exhibit 10(c) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).

(b) Amended and Restated Registration Rights Agreement, dated as of November 23, 1998, among Sprint Corporation, France Telecom S.A. and Deutsche Telekom A.G. (filed as Exhibit 10.1 to Amendment No. 1 to Sprint Corporation Registration Statement on Form S-3 (No. 333-64241) and incorporated herein by reference).

(c) Registration Rights Agreement, dated as of November 23, 1998, among Sprint Corporation, Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (filed as Exhibit 10.2 to Amendment No. 1 to Sprint Corporation Registration Statement on Form S-3 (No. 333-64241) and incorporated herein by reference).

(d) Standstill Agreements, dated May *26, 1996*, between Sprint *Corporation and each of Tele-*Communications, Inc., Comcast Corporation and Cox Communications, Inc. (filed as Exhibit 10(g) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).

(e) 364-Day Credit Agreement, dated as of August 6, 1999, among Sprint Corporation and Sprint Capital Corporation, as Borrowers, and the initial Lenders named therein, as *Initial* Lenders, and Citibank, N.A., as Administrative Agent, and Salomon Smith Barney Inc., as Book Manager and Arranger, and Morgan Guaranty Trust Company of New York, as Syndication Agent, and Bank of America National Trust and Savings Association and The Chase Manhattan Bank, as Documentation Agents (filed as Exhibit 99-B to Sprint Corporation's *Current Report on Form 8-K dated October 20, 1999 and incorporated* herein by reference).

(f) Five-Year Credit Agreement, dated as of August 7, 1998, among Sprint Corporation and Sprint Capital Corporation, as Borrowers, and the initial Lenders named therein, as Initial Lenders, and Citibank, N.A., as Administrative Agent, and Morgan Guaranty Trust Company of New York, as Syndication Agent, and Bank of America National Trust and Savings Association and *The Chase Manhattan Bank, as Documentation Agents (filed as Exhibit* 10.24 to *Sprint* Corporation Registration Statement on Form S-3 (No. 333-64241) and incorporated herein by reference).

(10) Executive Compensation Plans and Arrangements:

(g) *1990* Stock Option Plan, *as amended.*

(h) 1990 Restricted Stock Plan, as amended.

(i) Executive Deferred Compensation Plan, as amended.

(j) Management Incentive Stock Option Plan, as amended.

(k) 1997 Long-Term Stock Incentive Program.

(l) Sprint Supplemental Executive Retirement Plan (filed as Exhibit (10)(i) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 and incorporated herein by reference).

(m) Amended and Restated Centel Directors Deferred Compensation Plan.

(n) Restated Memorandum Agreements Respecting Supplemental Pension Benefits between Sprint Corporation (formerly United Telecommunications, Inc.) and two of its current and former executive officers (filed as Exhibit 10(i) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1992, and incorporated herein by reference).

(o) Executive Long-Term Incentive Plan (filed as Exhibit 10(j) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).

(p) Executive Management Incentive Plan (filed as Exhibit 10(k) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).

(q) Long-Term Incentive Compensation Plan, as amended (filed as Exhibit 10(i) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, and incorporated herein by reference).

(r) Short-Term Incentive Compensation Plan (filed as Exhibit 10(k) to Sprint Corporation (formerly United Telecommunications, Inc.) Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference).

(s) Retirement Plan for Directors, as amended (filed as Exhibit (10)(u) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).

(t) Key Management Benefit Plan, as amended (filed as Exhibit 10(g) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1996 and incorporated herein by reference).

(u) Agreements Regarding Special Compensation and Post Employment Restrictive Covenants between Sprint Corporation and certain of its Executive Officers (filed as Exhibit 10(d) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, Exhibit 10(h) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1996, Exhibit 10(w) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1997, and Exhibit 10 (b) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, and incorporated herein by reference). Agreements Regarding Special Compensation and Post Employment Restrictive Covenants between Sprint Corporation and certain of its Executive officers.

(v) Director's Deferred Fee Plan, as amended.

(w) Form of Contingency Employment Agreements between Sprint Corporation and certain of its executive officers (filed as Exhibit 10(a) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference).

(x) Form of Indemnification Agreements between Sprint Corporation (formerly United Telecommunications, Inc.) and its Directors and Officers (filed as Exhibit 10(s) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1991, and incorporated herein by reference).

(y) Summary of Executive Officer and Board of Directors Benefits (filed as Exhibit 10(cc) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).

(z) Amended and Restated Centel Director Stock Option Plan (filed as Exhibit 10(aa) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference).

(aa) Employment Agreement, dated as of July 29, 1996, between Sprint Spectrum Holding Company, L.P. and Andrew Sukawaty (filed as Exhibit 10.20 to Sprint Spectrum L.P. Registration Statement on Form S-1 (No. 333-06609) and incorporated herein by reference).

(12) Computation of Ratio of Earnings to Fixed Charges

(21) Subsidiaries of Registrant

(23) (a) Consent of Ernst & Young LLP

(b) Consent of Deloitte & Touche LLP

(27) Financial Data Schedules

(a) December 31, 1999

(b) September 30, 1999 Restated

(c) June 30, 1999 Restated

(d) March 31, 1999 Restated

(e) December 31, 1998 Restated

(f) September 30, 1998 Restated

(g) June 30, 1998 Restated

(h) March 31, 1998 Restated

(i) December 31, 1997 Restated

Sprint will furnish to the Securities and Exchange Commission, upon request, a copy of the instruments defining the rights of holders of its long-term debt. The total amount of securities authorized under any of said instruments (other than those listed above) does not exceed 10% of the total assets of Sprint.

(b) Reports on Form 8-K

Sprint filed a Current Report on Form 8-K dated October 5, 1999, in which it reported that it had entered into a definitive merger agreement with MCI WorldCom, Inc.

Sprint filed a Current Report on Form 8-K dated October 20, 1999, in which it reported that it had announced third quarter 1999 results in both its FON Group and its PCS Group. Sprint also reported that seven purported class action lawsuits had been filed by shareholders in connection with the proposed merger of Sprint into MCI WorldCom, Inc.

The news release regarding third quarter 1999 results, which was included as an Exhibit to the Current Report dated October 20, 1999, included the following financial information:

Sprint FON Group Combined Statements of Income
Sprint FON Group Selected Operating Results
Sprint FON Group Condensed Combined Balance Sheets
Sprint FON Group Condensed Combined Cash Flow Information
Sprint PCS Group Combined Statements of Operations
Sprint PCS Group Condensed Combined Balance Sheets
Sprint PCS Group Condensed Combined Cash Flow Information
Sprint Corporation Condensed Consolidated Balance Sheets
Sprint Corporation Condensed Consolidated Cash Flow Information

Sprint filed a Current Report on Form 8-K dated January 26, 2000 in which it reported that it had entered into a definitive agreement with DT and FT to sell Sprint's interest in Global One. Sprint also reported that it had announced fourth quarter 1999 and calendar year 1999 results in both its FON Group and its PCS Group.

The news release regarding fourth quarter 1999 and calendar year 1999 results, which was included as an Exhibit to the Current Report dated January 26, 2000, included the following financial information:

Sprint FON Group Combined Statements of Income
Sprint FON Group Selected Operating Results
Sprint FON Group Condensed Combined Balance Sheets
Sprint FON Group Condensed Combined Cash Flow Information
Sprint PCS Group Combined Statements of Operations
Sprint PCS Group Condensed Combined Balance Sheets
Sprint PCS Group Condensed Combined Cash Flow Information
Sprint Corporation Condensed Consolidated Balance Sheets
Sprint Corporation Condensed Consolidated Cash Flow Information

Sprint filed a Current Report on Form 8-K dated February 22, 2000 in which it reported that it had completed the sale of its interest in Global One. The Current Report included the following unaudited pro forma consolidated financial statements for Sprint Corporation:

Pro Forma Consolidated Balance Sheets
Pro Forma Consolidated Statements of Operations

(c) Exhibits are listed in Item 14(a).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPRINT CORPORATION
(Registrant)

By /s/ W. T. Esrey

William T. Esrey
Chairman and Chief Executive Officer

Date: March 23, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 23rd day of March, 2000.

/s/ W. T. Esrey

William T. Esrey
Chairman and Chief Executive Officer

/s/ Arthur B. Krause

Arthur B. Krause
Executive Vice President and
Chief Financial Officer

/s/ John P. Meyer

John P. Meyer
Senior Vice President and Controller
Principal Accounting Officer

SIGNATURES

SPRINT CORPORATION
(Registrant)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 23rd day of March, 2000.

/s/ DuBose Ausley
DuBose Ausley, Director

/s/ Ronald T. LeMay
Ronald T. LeMay, Director

/s/ Warren L. Batts
Warren L. Batts, Director

/s/ Linda K. Lorimer
Linda K. Lorimer, Director

/s/ Michel Bon
Michel Bon, Director

/s/ Charles E. Rice
Charles E. Rice, Director

/s/ W. T. Esrey
William T. Esrey, Director

/s/ Louis W. Smith
Louis W. Smith, Director

/s/ Irvine O. Hockaday, Jr.
Irvine O. Hockaday, Jr., Director

/s/ Ron Sommer
Ron Sommer, Director

/s/ Harold S. Hook
Harold S. Hook, Director

/s/ Stewart Turley
Stewart Turley, Director

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Annex I

SPRINT CORPORATION
Consolidated Financial Information

SELECTED FINANCIAL DATA

Sprint Corporation

	1999	1998[1]	1997[1]	1996[1]	1995[1]
	(millions, except per share data)				
Results of Operations					
Net operating revenues	$19,928	$16,881	$14,564	$13,610	$12,482
Operating income (loss)[2],[3]	(307)	190	2,451	2,267	1,834
Income (Loss) from continuing operations[2],[3],[4]	(745)	585	1,094	1,253	946
Earnings per Share and Dividends					
Earnings per common share from continuing operations:[3],[4]					
Diluted	$ NA	$ NM	$ 2.51	$ 2.93	$ 2.69
Basic	NA	NM	2.54	2.97	2.71
Dividends per common share	NA	0.75	1.00	1.00	1.00
Earnings (Loss) per Share and Dividends[5],[6]					
Earnings (Loss) per common share from continuing operations:[3],[4]					
Sprint FON Group (diluted)	$ 1.97	$ 1.93	$ 1.73	$ 1.61	$ 1.37
Sprint FON Group (basic)	2.01	1.96	1.76	1.63	1.38
Sprint PCS Group (diluted and basic)	(2.71)	(2.21)	(1.98)	NA	NA
Dividends per FON common share	0.50	0.50	0.50	0.50	0.50
Financial Position					
Total assets	$39,250	$33,257	$18,274	$16,915	$15,074
Property, plant and equipment, net	21,969	18,983	11,494	10,464	9,716
Total debt (including short-term borrowings)	16,772	12,189	3,880	3,274	5,668
Shareholders' equity	13,560	12,448	9,025	8,520	4,643
Cash Flow Data					
Net cash from operating activities— continuing operations[7]	$ 1,952	$ 4,199	$ 3,372	$ 2,404	$ 2,610
Capital expenditures	6,114	4,231	2,863	2,434	1,857

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholders' equity as previously reported.

(1) *Sprint's 1998 results of operations include Sprint PCS' operating results on a consolidated basis for the entire year. The cable partners' share of losses through the PCS restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Consolidated Statements of Operations. Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method. Sprint PCS' financial position at year-end 1998 has also been reflected on a consolidated basis. Cash flow data reflects Sprint PCS' cash flows only after the PCS restructuring date. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—General" for more information.*

(2) *In 1998, the PCS Group recorded a nonrecurring charge to write off $179 million of acquired in-process research and development costs related to the PCS restructuring. This charge reduced operating income and income from continuing operations by $179 million.*

(3) *The FON Group recorded nonrecurring charges of $20 million in 1997 and $60 million in 1996 related to litigation within the long distance division. These charges reduced income from continuing operations by $13 million in 1997 and $36 million in 1996. In 1995, the FON Group recorded a nonrecurring charge of $88 million related to a restructuring within the local division. This reduced income from continuing operations by $55 million.*

(4) *In 1998, the FON Group recorded net nonrecurring gains of $104 million mainly from the sale of local exchanges. This increased income from continuing operations by $62 million. In 1997, the FON Group recorded nonrecurring gains of $71 million mainly from sales of local exchanges and certain investments. These gains increased income from continuing operations by $44 million.*

(5) *In December 1999, the Sprint Board of Directors authorized a two-for-one stock split of Sprint's PCS common stock in the form of a stock dividend, which was distributed on February 4, 2000 to the PCS shareholders. In the second quarter of 1999, Sprint effected a two-for-one stock split of its Sprint FON common stock. As a result, diluted and basic earnings per common share and dividends for Sprint FON common stock and diluted and basic loss per common share for Sprint PCS common stock have been restated for periods before these stock splits.*

(6) *Earnings per share and dividends for the FON Group for periods prior to 1999 are on a pro forma basis and assume the FON shares created in the 1998 recapitalization of Sprint's common stock existed for such periods. Loss per share for the PCS Group for periods prior to 1999 is on a pro forma basis and assumes the PCS restructuring, the recapitalization, the purchase of 5.1 million PCS shares by France Telecom and Deutsche Telekom that occurred in connection with the restructuring and the PCS Group's write-off of $179 million of acquired in-process research and development costs occurred at the beginning of 1997. These pro forma amounts are for comparative purposes only and do not necessarily represent what actual results of operations would have been had the transactions occurred at the beginning of 1997, nor do they indicate the results of future operations.*

(7) *The 1996 amount was reduced by $600 million for cash required to terminate an accounts receivable sales agreement.*

NM = Not meaningful
NA = Not applicable

General

In October 1999, Sprint announced a definitive merger agreement with MCI WorldCom. Under the agreement, each share of Sprint FON stock will be exchanged for $76 of MCI WorldCom common stock, subject to a collar. In addition, each share of Sprint PCS stock will be exchanged for one share of a new WorldCom PCS tracking stock and 0.116025 shares of MCI WorldCom common stock. The terms of the WorldCom PCS tracking stock will be equivalent to those of Sprint's PCS common stock and will track the performance of the company's personal communication services (PCS) business. The merger is subject to the approvals of Sprint and MCI WorldCom shareholders as well as approvals from the Federal Communications Commission, the Justice Department, various state government bodies and foreign antitrust authorities. The companies anticipate that the merger will close in the second half of 2000.

In January 2000, Sprint reached a definitive agreement with France Telecom S.A. (FT) and Deutsche Telekom AG (DT) to sell its interest in Global One. In February 2000, Sprint received $1.1 billion in cash and was repaid $276 million for advances for its entire stake in Global One. Sprint's equity share of the results of Global One has been reported as a discontinued operation in Sprint's earnings for all periods presented.

In November 1998, Sprint's shareholders approved the formation of the FON Group and the PCS Group and the creation of the FON stock and the PCS stock. In addition, Sprint purchased the remaining ownership interests in Sprint Spectrum Holding Company, L.P. and PhillieCo, L.P. (together, Sprint PCS), other than a minority interest in Cox Communications PCS, L.P. (Cox PCS). Sprint acquired these ownership interests from Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (the Cable Partners). In exchange, Sprint issued the Cable Partners special low-vote PCS shares and warrants to acquire additional PCS shares. Sprint also issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares. The purchase of the Cable Partners' interests is referred to as the PCS Restructuring. In the 1999 second quarter, Cox Communications, Inc. exercised a put option requiring Sprint to purchase the remaining 40.8% interest in Cox PCS. Sprint issued additional low vote PCS shares in exchange for this interest.

Also in November 1998, Sprint reclassified each of its publicly traded common shares into one share of FON stock and ½ share of PCS stock. This recapitalization was tax-free to shareholders. Each Class A common share owned by FT and DT was reclassified to represent an equity interest in the FON Group and the PCS Group that entitles FT and DT to one share of FON stock and ½ share of PCS stock. These transactions are referred to as the Recapitalization.

In connection with the PCS Restructuring, FT and DT purchased 5.1 million additional PCS shares (pre-split basis) to maintain their combined 20% voting power in Sprint (Top-up).

The PCS stock is intended to reflect the performance of Sprint's domestic wireless PCS operations. These operations are referred to as the PCS Group.

The FON stock is intended to reflect the performance of all of Sprint's other operations. These operations are referred to as the FON Group and include the following:

- Core businesses
  - Long distance division
  - Local division
  - Product distribution and directory publishing businesses
- Activities to develop and deploy Sprint ION(SM), Integrated On-Demand Network
- Other strategic ventures.

FON and PCS shareholders are subject to the risks related to all of Sprint's businesses, assets and liabilities. Owning FON or PCS shares does not represent a direct legal interest in the assets and liabilities of the Groups. Rather, shareholders remain invested in Sprint and continue to vote as a single voting class for Board member elections (other than Class A directors elected by FT and DT) and most other company matters.

FON Group or PCS Group events affecting Sprint's consolidated statements of operations and balance sheets could, in turn, affect the other Group's financial statements or stock price.

Net losses of either Group, and dividends or distributions on, or repurchases of, PCS stock or FON stock will reduce Sprint funds legally available for dividends on both Groups' stock. Sprint does not expect to pay dividends on the PCS shares in the foreseeable future.

Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) should be read along with the FON Group's MD&A and the PCS Group's MD&A.

Forward-looking Information

Sprint includes certain estimates, projections and other forward-looking statements in its reports, in presentations to analysts and others, and in other publicly available material. Future performance cannot be ensured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- the effects of vigorous competition in the markets in which Sprint operates;
- the costs and business risks related to entering and expanding new markets necessary to provide seamless services and new services;
- the ability of the PCS Group to continue to grow a significant market presence;
- the risks related to Sprint's investments in joint ventures;
- the impact of any unusual items resulting from ongoing evaluations of Sprint's business strategies;
- regulatory risks, including the impact of the Telecommunications Act of 1996 (Telecom Act);
- unexpected results of litigation filed against Sprint;
- uncertainties associated with the pending merger of Sprint and MCI WorldCom;
- the possibility of one or more of the markets in which Sprint competes being impacted by changes in political, economic or other factors such as monetary policy, legal and regulatory changes or other external factors over which Sprint has no control; and
- other risks referenced from time to time in Sprint's filings with the Securities and Exchange Commission.

The words "estimate," "project," "intend," "expect," "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are found throughout MD&A. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. Sprint is not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this report or unforeseen events.

General Overview of the Sprint FON Group

Core Businesses

Long Distance Division

The long distance division is the nation's third-largest long distance phone company. It operates a nationwide, all-digital long distance communications network that uses fiber-optic and electronic technology. The division primarily provides domestic and international voice, video and data communications services.

Local Division

The local division consists of regulated local phone companies serving more than 8 million access lines in 18 states. It provides local phone services, access by phone customers and other carriers to its local network, sales of telecommunications equipment, and long distance services within certain regional calling areas.

Product Distribution and Directory Publishing Businesses

The product distribution business provides wholesale distribution services of telecommunications products. The directory publishing business publishes and markets white and yellow page phone directories.

Sprint ION(SM)

Sprint is developing and deploying new integrated communications services, referred to as Sprint ION. Sprint ION extends Sprint's existing network capabilities to the customer and enables Sprint to provide the network infrastructure to meet customers' demands for advanced services including integrated voice, data, Internet and video. It is also expected to be the foundation for Sprint to provide new competitive local service.

Other Ventures

The "other ventures" segment includes the cable TV service operations of the broadband fixed wireless companies acquired in the second half of 1999.

This segment also includes the FON Group's investments in EarthLink, Inc., an Internet service provider; Call-Net, a long distance provider in Canada operating under the Sprint brand name; and certain other telecommunications investments and ventures.

General Overview of the Sprint PCS Group

The PCS Group includes Sprint's domestic wireless PCS operations. It operates the only 100% digital PCS wireless network in the United States with licenses to provide service nationwide using a single frequency and a single technology. At year-end 1999, the PCS Group, together with affiliates, operated PCS systems in over 360 metropolitan markets, including the 50 largest U.S. metropolitan areas. The PCS Group has licenses to serve more than 270 million people in all 50 states, Puerto Rico and the U.S. Virgin Islands. The PCS Group's service, including affiliates, now reaches nearly 190 million people. The PCS Group provides nationwide service through:

- operating its own digital network in major U.S. metropolitan areas,
- affiliating with other companies, mainly in and around smaller U.S. metropolitan areas,
- roaming on other providers' analog cellular networks using dual-band/dual-mode handsets, and

- roaming on other providers' digital PCS networks that use code division multiple access (CDMA).

Results of Operations

Consolidated

Total net operating revenues were as follows:

	1999	1998	1997
		(millions)	
FON Group	$17,016	$15,764	$14,564
PCS Group	3,180	1,225	—
Intergroup eliminations	(268)	(108)	—
Net operating revenues	$19,928	$16,881	$14,564

Income (Loss) from continuing operations was as follows:

	1999	1998	1997
		(millions)	
FON Group	$ 1,736	$ 1,675	$1,513
PCS Group	(2,481)	(1,090)	(419)
Income (Loss) from continuing operations	$ (745)	$ 585	$1,094

Sprint FON Group

	1999	1998	1997
		(millions)	
Net operating revenues	$17,016	$15,764	$14,564
Operating expenses	14,086	13,004	12,094
Operating income	$ 2,930	$ 2,760	$ 2,470
Operating margin	17.2%	17.5%	17.0%
Capital expenditures	$ 3,534	$ 3,159	$ 2,709

Net Operating Revenues

Net operating revenues increased 8% in 1999 and 1998. These increases mainly reflect growth of the FON Group's long distance and local divisions.

Long Distance Division

All major market segments—business, residential and wholesale—contributed to the increase in the long distance division's revenues in 1999 and 1998. The increases mainly reflect strong data services revenue growth as well as strong minute growth of 22% in 1999 and 15% in 1998, partly offset by a more competitive pricing environment and a change in the mix of products sold.

Business and data market revenues increased 9% in 1999 and 15% in 1998. This primarily reflects growth in data services.

Residential market revenues increased 7% in 1999 and 5% in 1998. These increases reflect strong volume growth from long distance calls, partly offset by lower rates. Growth in 1999 was also enhanced by Sprint Nickel Nights(R) as well as increased prepaid card revenues.

Wholesale market revenues increased 15% in 1999 and 8% in 1998. This reflects strong minute growth mainly from international calls and increased inbound and outbound toll-free calls.

Local Division

Beginning in July 1997, Sprint changed its transfer pricing for certain transactions between FON Group entities to more accurately reflect market pricing. Sprint sold approximately 139,000 residential and business access lines in Illinois in 1997 and the remaining 81,000 access lines in Illinois in November 1998. For comparative purposes, the following discussion of local division results assumes these transfer pricing changes and sales of exchanges occurred at the beginning of 1997.

Local division revenues increased 6% in 1999 and 5% in 1998, mainly reflecting customer access line growth and increased sales of network-based services such as Caller ID and Call Waiting. Customer access lines increased 5% in both 1999 and 1998. Sales of network-based services increased in 1999 due to strong demand for bundled services which combine local service, network-based features and long distance calling. The increase in 1998 revenues also reflects increased sales of equipment.

Local service revenues, which grew 9% in 1999 and 10% in 1998, increased due to customer access line growth, continued demand for network-based services, growth in data products and increased revenues from maintaining customer wiring and equipment. Revenue growth in 1998 also reflects increased sales of private line services.

Network access revenues increased 4% in 1999 and 1998 reflecting an 8% increase in minutes of use in 1999 and 1998 and the 1999 implementation of local number portability charges. These increases were partly offset by FCC-mandated access rate reductions.

Toll service revenues decreased 11% in 1999 and 26% in 1998, mainly due to increased competition in the intraLATA long distance market, which is expected to continue. In addition, toll service areas are shrinking as certain local calling areas are expanding. However, the reduced revenues are, in part, offset by increases in local service revenues and by increases in network access revenues paid by other carriers providing intraLATA long distance services to the local division's customers. In addition, over one-third of the toll customers lost by the local division have selected Sprint's long distance division for intraLATA long distance service, which helps mitigate the erosion of these revenues.

Other revenues increased 7% in 1999 and 1998 reflecting increased equipment sales of business systems and data networks as well as growth in telemarketing and commission revenues. Revenue growth in 1999 also reflects improvements in uncollectibles. The 1998 growth also reflects increased revenues from providing billing and collection services.

Product Distribution & Directory Publishing Businesses

Beginning in July 1997, Sprint changed its transfer pricing for certain transactions between FON Group entities to more accurately reflect market pricing. The following discussion assumes these transfer pricing changes occurred at the beginning of 1997.

The product distribution and directory publishing businesses' revenues increased 3% in 1999 and 16% in 1998. Nonaffiliated revenues, which account for roughly 60% of revenues in 1999 and 1998, increased 12% in 1999 and 10% in 1998. Sales to affiliates decreased 10% in 1999 and increased 27% in 1998. The change in the mix of the local division's capital program to more electronics and software, which is more frequently purchased directly from manufacturers, caused the decline in affiliate sales in 1999. In 1998, the growth reflects the centralization of certain local division purchasing and warehousing functions at North Supply in 1997 resulting in affiliates purchasing more through North Supply.

Other Ventures

The other ventures' 1999 revenues reflect the cable TV service revenues of the broadband fixed wireless companies after their acquisition dates.

Operating Expenses

The FON Group's operating expenses increased 8% in 1999 and 1998 mainly to support revenue growth.

Long Distance Division

Long distance division operating expenses increased 8% in 1999 and 1998. Interconnection costs increased 5% in 1999 and decreased 1% in 1998. Increased calling volumes were partially offset by reductions in per-minute costs for both domestic and international access in 1999. The 1999 increase also reflects costs related to growth in non-minute driven revenues. In 1998, reductions in per minute costs more than offset the impact of increased calling volumes. The rate reductions were generally due to domestic FCC-mandated access rate reductions. Lower international per minute costs reflect continued competition. Sprint expects government deregulation and competitive pressures to add to the trend of declining unit costs for international interconnection. Operations expense increased due to growth in data services as well as increases in network equipment operating leases in both years.

Selling, general and administrative (SG&A) expense increased reflecting the overall growth of the business as well as increased marketing and promotions to support products and services.

Local Division

The following local division discussion assumes the transfer pricing changes and sales of exchanges occurred at the beginning of 1997. See "Net Operating Revenues—Local Division" for more details.

Local division operating expenses increased 5% in 1999 and 4% in 1998 reflecting increases in costs of services and products in 1999, SG&A expenses in 1998 and depreciation and amortization in both years. Costs of services and products increased in 1999 mainly due to customer access line growth and increased equipment sales. SG&A increased in 1998 mainly because of increased customer service costs related to customer access line growth and marketing costs to promote new products and services. Depreciation and amortization expense increased mainly because of increased capital expenditures in switching and transport technologies which have shorter asset lives.

Product Distribution & Directory Publishing Businesses

The following discussion assumes the transfer pricing changes occurred at the beginning of 1997. See "Net Operating Revenues—Product Distribution and Directory Publishing Businesses" for more details.

The product distribution and directory publishing businesses' cost of services and products increased 1% in 1999 and 19% in 1998 reflecting increased equipment sales. SG&A expense increased 17% in both 1999 and 1998. The 1999 increase was the result of staffing demands related to nonaffiliated sales growth. The 1998 increase was the result of costs related to the division's acquisition of a sales force from another directory sales company in 1998.

Sprint ION(SM)

Operating expenses for Sprint ION in 1999 and 1998 reflect its initial development and deployment activities and include costs for network research and testing, systems and operations development, product development, and advertising to increase public awareness.

Other Ventures

The other ventures' 1999 expenses reflect the cable TV service operations expenses of the broadband fixed wireless companies after their acquisition dates.

This segment's operating expenses in 1998 and 1997 mainly reflect activities related to offering Internet services. In June 1998, the FON Group completed the strategic alliance to combine its Internet business with Earthlink. As part of the alliance, EarthLink obtained the FON Group's Sprint Internet Passport customers and took over the day-to-day operations of those services. In exchange, Sprint acquired an equity interest in EarthLink.

Sprint PCS Group

	1999	1998	1997
		(millions)	
Net operating revenues	$ 3,180	$ 1,225	$ —
Operating expenses	6,417	3,795	19
Operating loss	$(3,237)	$(2,570)	$ (19)
Capital expenditures	$ 2,580	$ 1,072	$154

The PCS Group's 1999 results of operations reflect the first full year of combined results after the PCS Restructuring. The PCS Group's 1998 results of operations included SprintCom's operating results as well as Sprint PCS' operating results on a consolidated basis for the entire year. Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method. (See "Pro Forma Sprint PCS Group" section below for a discussion of pro forma results of operations.)

Operating expenses in 1998 include a write-off of $179 million associated with the cost of nine in-process research and development projects acquired in connection with the PCS Restructuring. Management has continued supporting these research and development projects and believes the PCS Group has a reasonable chance of successfully completing the projects. These projects are intended to address new and emerging markets within the PCS wireless communications industry, such as the rapid adoption of the Internet and the rapid convergence of voice, data, and video. The failure of any particular individual project in-process would not materially impact the PCS Group's financial condition, results of operations or cash flows.

The PCS Group markets its products through multiple distribution channels, including its own retail stores as well as other retail outlets. Equipment sales to one retail chain and the subsequent service revenues generated by sales to its customers accounted for 28% of net operating revenues in 1999 and 25% in 1998.

Pro Forma Sprint PCS Group

To provide a more meaningful analysis of the PCS Group's underlying operating results, the following supplemental discussion presents 1998 and 1997 on a pro forma basis and assumes the PCS Restructuring and the write-off of acquired in-process research and development costs occurred at the beginning of 1997.

	1999	1998	1997
		(millions)	
Net operating revenues	$ 3,180	$ 1,225	$ 258
Operating expenses	6,417	3,865	2,540
Operating loss	$(3,237)	$(2,640)	$(2,282)
Capital expenditures (including capital lease obligations)	$ 2,616	$ 2,904	$ 2,278

Net Operating Revenues

The PCS Group's net operating revenues include subscriber revenues and sales of handsets and accessory equipment. Subscriber revenues consist of monthly recurring charges and usage charges. The increases in the PCS Group's net operating revenues mainly reflect the launch of new markets and a growing customer base. The PCS Group ended 1999 with over 5.7 million customers in nearly 330 markets nationwide. Affiliates had approximately 200,000 customers in over 30 markets.

Approximately 20% of 1999 and 1998 net operating revenues, and nearly half of 1997 revenues, were from sales of handsets and accessories. As part of the PCS Group's marketing plans, handsets are normally sold at prices below the PCS Group's cost.

Operating Expenses

The PCS Group's operating expenses increased 66% in 1999 and 52% in 1998.

The PCS Group's costs of services and products mainly includes handset and accessory costs, switch and cell site expenses and other network-related costs. These costs increased $1.4 billion in 1999 and $908 million in 1998 driven by the significant growth in customers and the expanded market coverage.

The PCS Group's SG&A expense mainly includes marketing costs to promote products and services, as well as salary and benefit costs. SG&A expense increased $675 million in 1999 and $579 million in 1998 reflecting an expanded workforce to support subscriber growth and increased marketing and selling costs.

Depreciation and amortization expense for the PCS Group, which increased $485 million in 1999 and $17 million in 1998, consists mainly of depreciation of network assets and amortization of intangible assets. The intangible assets include goodwill, PCS licenses, customer base, microwave relocation costs and assembled workforce, which are being amortized over 30 months to 40 years. The increase in depreciation and amortization expense in 1999 reflects amortization of intangible assets acquired in the PCS Restructuring and the Cox PCS purchase as well as depreciation on an increased property base. The increase in 1998 reflects depreciation on an increased property base.

Nonoperating Items

Interest Expense

The effective interest rates in the following table reflect interest expense on long-term debt only. Interest costs on short-term borrowings classified as long-term debt, deferred compensation plans and customer deposits have been excluded so as not to distort the effective interest rates on long-term debt.

	1999	1998	1997
Effective interest rate on long-term debt[1]	7.0%	8.6%	8.0%

[1] *The effective interest rate on long-term debt for 1998 is on a pro forma basis as if Sprint PCS' long-term debt had been included in Sprint's outstanding long-term debt balance all year.*

Sprint's effective interest rate on long-term debt decreased in 1999. In the 1998 fourth quarter, Sprint refinanced $3.3 billion of the PCS Group's debt with borrowings which have lower interest rates. The decrease also reflects additional borrowings with lower interest rates.

Sprint's 1998 interest costs include an entire year of Sprint PCS' interest due to the PCS Restructuring. The increase in the 1998 effective interest rate on long-term debt was mainly due to Sprint PCS' borrowings made before the PCS Restructuring. These borrowings had higher interest rates than Sprint's borrowings.

Equity in Sprint PCS Losses

Sprint PCS' results of operations for 1998 have been consolidated for the entire year. The Cable Partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Consolidated Statements of Operations. Prior to the PCS Restructuring, Sprint's ownership interest in Sprint PCS was accounted for using the equity method. Sprint's share of losses from Sprint PCS was $660 million in 1997.

Other Income, Net

Other income consisted of the following:

	1999	1998	1997
	(millions)		
Dividend and interest income	$23	$ 93	$ 75
Other, net	52	78	66
Total	$75	$171	$141

Dividend and interest income for all years reflects interest earned on temporary investments. For 1998, it also reflects interest earned on loans to unconsolidated affiliates and interest earned on short-term investments following Sprint's $5.0 billion debt offering in late 1998. "Other, net" for 1999 mainly includes net gains on miscellaneous investment activities, partly offset by losses from certain equity method investments. For 1998 and 1997, it mainly reflects net gains on sales of local exchanges and certain other investments, partly offset by losses from certain equity method investments.

Income Taxes

Sprint's consolidated effective tax rates were 30.5% in 1999, 43.7% in 1998 and 37.4% in 1997. See Note 7 of Notes to Consolidated Financial Statements for information about the differences that caused the effective income tax rates to vary from the statutory federal rate for income taxes related to continuing operations.

Discontinued Operation, Net

As a result of Sprint's sale of its interest in Global One to FT and DT, Sprint's equity share of the results of Global One has been reported as a discontinued operation in Sprint's earnings for all periods presented.

Sprint recorded after-tax losses related to Global One totaling $130 million in 1999, $135 million in 1998 and $142 million in 1997. The 1999 amount includes a $50 million tax benefit recorded to recognize tax assets related to previous losses. The realization of these assets was uncertain until the sale agreement was reached. The gain on the sale of Sprint's interest in Global One made it apparent that these tax assets would be realized.

Extraordinary Items, Net

In 1999, Sprint redeemed, prior to scheduled maturities, $575 million of the broadband fixed wireless companies' debt assumed by the FON Group and $2.2 billion of the PCS Group's revolving credit facilities and other borrowings. These borrowings had interest rates ranging from 5.6% to 14.5%. This resulted in a $60 million after-tax extraordinary loss for Sprint.

In 1998, Sprint redeemed, prior to scheduled maturities, $138 million of the FON Group's debt and $3.3 billion of the PCS Group's debt. These borrowings had interest rates ranging from 7.9% to 9.3%. This resulted in a $36 million after-tax extraordinary loss for Sprint.

Financial Condition

	1999	1998
	(millions)	
Consolidated assets	$39,250	$33,257

Net property, plant and equipment increased $3.0 billion in 1999 reflecting capital expenditures to support the PCS network buildout. The increase also reflects capital expenditures to support the core long distance and local networks, Sprint ION development and expanded product and service offerings. Net intangibles increased $1.9 billion mainly reflecting goodwill resulting from the acquisition of the remaining interest in Cox PCS and the purchase of the broadband fixed wireless companies. Sprint's debt-to-capital ratio was 55.3% at year-end 1999 versus 49.5% at year-end 1998. See "Liquidity and Capital Resources" for more information about changes in Sprint's Consolidated Balance Sheets.

Liquidity and Capital Resources

Consolidated cash flows for 1998 include Sprint PCS' cash flows only after the PCS Restructuring date. In 1997 and prior to the PCS Restructuring date in 1998, consolidated cash flows include SprintCom's cash flows and treat the investment in Sprint PCS as an equity method investment.

Operating Activities

	1999	1998	1997
		(millions)	
FON Group	$ 3,713	$3,915	$2,899
PCS Group	(1,692)	(159)	38
Intergroup eliminations	(69)	443	435
Cash flows provided by operating activities	$ 1,952	$4,199	$3,372

Operating cash flows decreased 54% in 1999 and increased 25% in 1998. The 1999 decrease reflects increases in working capital in both the FON Group and PCS Group and the increased operating losses of the PCS Group, partly offset by the FON Group's improved operating results. The 1998 increase mainly reflects improved operating results in the FON Group's core businesses and decreases in working capital in both the FON Group and the PCS Group.

Investing Activities

	1999	1998	1997
		(millions)	
FON Group	$(3,965)	$(3,098)	$(3,827)
PCS Group	(2,509)	(861)	(1,020)
Intergroup eliminations	(299)	(259)	547
Cash flows used by investing activities from continuing operations	$(6,773)	$(4,218)	$(4,300)

The FON Group's capital expenditures totaled $3.5 billion in 1999, $3.2 billion in 1998 and $2.7 billion in 1997. Long distance capital expenditures were incurred mainly to enhance network reliability, meet increased demand for voice and data-related services and upgrade capabilities for providing new products and services. The local division incurred capital expenditures to accommodate access line growth, provide additional capacity for increased Internet traffic and expand capabilities for providing enhanced services. Sprint ION capital expenditures were made for continuing development and hardware deployment. PCS Group capital expenditures, totaling $2.6 billion in 1999, $1.1 billion in 1998 and $154 million in 1997, were incurred to support the PCS network buildout. (See the PCS Group's MD&A for a pro forma presentation of capital expenditures.)

In 1999, Sprint purchased several broadband fixed wireless companies for $618 million excluding assumed debt. Investing activities also include proceeds from sales of assets totaling $243 million in 1999, $230 million in 1998 and $292 million in 1997. In addition, in 1997, Sprint paid $460 million toward the purchase of its PCS licenses and purchased the net assets of Paranet, Inc. for $375 million.

"Investments in and advances to affiliates, net" consisted of the following:

	1999	1998	1997
		(millions)	
Sprint PCS			
Capital contributions	$—	$ 33	$406
Loans and advances, net	—	154	254
Capitalized interest	—	—	46
	—	187	706
Other, net	135	236	186
Total	$135	$423	$892

Amounts for Sprint PCS in 1998 reflect contributions and advances prior to the PCS Restructuring. These amounts, as well as capital contributions and net advances to Sprint PCS prior to 1998, were used to fund capital and operating requirements. "Other, net" includes the FON Group's investments in EarthLink, Call-Net and other miscellaneous ventures.

Financing Activities

	1999	1998	1997
		(millions)	
FON Group	$ 308	$ (219)	$ 79
PCS Group	4,044	1,193	982
Intergroup eliminations	368	(184)	(982)
Cash flows provided by financing activities	$4,720	$ 790	$ 79

Financing activities in 1999 reflect proceeds from long-term debt of $6.9 billion, partly offset by payments on long-term debt. These net proceeds were used mainly for capital investments and to fund the PCS Group's operating losses. In 1998, Sprint borrowed $5.2 billion which was mainly used to repay existing debt. In 1997, Sprint had net borrowings of $532 million, mainly to fund investments in and loans to affiliates. Sprint paid dividends of $441 million in 1999 and $430 million in 1998 and 1997.

Capital Requirements

Sprint's 2000 investing activities, mainly consisting of capital expenditures and investments in affiliates, are expected to require cash of $6.5 to $7.0 billion. FON Group capital expenditures are expected to range between $3.9 and $4.2 billion, and PCS Group capital expenditures are expected to be between $2.4 and $2.6 billion. Investments in affiliates are expected to require cash of approximately $200 million. Additional funds will be required to fund the PCS Group's expected operating losses, working capital and debt service requirements. Dividend payments are expected to approximate $450 million in 2000.

In connection with the PCS Restructuring, Sprint adopted a tax sharing agreement that provides for the allocation of income taxes between the FON Group and the PCS Group. Sprint expects the FON Group to make significant payments to the PCS Group under this agreement because of expected PCS Group operating losses in the near future. These payments will reflect the PCS Group's incremental cumulative effect on Sprint's consolidated federal and state tax liability and tax credit position. The PCS Group accrued current benefits under the agreement totaling $887 million in 1999 and $190 million in 1998 and received related payments from the FON Group totaling $764 million in 1999 and $20 million in 1998. The remaining $293 million will be paid by the FON Group during the first half of 2000. See Note 2 of Notes to Consolidated Financial Statements, "Allocation of Federal and State Income Taxes," for more details.

Liquidity

Sprint mainly uses commercial paper to fund its short-term working capital needs. Sprint also uses the long-term bond market as well as other debt markets to fund its needs. Sprint intends to continue borrowing funds through the U.S. and international money and capital markets and bank credit markets to fund capital expenditures, and operating and working capital requirements.

In 1998, Sprint replaced its previous $1.5 billion credit facility with $5.0 billion of new revolving credit facilities with syndicates of domestic and international banks. These facilities expire in 2000 and 2003. Commercial paper and certain bank notes payable are supported by Sprint's revolving credit facilities. Sprint also has a separate five-year revolving credit facility with a bank which expires in 2002. At year-end 1999, Sprint had total unused lines of credit of $3.5 billion under these facilities.

In the 1999 third quarter, Sprint filed a shelf registration statement with the SEC covering $4.0 billion of senior unsecured debt securities. At year-end 1999, Sprint had issued $750 million of debt securities under the shelf. These securities have interest rates ranging from 6.4% to 6.5% and mature in 2001.

In June 1999, Sprint entered into a $1.0 billion financing agreement to sell, on a continuous basis with recourse, undivided percentage ownership interests in a designated pool of its accounts receivable. Subsequent collections of receivables sold to investors are typically reinvested in new receivables. At year-end 1999, Sprint had borrowed $900 million under this agreement. These borrowings had a weighted average interest rate of 6.4% and mature in 2002.

Any borrowings Sprint may incur are ultimately limited by certain debt covenants. Sprint could borrow up to an additional $11.3 billion at year-end 1999 under the most restrictive of its debt covenants.

Regulatory Developments

See "Regulatory Developments" in the FON Group's MD&A and the PCS Group's MD&A.

Financial Strategies

General Hedging Policies

Sprint selectively enters into interest rate swap and cap agreements to manage its exposure to interest rate changes on its debt. Sprint also enters into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Sprint seeks to minimize counterparty credit risk through stringent credit approval and review processes, the selection of only the most creditworthy counterparties, continual review and monitoring of all counterparties, and thorough legal review of contracts. Sprint also controls exposure to market risk by regularly monitoring changes in foreign exchange and interest rate positions under normal and stress conditions to ensure they do not exceed established limits.

Sprint's derivative transactions are used for hedging purposes only and comply with Board-approved policies. Senior management receives frequent status updates of all outstanding derivative positions.

Interest Rate Risk Management

Sprint's interest rate risk management program focuses on minimizing exposure to interest rate movements, setting an optimal mixture of floating- and fixed-rate debt, and minimizing liquidity risk. Sprint uses simulation analysis to assess its interest rate exposure and establish the desired ratio of floating- and fixed-rate debt. To the extent possible, Sprint manages interest rate exposure and the floating-to-fixed ratio through its borrowings, but sometimes uses interest rate swaps and caps to adjust its risk profile.

Foreign Exchange Risk Management

Sprint's foreign exchange risk management program focuses on hedging transaction exposure to optimize consolidated cash flow. Sprint's main transaction exposure results from net payments made to overseas telecommunications companies for completing international calls made by Sprint's domestic customers. These international operations were not material to the consolidated financial position, results of operations or cash flows at year-end 1999. In addition, foreign currency transaction gains and losses were not material to Sprint's 1999 results of operations. Sprint has not entered into any significant foreign currency forward contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign exchange rates. As a result, Sprint was not subject to material foreign exchange risk.

Year 2000 Issue

Sprint successfully completed its Year 2000 readiness work and passed through the January 1, 2000 rollover event while encountering no customer-affecting outages or business interruptions. Since the inception of Sprint's Year 2000 readiness program in 1996 through December 31, 1999, Sprint incurred approximately $320 million of costs associated with its Year 2000 readiness program. Sprint does not expect to incur any significant additional expenditures related to the Year 2000 issue.

Recently Issued Accounting Pronouncement

See Note 14 of Notes to Consolidated Financial Statements for a discussion of a recently issued accounting pronouncement.

MANAGEMENT REPORT

Sprint Corporation's management is responsible for the integrity and objectivity of the information contained in this document. Management is responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the United States are used.

In discharging this responsibility, management maintains a comprehensive system of internal controls and supports an extensive program of internal audits, has made organizational arrangements providing appropriate divisions of responsibility and has established communication programs aimed at assuring that its policies, procedures and principles of business conduct are understood and practiced by its employees.

The financial statements included in this document have been audited by Ernst & Young LLP, independent auditors. Their audits were conducted using auditing standards generally accepted in the United States and their reports are included herein.

The Board of Director's responsibility for these financial statements is pursued mainly through its Audit Committee. The Audit Committee, composed entirely of directors who are not officers or employees of Sprint, meets periodically with the internal auditors and independent auditors, both with and without management present, to assure that their respective responsibilities are being fulfilled. The internal and independent auditors have full access to the Audit Committee to discuss auditing and financial reporting matters.

/s/ W. T. Esrey

William T. Esrey
Chairman and Chief Executive Officer

/s/ Arthur B. Krause

Arthur B. Krause
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Sprint Corporation

We have audited the accompanying consolidated balance sheets of Sprint Corporation (Sprint) as of December 31, 1999 and 1998, and the related consolidated statements of operations, comprehensive income (loss), cash flows and shareholders' equity for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in the Index to Financial Statements and Financial Statement Schedules. These financial statements and the schedule are the responsibility of the management of Sprint. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits. We did not audit the 1998 or 1997 consolidated financial statements of Sprint Spectrum Holding Company, L.P., a wholly owned subsidiary of Sprint as of December 31, 1998 and an investment in which Sprint had a 40% interest through November 23, 1998 (as discussed in Note 1). Such financial statements reflect assets of $2.7 billion as of December 31, 1998, and revenues of $1.2 billion for the year then ended which we did not audit. Sprint's equity in the net loss of Sprint Spectrum Holding Company, L.P. is stated at $625 million for the year ended December 31, 1997. The consolidated financial statements of Sprint Spectrum Holding Company, L.P. have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the 1998 assets and revenues and the 1997 equity in the net loss which we did not audit, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sprint at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Kansas City, Missouri
February 1, 2000

REPORT OF INDEPENDENT AUDITORS

The Board of Directors of Sprint Corporation and Partners of Sprint Spectrum Holding Company, L.P.

We have audited the consolidated balance sheets of Sprint Spectrum Holding Company, L.P. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations and cash flows for the two years in the period ended December 31, 1998. Our audits also included the financial statement schedule (Schedule II). These financial statements and Schedule II are the responsibility of Partnership management. Our responsibility is to express an opinion on these consolidated financial statements and Schedule II based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sprint Spectrum Holding Company, L.P. and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for the two years ended December 31,1998, in conformity with generally accepted accounting principles. Also, in our opinion, Schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

Kansas City, Missouri
February 2, 1999

CONSOLIDATED STATEMENTS OF OPERATIONS
(millions)

Sprint Corporation

Years Ended December 31,	1999	1998	1997
Net Operating Revenues	$19,928	$16,881	$14,564
Operating Expenses			
Costs of services and products	10,606	8,996	7,142
Selling, general and administrative	5,977	4,806	3,258
Depreciation and amortization	3,652	2,710	1,713
Acquired in-process research and development costs	—	179	—
Total operating expenses	20,235	16,691	12,113
Operating Income (Loss)	(307)	190	2,451
Interest expense	(860)	(718)	(184)
Other partners' loss in Sprint PCS	—	1,251	—
Equity in loss of Sprint PCS	—	—	(660)
Minority interest	20	145	—
Other income, net	75	171	141
Income (loss) from continuing operations before income taxes	(1,072)	1,039	1,748
Income tax (expense) benefit	327	(454)	(654)
Income (Loss) from Continuing Operations	(745)	585	1,094
Discontinued operation, net	(130)	(135)	(142)
Extraordinary items, net	(60)	(36)	—
Net Income (Loss)	$ (935)	$ 414	952
Preferred stock dividends			(1)
Earnings applicable to common stock			$ 951

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
(millions, except per share data)

Years Ended December 31,	1999	1998[1]	1997
FON COMMON STOCK			
Earnings applicable to common stock	$ 1,574	$ 118	
Diluted Earnings per Common Share[2]			
Continuing operations	$ 1.97	$ 0.18	
Discontinued operation	(0.15)	(0.04)	
Extraordinary items	(0.04)	—	
Total	$ 1.78	$ 0.14	
Diluted weighted average common shares	887.2	869.0	
Basic Earnings per Common Share[2]			
Continuing operations	$ 2.01	$ 0.18	
Discontinued operation	(0.15)	(0.04)	
Extraordinary items	(0.05)	—	
Total	$ 1.81	$ 0.14	
Basic weighted average common shares	868.0	855.2	
PCS COMMON STOCK			
Loss applicable to common stock	$(2,517)	$ (559)	
Basic and Diluted Loss per Common Share[2]			
Continuing operations	$ (2.71)	$ (0.63)	
Extraordinary item	(0.02)	(0.04)	
Total	$ (2.73)	$ (0.67)	
Basic and diluted weighted average common shares	920.4	831.6	
SPRINT COMMON STOCK			
Earnings applicable to common stock		$ 853	$ 951
Diluted Earnings per Common Share			
Continuing operations		$ 2.19	$ 2.51
Discontinued operation		(0.23)	(0.33)
Extraordinary items		(0.01)	—
Total		$ 1.95	$ 2.18
Diluted weighted average common shares		438.6	436.5
Basic Earnings per Common Share			
Continuing operations		$ 2.23	$ 2.54
Discontinued operation		(0.24)	(0.33)
Extraordinary items		(0.01)	—
Total		$ 1.98	$ 2.21
Basic weighted average common shares		430.8	430.2
DIVIDENDS PER COMMON SHARE			
FON common stock[2]	$ 0.50	$0.125	
Class A common stock	$ 0.625	$ 1.00	$ 1.00
Sprint common stock		$ 0.75	$ 1.00

(1) As discussed in Note 1 of Notes to Consolidated Financial Statements, the Recapitalization occurred in November 1998. As a result, earnings per share for Sprint common stock reflects earnings through the Recapitalization date, while earnings (loss) per share for FON common stock and PCS common stock reflects results from that date to year-end 1998.

(2) In December 1999, the Sprint Board of Directors authorized a two-for-one stock split of Sprint's PCS common stock in the form of a stock dividend, which was distributed on February 4, 2000 to the PCS shareholders. In the second quarter of 1999, Sprint effected a two-for-one stock split of its Sprint FON common stock in the form of a stock dividend. As a result, basic and diluted earnings per common share, weighted-average common shares and dividends for Sprint FON common stock and Sprint PCS common stock have been restated for periods prior to these stock splits.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(millions)

Sprint Corporation

Years Ended December 31,	1999	1998	1997
Net Income (Loss)	$(935)	$414	$952
Other Comprehensive Income (Loss)			
Unrealized holding gains on securities	54	21	12
Income tax expense	(20)	(8)	(5)
Net unrealized holding gains on securities during the period	34	13	7
Reclassification adjustment for gains included in net income	(57)	—	—
Total net unrealized holding gains (losses) on securities	(23)	13	7
Foreign currency translation adjustments	—	(2)	10
Total other comprehensive income (loss)	(23)	11	17
Comprehensive Income (Loss)	$(958)	$425	$969

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
(millions, except per share data)

Sprint Corporation

December 31,	1999	1998
Assets		
Current assets		
Cash and equivalents	$ 120	$ 605
Accounts receivable, net of allowance for doubtful accounts of $285 and $186	3,408	2,708
Inventories	777	477
Prepaid expenses	340	259
Income tax receivable	411	171
Investments in equity securities	317	—
Other	207	194
Total current assets	5,580	4,414
Investments in equity securities	147	489
Property, plant and equipment		
FON Group	27,687	25,156
PCS Group	9,411	6,988
Total property, plant and equipment	37,098	32,144
Accumulated depreciation	(15,129)	(13,161)
Net property, plant and equipment	21,969	18,983
Investments in and advances to affiliates	452	463
Intangible assets		
Goodwill	5,745	3,701
PCS licenses	3,060	3,037
Other	1,453	1,137
Total intangible assets	10,258	7,875
Accumulated amortization	(691)	(182)
Net intangible assets	9,567	7,693
Net assets of discontinued operation	394	182
Other	1,141	1,033
Total	$ 39,250	$ 33,257
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 1,087	$ 247
Accounts payable	1,462	1,631
Construction obligations	1,039	979
Accrued interconnection costs	683	592
Accrued taxes	410	442
Advance billings	323	229
Payroll and employee benefits	638	416
Other	1,190	910
Total current liabilities	6,832	5,446
Long-term debt and capital lease obligations	15,685	11,942
Deferred credits and other liabilities		
Deferred income taxes and investment tax credits	1,511	1,830
Postretirement and other benefit obligations	1,064	1,064
Other	598	527
Total deferred credits and other liabilities	3,173	3,421
Shareholders' equity		
Common stock		
Class A common stock, par value $2.50 per share, 200.0 shares authorized, 86.2 shares issued and outstanding (each share represents the right to one FON share and ½ PCS share)	216	216
FON, par value $2.00 per share, 4,200.0 shares authorized, 788.0 and 350.3 shares issued and 788.0 and 344.5 shares outstanding	1,576	701
PCS, par value $1.00 per share, 2,350.0 shares authorized, 910.4 and 375.4 shares issued and 910.4 and 372.7 shares outstanding	910	375
PCS preferred stock, no par, 0.3 shares authorized, 0.2 shares issued and outstanding	247	247
Capital in excess of par or stated value	8,569	7,586
Retained earnings	1,961	3,651
Treasury stock, at cost, 0.0 and 8.5 shares	(2)	(426)
Accumulated other comprehensive income	81	104
Other	2	(6)
Total shareholders' equity	13,560	12,448
Total	$ 39,250	$ 33,257

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)

Sprint Corporation

Years Ended December 31,	1999	1998	1997
Operating Activities			
Net income (loss)	$ (935)	$ 414	$ 952
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Discontinued operation, net	130	135	142
Extraordinary items, net	60	32	—
Equity in net losses of affiliates	70	892	682
Depreciation and amortization	3,652	2,042	1,713
Acquired in-process research and development costs	—	179	—
Deferred income taxes and investment tax credits	(333)	127	176
Net gains on sales of assets	(183)	(104)	(93)
Changes in assets and liabilities, excluding the PCS Restructuring in 1998:			
Accounts receivable, net	(700)	101	(127)
Inventories and other current assets	(778)	(189)	(95)
Accounts payable and other current liabilities	906	733	21
Noncurrent assets and liabilities, net	(63)	(126)	(18)
Other, net	126	(37)	19
Net cash provided by operating activities	1,952	4,199	3,372
Investing Activities			
Capital expenditures	(6,114)	(4,231)	(2,863)
Investments in and loans to affiliates, net	(135)	(423)	(892)
Net proceeds from sales of assets	243	230	292
Purchase of broadband fixed wireless companies, net of cash acquired	(618)	—	—
PCS licenses purchased	—	—	(460)
Paranet acquisition	—	—	(375)
Other, net	(149)	206	(2)
Net cash used by continuing operations	(6,773)	(4,218)	(4,300)
Net investing activities of discontinued operation	(384)	(268)	(200)
Net cash used by investing activities	(7,157)	(4,486)	(4,500)
Financing Activities			
Proceeds from long-term debt	6,921	5,213	867
Payments on long-term debt	(2,949)	(3,822)	(135)
Net change in short-term borrowings	—	—	(200)
Proceeds from common stock issued	688	—	—
Proceeds from sales of shares to FT and DT	269	85	—
Proceeds from treasury stock issued	134	60	57
Dividends paid	(441)	(430)	(430)
Treasury stock purchased	(48)	(321)	(145)
Other, net	146	5	65
Net cash provided by financing activities	4,720	790	79
Increase (Decrease) in Cash and Equivalents	(485)	503	(1,049)
Cash and Equivalents at Beginning of Year	605	102	1,151
Cash and Equivalents at End of Year	$ 120	$ 605	$ 102

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Sprint Common Stock	FON Common Stock	PCS Common and Preferred Stock	Capital In Excess of Par or Stated Value	Retained Earnings	Treasury Stock	Other	Total
Beginning 1997 balance	$1,092	$ —	$ —	$ 4,426	$3,222	$(262)	$ 42	$ 8,520
Net income	—	—	—	—	952	—	—	952
Common stock dividends	—	—	—	—	(343)	—	—	(343)
Class A common stock dividends	—	—	—	—	(86)	—	—	(86)
Treasury stock purchased	—	—	—	—	—	(145)	—	(145)
Treasury stock issued	—	—	—	—	(49)	114	—	65
Tax benefit from stock options exercised	—	—	—	26	—	—	—	26
Other, net	—	—	—	6	(3)	—	33	36
Ending 1997 balance	1,092	—	—	4,458	3,693	(293)	75	9,025
Net income	—	—	—	—	414	—	—	414
Common stock dividends	—	—	—	—	(345)	—	—	(345)
Class A common stock dividends	—	—	—	—	(86)	—	—	(86)
Sprint common stock recapitalized	(876)	701	175	—	—	—	—	—
PCS Series 2 common stock issued	—	—	195	3,005	—	—	—	3,200
PCS Series 3 common stock issued	—	—	5	80	—	—	—	85
PCS preferred stock issued	—	—	247	—	—	—	—	247
Treasury stock purchased	—	—	—	—	—	(321)	—	(321)
Treasury stock issued	—	—	—	—	(24)	188	—	164
Tax benefit from stock options exercised	—	—	—	49	—	—	—	49
Other, net	—	—	—	(6)	(1)	—	23	16
Ending 1998 balance	216	701	622	7,586	3,651	(426)	98	12,448
Net loss	—	—	—	—	(935)	—	—	(935)
FON common stock dividends	—	—	—	—	(380)	—	—	(380)
Class A common stock dividends	—	—	—	—	(54)	—	—	(54)
PCS preferred stock dividends	—	—	—	—	(8)	—	—	(8)
FON Series 3 common stock issued	—	2	—	50	—	—	—	52
PCS Series 1 common stock issued	—	—	27	674	—	—	—	701
PCS Series 2 common stock issued	—	—	24	1,122	—	—	—	1,146
PCS Series 3 common stock issued	—	—	7	210	—	—	—	217
Two-for-one stock splits	—	873	477	(1,350)	—	—	—	—
Treasury stock purchased	—	—	—	—	—	(48)	—	(48)
Treasury stock issued	—	—	—	—	(315)	472	—	157
Tax benefit from stock options exercised	—	—	—	254	—	—	—	254
Other, net	—	—	—	23	2	—	(15)	10
Ending 1999 balance	$ 216	$1,576	$1,157	$ 8,569	$1,961	$ (2)	$ 83	$13,560

Shares Outstanding

	Sprint Common Stock	FON Common Stock	PCS Common and Preferred Stock
Beginning 1997 balance	430.1	—	—
Treasury stock purchased	(3.0)	—	—
Treasury stock issued	2.9	—	—
Ending 1997 balance	430.0	—	—
Sprint common stock recapitalized	(350.3)	350.3	175.2
Treasury shares recapitalized	5.4	(5.4)	(2.7)
Treasury stock purchased	(4.2)	(0.5)	—
Treasury stock issued	5.3	0.1	—
PCS Series 2 common stock issued	—	—	195.1
PCS Series 3 common stock issued	—	—	5.1
PCS preferred stock issued	—	—	0.2
Ending 1998 balance	86.2	344.5	372.9
FON Series 3 common stock issued	—	1.2	—
PCS Series 1 common stock issued	—	—	27.1
PCS Series 2 common stock issued	—	—	24.3
PCS Series 3 common stock issued	—	—	6.9
Two-for-one stock splits	—	433.5	476.7
Treasury stock purchased	—	(0.6)	—
Treasury stock issued	—	9.4	2.7
Ending 1999 balance	86.2	788.0	910.6

See accompanying Notes to Consolidated Financial Statements.

1. General

In October 1999, Sprint announced a definitive merger agreement with MCI WorldCom. Under the agreement, each share of Sprint FON stock will be exchanged for $76 of MCI WorldCom common stock, subject to a collar. In addition, each share of Sprint PCS stock will be exchanged for one share of a new WorldCom PCS tracking stock and 0.116025 shares of MCI WorldCom common stock. The terms of the WorldCom PCS tracking stock will be equivalent to those of Sprint's PCS common stock and will track the performance of the company's personal communication services (PCS) business. The merger is subject to the approvals of Sprint and MCI WorldCom shareholders as well as approvals from the Federal Communications Commission, the Justice Department, various state government bodies and foreign antitrust authorities. The companies anticipate the merger will close in the second half of 2000.

In November 1998, Sprint's shareholders approved the formation of the FON Group and the PCS Group and the creation of the FON stock and the PCS stock. In addition, Sprint purchased the remaining ownership interests in Sprint Spectrum Holding Company, L.P. and PhillieCo, L.P. (together, Sprint PCS), other than a minority interest in Cox Communications PCS, L.P. (Cox PCS). Sprint acquired these ownership interests from Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (the Cable Partners). In exchange, Sprint issued the Cable Partners special low-vote PCS shares and warrants to acquire additional PCS shares. Sprint also issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares. The purchase of the Cable Partners' interests is referred to as the PCS Restructuring. In the 1999 second quarter, Sprint acquired the remaining minority interest in Cox PCS.

Also in November 1998, Sprint reclassified each of its publicly traded common shares into one share of FON stock and ½ share of PCS stock. This recapitalization was tax-free to shareholders. Each Class A common share owned by France Telecom S.A. (FT) and Deutsche Telekom AG (DT) was reclassified to represent an equity interest in the FON Group and the PCS Group that entitles FT and DT to one share of FON stock and ½ share of PCS stock. These transactions are referred to as the Recapitalization.

In connection with the PCS Restructuring, FT and DT purchased 5.1 million additional PCS shares (pre-split basis) to maintain their combined 20% voting power in Sprint (Top-up).

The PCS stock is intended to reflect the performance of Sprint's domestic wireless PCS operations. The FON stock is intended to reflect the performance of all of Sprint's other operations.

2. Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

The consolidated financial statements include the accounts of Sprint and its wholly owned and majority-owned subsidiaries. Sprint PCS' results of operations for 1998 have been consolidated for the entire year. The Cable Partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Consolidated Statements of Operations. Sprint PCS' financial position has been reflected on a consolidated basis at year-end 1998. Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method. Sprint's cash flows include Sprint PCS' cash flows only after the PCS Restructuring date.

Investments in entities in which Sprint exercises significant influence, but does not control, are accounted for using the equity method (see Note 4).

The consolidated financial statements are prepared using accounting principles generally accepted in the United States. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholders' equity as previously reported.

Classification of Operations

Sprint FON Group

Core Businesses

Long Distance Division

The long distance division is the nation's third-largest long distance phone company. It operates a nationwide, all-digital long distance communications network that uses fiber-optic and electronic technology. The division provides domestic and international voice, video and data communications services.

Local Division

The local division consists of regulated local phone companies serving more than 8 million access lines in 18 states. It provides local services, access by phone customers and other carriers to the local network, sales of telecommunications equipment, and long distance services within certain regional calling areas, or local access transport areas.

In November 1998, Sprint sold its remaining 81,000 residential and business access lines in Illinois.

Product Distribution & Directory Publishing Businesses

The product distribution business provides wholesale distribution services of telecommunications products. The directory publishing business publishes and markets white and yellow page phone directories.

Sprint ION(SM)

Sprint ION extends Sprint's existing network capabilities to the customer and enables Sprint to provide the network infrastructure to meet customers' demands for advanced services including integrated voice, data, Internet and video. It is also expected to be the foundation for Sprint to provide new competitive local service.

Other Ventures

The "other ventures" segment includes the cable TV service operations of the broadband fixed wireless companies acquired in the second half of 1999.

This segment also includes the FON Group's investments in EarthLink, Inc., an Internet service provider; Call-Net, a long distance provider in Canada operating under the Sprint brand name; and certain other telecommunications investments and ventures. All of the investments and ventures are accounted for on the equity basis.

Sprint PCS Group

The PCS Group includes Sprint's domestic wireless PCS operations. It operates the only 100% digital PCS wireless network in the United States, with licenses to provide service nationwide using a single frequency and a single technology. At year-end 1999, the PCS Group, together with affiliates, operated PCS systems in over 360 metropolitan markets, including the 50 largest U.S. metropolitan areas.

Allocation of Shared Services

Sprint directly assigns, where possible, certain general and administrative costs to the FON Group and the PCS Group based on their actual use of those services. Where direct assignment of costs is not possible, or practical, Sprint uses other indirect methods, including time studies, to estimate the assignment of costs to each Group. Sprint believes that the costs allocated are comparable to the costs that would be incurred if the Groups would have been operating on a stand-alone basis. The allocation of shared services may change at the discretion of Sprint and does not require shareholder approval.

Allocation of Federal and State Income Taxes

Sprint files a consolidated federal income tax return and certain state income tax returns which include FON Group and PCS Group results. In connection with the PCS Restructuring, Sprint adopted a tax sharing agreement which provides for the allocation of income taxes between the two Groups. The FON Group's income taxes are calculated as if it files returns which exclude the PCS Group. The PCS Group's income taxes reflect the PCS Group's incremental cumulative impact on Sprint's consolidated income taxes. Intergroup tax payments are satisfied on the date Sprint's related tax payment is due to or the refund is received from the applicable tax authority.

Allocation of Group Financing

Financing activities for the Groups are managed by Sprint on a centralized basis. Debt incurred by Sprint on behalf of the Groups is specifically allocated to and reflected in the financial statements of the applicable Group. Interest expense is allocated to the PCS Group based on an interest rate that is substantially equal to the rate it would be able to obtain from third parties as a direct or indirect wholly owned Sprint subsidiary, but without the benefit of any guaranty by Sprint or any member of the FON Group. That interest rate is higher than the rate Sprint obtains on borrowings. The difference between Sprint's actual interest rate and the rate charged to the PCS Group is reflected as a reduction in the FON Group's interest expense.

Under Sprint's centralized cash management program, one Group may advance funds to the other Group. These advances are accounted for as short-term borrowings between the Groups and bear interest at a market rate that is substantially equal to the rate that Group would be able to obtain from third parties on a short-term basis.

The allocation of Group financing activities may change at the discretion of Sprint and does not require shareholder approval.

Income Taxes

Sprint records deferred income taxes based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Revenue Recognition

Sprint recognizes operating revenues as services are rendered or as products are delivered to customers. Sprint records operating revenues net of an estimate for uncollectible accounts. Sprint's directory publishing business recognizes revenues for directory services over the life of the related directory (amortization method).

Cash and Equivalents

Cash equivalents generally include highly liquid investments with original maturities of three months or less. They are stated at cost, which approximates market value. Sprint uses controlled disbursement banking arrangements as part of its cash management program. Outstanding checks in excess of cash balances, which were included in accounts payable, totaled $204 million at year-end 1999 and $336 million at year-end 1998. Sprint had sufficient funds available to fund the outstanding checks when they were presented for payment.

Investments in Equity Securities

Investments in equity securities are classified as available for sale and reported at fair value (estimated based on quoted market prices). Gross unrealized holding gains and losses are reflected in the Consolidated Balance Sheets as adjustments to "Shareholders' equity—Accumulated other comprehensive income," net of related income taxes.

Inventories

Inventories for the FON Group are stated at the lower of cost (principally first-in, first-out method) or market value. Inventories for the PCS Group are stated at the lower of cost (principally first-in, first-out) or replacement value.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Generally, ordinary asset retirements and disposals are charged against accumulated depreciation with no gain or loss recognized. The cost of property, plant and equipment is generally depreciated on a straight-line basis over estimated economic useful lives. Repairs and maintenance costs are expensed as incurred.

Capitalized Interest

Capitalized interest totaled $151 million in 1999, $167 million in 1998 and $93 million in 1997. In 1999 and 1998, capitalized interest reflects capitalized costs related to the PCS Group's network buildout and PCS licenses as well as the FON Group's construction of capital assets. In 1997, capitalized interest mainly reflected interest related to Sprint's investment in Sprint PCS. Sprint capitalized these costs until July 1997 when Sprint PCS emerged from the development stage.

Intangible Assets

Sprint evaluates the recoverability of intangible assets when events or circumstances indicate that such assets might be impaired. Sprint determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying value. In the event impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in business combinations accounted for as purchases. Goodwill is being amortized over five to 40 years using the straight-line method. Accumulated amortization totaled $210 million at year-end 1999 and $63 million at year-end 1998.

PCS Licenses

The PCS Group acquired licenses from the Federal Communications Commission to operate as a PCS service provider. These licenses are granted for up to 10-year terms with renewals for additional 10-year terms if license obligations are met. These licenses are recorded at cost and are amortized on a straight-line basis over 40 years when service begins in a specific geographic area. Accumulated amortization totaled $130 million at year-end 1999 and $51 million at year-end 1998.

Earnings per Share

Earnings per share (EPS) was calculated on a consolidated basis until the PCS stock and FON stock were created as part of the November 1998 PCS Restructuring and Recapitalization. From that time forward, EPS was computed individually for the FON Group and PCS Group.

In December 1999, the Sprint Board of Directors authorized a two-for-one stock split of Sprint's PCS common stock in the form of a stock dividend, which was distributed on February 4, 2000 to the PCS shareholders. In the second quarter of 1999, Sprint effected a two-for-one split of its Sprint FON common stock. As a result, basic and diluted earnings per common share, weighted-average common shares and dividends for Sprint FON common stock and Sprint PCS common stock have been restated for periods prior to these stock splits.

In 1999, the FON Group's convertible preferred dividends totaled $1 million and dilutive securities (mainly options) totaled 19.2 million shares. From the Recapitalization date to year-end 1998, the FON Group's convertible preferred dividends totaled $0.1 million and dilutive securities (mainly options) totaled 13.8 million shares. Dilutive securities for the PCS Group mainly include options, warrants and convertible preferred stock. These securities did not have a dilutive effect because the PCS Group incurred net losses for 1999 and 1998. As a result, diluted loss per share equaled basic loss per share.

Sprint's convertible preferred dividends totaled $0.5 million in 1998 through the Recapitalization date and in 1997. Dilutive securities, such as options, included in the calculation of diluted weighted average common shares totaled 7.8 million in 1998 through the Recapitalization, and 6.3 million in 1997.

Stock-based Compensation

Sprint adopted the pro forma disclosure requirements under Statement of Financial Accounting Standards (SFAS) No. 123, "Stock-based Compensation," and continues to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," to its stock option and employee stock purchase plans.

3. Business Combinations

Broadband Fixed Wireless Companies

In the second half of 1999, Sprint acquired People's Choice TV Corp. (PCTV), American Telecasting, Inc. (ATI), Videotron USA and the operating subsidiaries of WBS America, LLC.

These companies own broadband fixed wireless licenses in the Midwest, Southwest, North Central, Western and Southeastern United States. Sprint paid $618 million for the companies' outstanding stock and assumed $575 million of the companies' debt. These notes were redeemed, prior to scheduled maturities, in the 1999 fourth quarter (see Note 8).

These acquisitions were accounted for as purchases. The results of these companies have been included in Sprint's consolidated financial statements after the acquisition dates. The excess of the purchase price over the net liabilities acquired totaled $835 million and was preliminarily allocated to goodwill, which is being amortized on a straight-line basis over 40 years.

Cox PCS

In the 1999 second quarter, Cox Communications, Inc. exercised a put option requiring Sprint to purchase the remaining 40.8% interest in Cox PCS. Sprint's existing 59.2% interest in Cox PCS was reflected in Sprint's consolidated financial statements on a consolidated basis. Sprint issued 24.3 million shares of low-vote PCS stock (pre-split basis) in exchange for the remaining interest. The shares were valued at $1.1 billion. Sprint accounted for the transaction as a purchase.

The excess of the purchase price over the fair value of the net liabilities acquired was allocated as follows:

	1999
	(millions)
Purchase price	$1,146
Net liabilities acquired	99
Fair value assigned to customer base acquired	(45)
Fair value assigned to PCS licenses	(99)
Deferred taxes established on acquired assets and liabilities	88
Goodwill	$1,189

Goodwill is being amortized on a straight-line basis over 40 years.

PCS Restructuring

In November 1998, Sprint acquired the remaining interest in Sprint PCS (except for the minority interest in Cox PCS) from the Cable Partners. In exchange, Sprint issued the Cable Partners 195.1 million low-vote shares of PCS stock and 12.5 million warrants to purchase additional shares of PCS stock (on a pre-split basis). The purchase price was $3.2 billion. In addition, Sprint issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares.

Sprint accounted for the transaction as a purchase. The excess of the purchase price over the fair value of the net liabilities acquired was allocated as follows:

	1998
	(millions)
Purchase price including transaction costs	$3,226
Net liabilities acquired	281
Fair value assigned to customer base acquired	(681)
Fair value assigned to assembled workforce acquired	(45)
Increase in property, plant and equipment to fair value	(204)
Mark-to-market of long-term debt	85
Deferred taxes established on acquired assets and liabilities	678
In-process research and development costs	(179)
Goodwill	$3,161

Goodwill is being amortized on a straight-line basis over 40 years.

With respect to the purchase price attributed to in-process research and development (IPR&D), the acquired IPR&D was limited to significant new products under development that were intended to address new and emerging market needs and requirements, such as the rapid adoption of the Internet and the rapid convergence of voice, data, and video. No routine research and development projects, minor refinements, normal enhancements, or production activities were included in the acquired IPR&D.

The income approach was the primary technique utilized in valuing the acquired IPR&D. This approach included, but was not limited to, an analysis of (i) the markets for each product; (ii) the completion costs for projects; (iii) the expected cash flows attributable to the IPR&D projects; (iv) the risks related to achieving these cash flows; and (v) the stage of development of each project. The issue of alternative future use was extensively evaluated and these technologies, once completed, could only be economically used for their intended purposes.

Pro Forma Results

The following unaudited pro forma combined results of operations assume the PCS Restructuring, Recapitalization, Top-up and the write-off of acquired

IPR&D costs occurred at the beginning of 1997. These pro forma amounts are for comparative purposes only and do not necessarily represent what actual results of operations would have been had the transactions occurred at the beginning of 1997, nor do they indicate the results of future operations. Pro forma results were as follows:

	1998	1997
	(millions, except per share data)	
Net operating revenues	$16,881	$14,822
Loss from continuing operations	$ (172)	$ (132)
Net loss	$ (343)	$ (274)
Basic and diluted loss per PCS common share:		
Loss before extraordinary item	$ (2.21)	$ (1.98)
Extraordinary item	(0.04)	—
Total	$ (2.25)	$ (1.98)

Paranet, Inc.

In September 1997, Sprint paid $375 million to purchase the net assets of Houston-based Paranet, Inc., a provider of integration, management and support services for computer networks.

The transaction was accounted for using the purchase method of accounting. As a result, Sprint's financial statements reflect Sprint Paranet's results of operations beginning in October 1997.

The excess of the purchase price over the tangible net assets acquired was $357 million. This excess was allocated to noncompete agreements and goodwill, and is being amortized on a straight-line basis over four to 10 years.

4. Investments

Investments in Equity Securities

The cost of investments in equity securities was $154 million at year-end 1999 and $105 million at year-end 1998. Gross unrealized holding gains were $310 million at year-end 1999 and $384 million at year-end 1998. At year-end 1999, $316 million of investments in equity securities are classified as current in anticipation of using the investments to retire debt instruments (see Note 8).

The accumulated unrealized gains on investments in equity securities, net of income taxes and the impact of the related debt instruments, were $84 million at year-end 1999 and $107 million at year-end 1998 and are included in "Accumulated other comprehensive income" in the Sprint Consolidated Balance Sheets.

During 1999, Sprint sold available-for-sale securities with a cost basis of $14 million for $104 million. The $90 million gain was included in "Other income, net" in Sprint's Consolidated Statements of Operations.

Investments in and Advances to Affiliates

At year-end 1999, investments accounted for using the equity method consisted of the FON Group's investments in EarthLink, Call-Net and other strategic investments.

In November 1998, Sprint assumed 100% ownership of Sprint PCS; as a result, Sprint consolidated Sprint PCS' results in 1998. Prior to 1998, Sprint accounted for its investment in Sprint PCS on the equity basis. Sprint PCS' 1997 results of operations are reflected in the unaudited pro forma disclosures in Note 3.

Combined, unaudited, summarized financial information (100% basis) of other entities accounted for using the equity method was as follows:

	1999	1998	1997
		(millions)	
Results of operations			
Net operating revenues	$1,571	$1,242	$ 724
Operating income (loss)	$ (192)	$ 67	$(246)
Net loss	$ (329)	$ (145)	$(287)
Financial position			
Current assets	$1,524	$1,038	
Noncurrent assets	2,749	2,401	
Total	$4,273	$3,439	
Current liabilities	$ 599	$ 538	
Noncurrent liabilities	1,644	1,004	
Owners' equity	2,030	1,897	
Total	$4,273	$3,439	

5. Discontinued Operation

In January 2000, Sprint reached a definitive agreement with Deutsche Telekom and France Telecom to sell its interest in Global One. In February 2000, Sprint received $1.1 billion in cash and was repaid $276 million for advances for its entire stake in Global One.

Sprint's investment in the net assets of the discontinued operation, including advances, totaled $394 million at year-end 1999 and $182 million at year-end 1998.

Sprint recorded after-tax losses related to Global One totaling $130 million in 1999, $135 million in 1998 and $142 million in 1997. The 1999 amount includes a $50 million tax benefit recorded to recognize tax assets related to previous losses. The realization of these assets was uncertain until the sale agreement was reached. The gain on the sale of Sprint's interest in Global One made it apparent that these tax assets would be realized.

Sprint provided various voice, data and administrative services to Global One totaling $241 million in 1999, $277 million in 1998 and $415 million in 1997. In addition, Global One provided data and administrative services to Sprint totaling $139 million in 1999, $140 million in 1998 and $114 million in 1997. Sprint's receivable from Global One was $107 million at year-end 1999 and $187 million at year-end 1998. Sprint's payable to Global One was $36 million at year-end 1999 and $42 million at year-end 1998.

6. Employee Benefit Plans

Defined Benefit Pension Plan

Most FON Group and PCS Group employees are covered by a noncontributory defined benefit pension plan. Benefits for plan participants belonging to unions are based on negotiated schedules. For non-union participants, pension benefits are based on years of service and the participants' compensation.

Sprint's policy is to make plan contributions equal to an actuarially determined amount consistent with federal tax regulations. The funding objective is to accumulate funds at a relatively stable rate over the participants' working lives so benefits are fully funded at retirement.

The following table shows the changes in the projected benefit obligation:

	1999	1998
	(millions)	
Beginning balance	$2,579	$2,241
Service cost	86	72
Interest cost	177	165
Amendments	7	9
Actuarial (gain) loss	(326)	202
Benefits paid	(122)	(110)
Ending balance	$2,401	$2,579

The following table shows the changes in plan assets:

	1999	1998
	(millions)	
Beginning balance	$3,169	$2,929
Actual return on plan assets	622	350
Benefits paid	(122)	(110)
Ending balance	$3,669	$3,169

At year-end, the funded status and amounts recognized in the Consolidated Balance Sheets for the plan were as follows:

	1999	1998
	(millions)	
Plan assets in excess of the projected benefit obligation	$ 1,268	$ 590
Unrecognized net gains	(1,016)	(375)
Unrecognized prior service cost	100	104
Unamortized transition asset	(72)	(97)
Prepaid pension cost	$ 280	$ 222
Discount rate	8.25%	7.00%
Expected blended rate of future pay raises	5.25%	4.00%

The net pension cost (credit) consisted of the following:

	1999	1998	1997
		(millions)	
Service cost—benefits earned during the year	$ 86	$ 72	$ 62
Interest on projected benefit obligation	177	165	149
Expected return on plan assets	(300)	(265)	(194)
Amortization of unrecognized transition asset	(25)	(25)	(25)
Recognition of prior service cost	12	11	9
Recognition of actuarial (gains) and losses	(8)	(4)	1
Net pension cost (credit)	$ (58)	$ (46)	$ 2
Discount rate	7.00%	7.25%	7.75%
Expected long-term rate of return on plan assets	10.00%	10.00%	9.50%
Expected blended rate of future pay raises	4.00%	4.25%	4.75%

Defined Contribution Plans

Sprint sponsors defined contribution employee savings plans covering most FON Group and PCS Group employees. Participants may contribute portions of their pay to the plans. For union employees, Sprint matches contributions based on negotiated amounts. Sprint also matches contributions of non-union employees in FON stock and PCS stock. The matching is equal to 50% of participants' contributions up to 6% of their pay. In addition, Sprint may, at the discretion of the Board of Directors, provide additional matching contributions based on the performance of FON stock and PCS stock compared to other telecommunications companies' stock. Sprint's matching contributions were $83 million in 1999 and $54 million in 1998 and 1997. At year-end 1999, the plans held 33 million FON shares and 27 million PCS shares (on a post-split basis).

Prior to January 1999, Sprint PCS sponsored a savings and retirement program for certain employees. Sprint PCS matched contributions equal to 50% of the contribution of each participant, up to the first 6% that the employee elected to contribute. Expense under the savings plan was $7 million in 1998.

Postretirement Benefits

Sprint provides postretirement benefits (mainly medical and life insurance) to most FON Group and PCS Group employees. Employees retiring before certain dates are eligible for benefits at no cost, or at a reduced cost. Employees retiring after certain dates are eligible for benefits on a shared-cost basis. Sprint funds the accrued costs as benefits are paid.

The following table shows the changes in the accumulated postretirement benefit obligation:

	1999	1998
	(millions)	
Beginning balance	$864	$832
Service cost	21	20
Interest cost	59	58
Actuarial gains	(30)	(6)
Benefits paid	(38)	(40)
Ending balance	$876	$864

Amounts included in the Consolidated Balance Sheets at year-end were as follows:

	1999	1998
	(millions)	
Accumulated postretirement benefit obligation	$ 876	$ 864
Unrecognized prior service cost	53	61
Unrecognized net gains	120	124
Accrued postretirement benefits cost	$1,049	$1,049
Discount rate	8.25%	7.00%

The assumed 2000 annual health care cost trend rates are 9.6% before Medicare eligibility and 10.0% after Medicare eligibility. Both rates gradually decrease to an ultimate level of 5% by 2010. A 1% increase in the rates would have increased the 1999 accumulated postretirement benefit obligation by an estimated $107 million. A 1% decrease would have reduced the obligation by an estimated $89 million.

The net postretirement benefits cost consisted of the following:

	1999	1998	1997
	(millions)		
Service cost—benefits earned during the year	$ 21	$ 20	$ 21
Interest on accumulated postretirement benefit obligation	59	58	52
Recognition of prior service cost	(8)	(6)	—
Recognition of actuarial gains	(17)	(21)	(19)
Net postretirement benefits cost	$ 55	$ 51	$ 54
Discount rate	7.00%	7.25%	7.75%

For measurement purposes, the assumed 1999 weighted average annual health care cost trend rates were 7.6% before Medicare eligibility and 8.1% after Medicare eligibility. Both rates gradually decrease to an ultimate level of 5% by 2005. A 1% increase in the rates would have increased the 1999 postretirement benefits service and interest costs by an estimated $13 million. A 1% decrease would have reduced the 1999 postretirement benefits service and interest costs by an estimated $11 million.

7. Income Taxes

Income tax expense (benefit) allocated to continuing operations consists of the following:

	1999	1998	1997
	(millions)		
Current income tax expense (benefit)			
Federal	$ (34)	$283	$399
State	40	44	79
Total current	6	327	478
Deferred income tax expense (benefit)			
Federal	(309)	120	181
State	(24)	7	(5)
Total deferred	(333)	127	176
Total	$(327)	$454	$654

The differences that caused Sprint's effective income tax rates to vary from the 35% federal statutory rate for income taxes related to continuing operations were as follows:

	1999	1998	1997
	(millions)		
Income tax expense (benefit) at the federal statutory rate	$(375)	$364	$611
Effect of:			
State income taxes, net of federal income tax effect	10	33	48
Equity in losses of foreign joint ventures	18	6	4
Write-off of in-process research and development costs	—	63	—
Goodwill amortization	34	3	—
Other, net	(14)	(15)	(9)
Income tax expense (benefit)	$(327)	$454	$654
Effective income tax rate	30.5%	43.7%	37.4%

Income tax expense (benefit) allocated to other items was as follows:

	1999	1998	1997
	(millions)		
Discontinued operation	$(111)	$(62)	$(24)
Extraordinary items	(34)	(23)	—
Unrealized holding gains on investments[1]	13	8	5
Stock ownership, purchase and options arrangements[2]	(254)	(49)	(26)

[1] *These amounts have been recorded directly to "Shareholders' equity—Accumulated other comprehensive income" in the Consolidated Balance Sheets.*

[2] *These amounts have been recorded directly to "Shareholders' equity—Capital in excess of par or stated value" in the Consolidated Balance Sheets.*

Sprint recognizes deferred income taxes for the temporary differences between the carrying amounts of its assets and liabilities for financial statement purposes and their tax bases. The sources of the differences that give rise to the deferred income tax assets and liabilities at year-end 1999 and 1998, along with the income tax effect of each, were as follows:

	1999 Deferred Income Tax	
	Assets	Liabilities
	(millions)	
Property, plant and equipment	$ —	$2,473
Intangibles	—	452
Postretirement and other benefits	422	—
Reserves and allowances	149	—
Unrealized holding gains on investments	—	48
Operating loss carryforwards	1,189	—
Tax credit carryforwards	75	—
Other, net	177	—
	2,012	2,973
Less valuation allowance	466	—
Total	$1,546	$2,973

	1998 Deferred Income Tax	
	Assets	Liabilities
	(millions)	
Property, plant and equipment	$ —	$2,048
Intangibles	—	454
Postretirement and other benefits	419	—
Reserves and allowances	171	—
Unrealized holding gains on investments	—	60
Operating loss carryforwards	302	—
Other, net	142	—
	1,034	2,562
Less valuation allowance	249	—
Total	$ 785	$2,562

Management believes it is more likely than not that these deferred income tax assets, net of the valuation allowance, will be realized based on current income tax laws and expectations of future taxable income stemming from the reversal of existing deferred tax liabilities or ordinary operations. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions and future operating income levels may, however, affect the ultimate realization of all or some of these deferred income tax assets.

The valuation allowance related to deferred income tax assets increased $217 million in 1999 and $237 million in 1998 and decreased $2 million in 1997.

In 1999, Sprint acquired approximately $179 million of potential tax benefits related to net operating loss carryforwards in the acquisitions of the broadband fixed wireless companies. In 1998, Sprint acquired approximately $229 million of potential tax benefits related to net operating loss carryforwards in the PCS Restructuring. The benefits from the acquisitions and PCS Restructuring are subject to certain realization restrictions under various tax laws. A valuation allowance was provided for the total of these benefits. If these benefits are subsequently recognized, they will reduce goodwill or other noncurrent intangible assets resulting from the application of the purchase method of accounting for these transactions.

In connection with the PCS Restructuring, the PCS Group is required to reimburse the FON Group and the Cable Partners for net operating loss and tax credit carryforward benefits generated prior to the PCS Restructuring if realization by the PCS Group produces a cash benefit that would not otherwise have been realized. The reimbursement will equal 60% of the net cash benefit received by the PCS Group and will be made to the FON Group in cash and to the Cable Partners in shares of Series 2 PCS stock. The carryforward benefits subject to this requirement total $259 million, which includes the $229 million acquired in the PCS Restructuring.

At year-end 1999, Sprint had federal operating loss carryforwards of approximately $2.7 billion and state operating loss carryforwards of approximately $6.2 billion. Related to these loss carryforwards are federal tax benefits of $938 million and state tax benefits of $385 million. In addition, Sprint had available for income tax purposes federal alternative minimum tax credit carryforwards of $49 million, state alternative minimum tax credit carryforwards of $5 million, federal alternative minimum tax net operating loss carryforwards of $933 million and state alternative minimum tax net operating loss carryforwards of $359 million. The loss carryforwards expire in varying amounts through 2019.

8. Long-term Debt and Capital Lease Obligations

Sprint's consolidated long-term debt and capital lease obligations at year-end was as follows:

		1999			1998		
	Maturing	Sprint FON Group	Sprint PCS Group	Consolidated	Sprint FON Group	Sprint PCS Group	Consolidated
				(millions)			
Senior notes							
5.7% to 6.9%[1]	2001 to 2028	$1,105	$ 8,145	$ 9,250	$1,059	$3,941	$ 5,000
8.1% to 9.8%	2000 to 2003	632	—	632	632	—	632
11.0% to 12.5%[2]	2001 to 2006	—	734	584	—	699	565
Debentures and notes							
5.8% to 9.6%	2000 to 2022	565	—	565	565	—	565
Notes payable and commercial paper	—	294	1,971	2,265	472	274	746
First mortgage bonds							
2.0% to 9.9%	1999 to 2025	1,295	—	1,295	1,312	—	1,312
Capital lease obligations							
5.2% to 14.0%	1999 to 2008	69	486	555	32	452	484
Revolving credit facilities							
Variable rates	2002 to 2006	900	—	900	—	1,800	1,800
Other[2],[3]							
2.0% to 10.0%	1999 to 2007	573	153	726	370	1,029	1,085
		5,433	11,489	16,772	4,442	8,195	12,189
Less: current maturities[2]		902	185	1,087	33	348	247
Long-term debt and capital lease obligations[2]		$4,531	$11,304	$15,685	$4,409	$7,847	$11,942

(1) These borrowings were incurred by Sprint and allocated to the applicable Group. Sprint's weighted average interest rate related to these borrowings was 6.6% at year-end 1999 and 6.4% at year-end 1998. The weighted average interest rate related to the borrowings allocated to the PCS Group was approximately 8.7% at year-end 1999 and 8.5% at year-end 1998. See Note 2 for a more detailed description of how Sprint allocates financing to each of the Groups.

(2) Consolidated debt does not equal the total of PCS Group and FON Group debt due to intergroup debt eliminated in consolidation. The FON Group had an investment in the PCS Group's Senior Discount notes totaling $150 million at year-end 1999 and $134 million at year-end 1998. In addition, the PCS Group had other long-term debt payable to the FON Group totaling $314 million at year-end 1998, including $134 million classified as current.

(3) Includes notes with a market value of $316 million at year-end 1999 and $358 million at year-end 1998 recorded by the FON Group that may be exchanged at maturity for SBC Communications, Inc. (SBC) common shares owned by the FON Group or for cash. Based on SBC's closing price, had the notes matured at year-end 1999, they could have been exchanged for 6.5 million SBC shares. At year-end 1999, Sprint held 7.5 million SBC shares, which have been included in "Investments in equity securities" in the FON Group's Combined Balance Sheets.

Scheduled principal payments, excluding reclassified short-term borrowings, during each of the next five years are as follows:

	Sprint FON Group	Sprint PCS Group	Sprint
	(millions)		
2000	$ 902	$ 185	$1,087
2001	877	289	1,096
2002	1,339	59	1,398
2003	373	1,058	1,431
2004	144	1,042	1,186

Sprint

Short-term Borrowings

Sprint had bank notes payable totaling $670 million at year-end 1999 and $454 million at year-end 1998. In addition, Sprint had commercial paper borrowings totaling $1.6 billion at year-end 1999 and $292 million at year-end 1998. Though these borrowings are renewable at various dates throughout the year, they were classified as long-term debt because of Sprint's intent and ability, through unused credit facilities, to refinance these borrowings on a long-term basis.

In 1998, Sprint replaced its previous $1.5 billion credit facility with new facilities with syndicates of domestic and international banks. The new facilities totaled $5.0 billion and expire in 2000 and 2003. Commercial paper and certain bank notes payable are supported by Sprint's revolving credit facilities. Certain other notes payable relate to a separate revolving credit facility which expires in 2002. At year-end 1999, Sprint had total unused lines of credit of $3.5 billion.

Bank notes outstanding had weighted average interest rates of 6.3% at year-end 1999 and 5.7% at year-end 1998. The weighted average interest rate of commercial paper was 6.4% at year-end 1999 and 5.8% at year-end 1998.

Long-term Debt

In the 1999 third quarter, Sprint filed a shelf registration statement with the SEC covering $4.0 billion of senior unsecured debt securities. At year-end 1999, Sprint had issued $750 million of debt securities under the shelf. These securities have interest rates ranging from 6.4% to 6.5% and mature in 2001.

In August 1999, Sprint incurred other borrowings totaling $250 million which mature in 2002 and have variable interest rates. At year-end 1999, the notes had an interest rate of 6.1%.

In June 1999, Sprint entered into a $1.0 billion financing agreement to sell, on a continuous basis with recourse, undivided percentage ownership interests in a designated pool of its accounts receivable. Subsequent collections of receivables sold to investors are typically reinvested in new receivables. At year-end 1999, Sprint had borrowed $900 million with a weighted average interest rate of 6.4% under this agreement. These borrowings mature in 2002.

In May 1999, Sprint issued $3.5 billion of senior notes registered with the SEC. These notes have maturities ranging from 5 to 20 years and interest rates ranging from 5.9% to 6.9%. In 1998, Sprint issued $5.0 billion of senior notes registered with the SEC. These notes have maturities ranging from 5 to 30 years and interest rates ranging from 5.7% to 6.9%.

Sprint FON Group

In 1999, the FON Group received a net allocation of $1.0 billion of debt from Sprint. This debt was mainly used for new capital investments and acquisitions. See Note 2 for a more detailed description of how Sprint allocates debt to the Groups.

In the 1999 fourth quarter, Sprint redeemed, prior to scheduled maturities, $575 million of the assumed broadband fixed wireless companies' debt with interest rates ranging from 13.1% to 14.5%. This resulted in a $39 million after-tax extraordinary loss for the FON Group. In 1998, Sprint redeemed, prior to scheduled maturities, $138 million of FON Group debt with interest rates ranging from 7.9% to 9.3%. This resulted in a $5 million after-tax extraordinary loss for the FON Group.

FON Group gross property, plant and equipment totaling $14.3 billion was either pledged as security for first mortgage bonds and certain notes or is restricted for use as mortgaged property.

Sprint PCS Group

In 1999, Sprint allocated $5.9 billion of debt to the PCS Group. This debt was mainly used to repay debt, to fund new capital investments and to fund operating losses and working capital requirements.

In 1999, the PCS Group repaid $2.2 billion of its revolving credit facilities and other borrowings prior to scheduled maturities. This resulted in a $21 million after-tax extraordianary loss.

In 1998, Sprint redeemed, prior to scheduled maturities, $3.3 billion of PCS Group debt with a weighted average interest rate of 8.3%. This resulted in a $31 million after-tax extraordinary loss for the PCS Group. The debt was repaid with a portion of the proceeds from Sprint's $5.0 billion debt offering in November 1998.

Other

Sprint, including the FON Group and the PCS Group, had complied with all restrictive or financial covenants relating to its debt arrangements at year-end 1999.

9. Common Stock

Sprint FON Stock and Sprint PCS Stock

On December 14, 1999, the Sprint Board of Directors authorized a two-for-one stock split of Sprint's PCS common stock in the form of a stock dividend which was distributed on February 4, 2000 to the PCS shareholders.

On April 20, 1999, the Board of Directors authorized a two-for-one stock split of Sprint's FON common stock in the form of a stock dividend which was distributed on June 4, 1999 to the FON shareholders.

In November 1998, Sprint recapitalized its common stock into FON stock and PCS stock and restructured its interests in Sprint PCS. As a result, Sprint created the following series of common stock:

- *Series 1 FON stock and Series 1 PCS stock* Existing Sprint common shareholders received one share of FON stock and ½ share of PCS stock for each Sprint share owned. Authorized shares totaled 2.5 billion for the Series 1 FON stock and 1.25 billion for the Series 1 PCS stock.
- *Series 2 FON stock and Series 2 PCS stock* The Cable Partners received PCS shares for their ownership interests in Sprint PCS. These shares have 1/10 the voting power of the Series 1 and Series 3 PCS shares. Authorized shares totaled 500 million for both the Series 2 FON stock and Series 2 PCS stock.
- *Series 3 FON stock and Series 3 PCS stock* To maintain their combined voting power at 20%, FT and DT purchased a combined total of 5.1 million Series 3 PCS shares (pre-split basis) for $85 million at the time of the restructuring. Series 3 FON and PCS stock is also used whenever FT and DT purchase stock to maintain their voting power and would be used if FT and DT were to elect to convert their Class A common shares into FON and PCS stock. Authorized shares totaled 1.2 billion for the Series 3 FON stock and 600 million for the Series 3 PCS stock.

At year-end 1999, Sprint had 22 thousand PCS treasury shares (post-split basis), which were recorded at cost. The PCS shares are held by the FON Group and represent an intergroup interest in the PCS Group which has been eliminated in the Sprint Consolidated financial statements.

Beginning in November 2001, Sprint has the option to convert PCS shares into FON shares.

Class A and Series 3 Common Stock

FT and DT own Series 3 FON common shares, Series 3 PCS common shares and Class A common shares which represent approximately 20% of Sprint's voting power. Sprint declared and paid Class A common dividends of 62.5 cents per share in 1999 and $1.00 per share in 1998 and 1997.

In February 1999, FT and DT purchased an aggregate of 6.1 million Series 3 PCS shares (pre-split basis) for $169 million in conjunction with the registered public offering of 24.4 million shares of Series 1 PCS stock (pre-split basis).

During 1999, FT and DT purchased an aggregate of 1.2 million shares of Series 3 FON shares (post-split basis) and 0.8 million additional Series 3 PCS shares (pre-split basis) for $100 million to maintain their combined 20% voting power.

Additionally, during 1999, FT and DT bought Series 1 FON and Series 1 PCS shares on the open market to maintain their combined 20% voting power. These shares converted into Series 3 FON and Series 3 PCS shares.

In November 1998, 86.2 million Class A common shares were reclassified to represent an equity interest in the FON Group (86.2 million shares) and the PCS Group (43.1 million shares). FT and DT maintained their combined 20% voting power in Sprint by purchasing an additional 5.1 million Series 3 PCS shares (pre-split basis) for $85 million.

FT and DT, as Class A common, Series 3 FON and Series 3 PCS shareholders, have the right in most cases to pro rata representation on Sprint's Board of Directors. They may also purchase additional shares of FON stock and PCS stock from Sprint to keep their ownership level at a combined 20%. FT and DT have entered into a standstill agreement with Sprint restricting their ability to acquire Sprint voting shares (other than as intended by their agreements with Sprint). The standstill agreement also contains customary provisions restricting FT and DT from initiating or participating in any proposal with respect to the control of Sprint.

PCS Preferred Stock

As part of the PCS Restructuring, Sprint issued to the Cable Partners a new class of convertible preferred stock convertible into PCS shares.

Common Stock Reserved for Future Grants

At year-end 1999, common stock reserved for future grants under stock option plans or for future issuances under various other arrangements was as follows:

Sprint FON Group

	Shares
	(millions)
Employees Stock Purchase Plan	12.9
Employee savings plans	6.5
Automatic Dividend Reinvestment Plan	2.3
Officer and key employees' and directors' stock options	11.6
Conversion of preferred stock and other	3.0
	36.3

Sprint PCS Group(1)

	Shares
	(millions)
Employees Stock Purchase Plan	0.9
Employee savings plans	3.3
Officer and key employees' and directors' stock options	15.9
Warrants issued to Cable Partners	24.9
Conversion of preferred stock and other	20.3
	65.3

(1) *Restated to give effect to the February 2000 two-for-one stock split.*

Shareholder Rights Plan

Under Sprint's Shareholder Rights Plan, one half of a preferred stock purchase right is attached to each share of FON stock and PCS stock and one preferred stock purchase right is attached to each share of Class A common stock. The rights may be redeemed by Sprint at $0.01 per right and will expire in June 2007, unless extended. The rights are exercisable only if certain takeover events occur and are entitled to the following (on a post-split basis):

- Each FON stock right entitles the holder to purchase 1/1,000 of a share (Unit) of a no par Preferred Stock-Sixth Series at $275 per Unit.
- Each PCS stock right entitles the holder to purchase a Unit of a no par Preferred Stock-Eighth Series at $150 per Unit.
- Each Class A right entitles the holder to purchase ½ Unit of Preferred Stock-Sixth Series at $137.50 per ½ Unit and ¼ Unit of Preferred Stock-Eighth Series at $37.50 per ¼ Unit.

Preferred Stock-Sixth Series is voting, cumulative and accrues dividends on a quarterly basis generally equal to the greater of $100 per share or 2,000 times the total per share amount of all FON stock common dividends. Preferred Stock-Eighth Series has the same features as the Sixth Series, but applies to PCS shares. No Preferred Stock-Sixth Series or Preferred Stock-Eighth Series were issued or outstanding at year-end 1999 or 1998.

Other

The indentures and financing agreements of certain of Sprint's subsidiaries contain provisions limiting cash dividend payments on subsidiary common stock held by Sprint. As a result, $552 million of those subsidiaries' $1.5 billion total retained earnings was restricted at year-end 1999. The flow of cash in the form of advances from the subsidiaries to Sprint is generally not restricted.

10. Stock-based Compensation

Recapitalization and Stock Splits

Due to the Recapitalization and the FON and PCS stock splits, the number of shares and the related exercise prices have been adjusted to maintain both the total fair value of common stock underlying the options and ESPP share elections, and the relationship between the market value of the common stock and the exercise prices of the options and ESPP share elections.

Management Incentive Stock Option Plan

Under the Management Incentive Stock Option Plan (MISOP), Sprint has granted stock options to employees who are eligible to receive annual incentive compensation. Eligible employees are entitled to receive stock options in lieu of a portion of the target incentive under Sprint's management incentive plans. The options generally become exercisable on December 31 of the year granted and have a maximum term of 10 years. MISOP options are granted with exercise prices equal to the market price of the underlying common stock on the grant date. At year-end 1999, authorized FON shares under this plan approximated 24.1 million and authorized PCS shares approximated 14.5 million. The authorized number of shares was increased by approximately 7.1 million FON shares and 7.5 million PCS shares on January 1, 2000.

Stock Option Plan

Under the Sprint Stock Option Plan (SOP), Sprint has granted stock options to officers and key employees. The options generally become exercisable at the rate of 25% per year, beginning one year from the grant date, and have a maximum term of 10 years. SOP options are granted with exercise prices equal to the market price of the underlying common stock on the grant date. At year-end 1999, authorized FON shares under this plan approximated 38.5 million and authorized PCS shares approximated 40.6 million. These amounts were increased by approximately 11.8 million FON shares and 12.7 million PCS shares on January 1, 2000.

In 1997, Sprint granted performance-based stock options to certain key executives. The FON Group expensed $9 million in 1999 and $14 million in 1998 and the PCS Group expensed $5 million in 1999 and $1 million in 1998 related to these performance-based stock options.

Employees Stock Purchase Plan

Under Sprint's Employees Stock Purchase Plan (ESPP), employees may elect to purchase FON common stock or PCS common stock at a price equal to 85% of the market value on the grant or exercise date, whichever is less. At year-end 1999, authorized FON shares under this plan approximated 13.8 million and authorized PCS shares approximated 5.5 million.

Sprint PCS Long-term Incentive Plan

Prior to 1999, PCS Group employees meeting certain eligibility requirements were included in Sprint PCS' long-term incentive plan (LTIP). Under this plan, participants received appreciation units based on independent appraisals. Appreciation on the units was based on annual independent appraisals. The 1997 plan year appreciation units vest 25% per year beginning one year from the grant date and also expire after 10 years.

In connection with the PCS Restructuring, Sprint discontinued the Sprint PCS LTIP plan. The appreciation units were converted to PCS shares and options to buy PCS shares based on a formula designed to replace the appreciated value of the units at the beginning of July 1998. For vested units at year-end 1998, participants could elect to receive the appreciation in cash, or in shares and options. Most elected to receive shares and options.

In 1999, Sprint began issuing the shares, and options have become exercisable, based on the vesting requirements of the converted units. Assuming all participants stay employed by Sprint until all replacement options and shares are vested, Sprint will issue the remaining 1.7 million PCS shares and the remaining 2.0 million PCS shares under option will become exercisable.

Pro Forma Disclosures

Pro forma net income (loss) and earnings (loss) per share have been determined as if Sprint had used the fair value method of accounting for its stock option grants and ESPP share elections after 1994. Under this method, compensation expense is recognized over the applicable vesting periods and is based on the shares under option and their related fair values on the grant date.

For 1999, the FON Group's pro forma net income was $1,434 million and pro forma diluted EPS was $1.63. From the Recapitalization date through year-end 1998, the FON Group's pro forma net income was $103 million and pro forma diluted EPS was $0.12. The FON Group's pro forma net income was reduced by $10 million or $0.01 per FON share in 1999 and $19 million or $0.02 per FON share in 1998 due to additional compensation resulting from modifications to terms of options and ESPP share elections related to the Recapitalization.

For 1999, the PCS Group's pro forma net loss was $2,578 million and pro forma diluted loss per share was $2.82. The application of SFAS No. 123 did not have a material impact on the PCS Group's pro forma net loss from the Recapitalization date through year-end 1998. Sprint's pro forma net income and earnings per share prior to the Recapitalization date were as follows:

	1998[1]	1997
	(millions, except per share data)	
Pro forma net income	$ 785	$ 908
Pro forma diluted earnings per share	$ 1.79	$ 2.11

[1] Reflects consolidated pro forma net income and earnings per share until the Recapitalization date.

Fair Value Disclosures

MISOP and SOP

The following tables reflect the weighted average fair value per option granted, as well as the significant weighted average assumptions used in determining those fair values using the Black-Scholes pricing model:

FON Common Stock

1999	MISOP	SOP
Fair value on grant date	$9.86	$12.09
Risk-free interest rate	4.8%	4.8%
Expected volatility	26.6%	26.6%
Expected dividend yield	1.3%	1.3%
Expected life (years)	4	6

PCS Common Stock

1999	MISOP	SOP
Fair value on grant date	$8.55	$10.12
Risk-free interest rate	4.8%	4.8%
Expected volatility	67.7%	67.7%
Expected dividend yield	—	—
Expected life (years)	4	6

1998	SOP
Fair value on grant date	$5.44
Risk-free interest rate	4.4%
Expected volatility	75.0%
Expected dividend yield	—
Expected life (years)	6

Sprint Common Stock

1998	MISOP	SOP
Fair value on grant date	$14.58	$16.00
Risk-free interest rate	5.5%	5.5%
Expected volatility	21.7%	21.7%
Expected dividend yield	1.7%	1.7%
Expected life (years)	5	6

1997	MISOP	SOP
Fair value on grant date	$9.66	$11.74
Risk-free interest rate	6.2%	6.2%
Expected volatility	22.8%	22.8%
Expected dividend yield	2.3%	2.3%
Expected life (years)	4	6

Employees Stock Purchase Plan

During 1999, FON Group and PCS Group employees elected to purchase 1.3 million FON and 6.5 million PCS ESPP shares. Using the Black-Scholes pricing model, the weighted average fair value is $11.12 per share for each FON election and $8.08 per share for each PCS election.

During 1998, FON Group employees elected to purchase 2.1 million ESPP shares with each election having a weighted average fair value (using the Black-Scholes pricing model) of $13.90 per share. No ESPP shares were offered in 1997.

Stock Options

Stock option plan activity was as follows:

FON stock option plan activity has been restated to give effect to the 1999 two-for-one stock split.

FON Common Stock

	Sprint FON Shares	Weighted Average per Share Exercise Price
	(millions)	
Converted in November 1998	47.6	$21.01
Exercised	(0.2)	15.95
Outstanding, year-end 1998	47.4	21.03
Granted	20.9	41.51
Exercised	(13.5)	18.93
Forfeited/Expired	(2.8)	28.61
Outstanding, year-end 1999	52.0	$29.48

PCS stock option plan activity has been restated to give effect to the February 2000 two-for-one stock split.

PCS Common Stock

	Sprint PCS Shares	Weighted Average per Share Exercise Price
	(millions)	
Converted in November 1998	23.8	$ 4.58
Granted	5.4	7.92
Outstanding, year-end 1998	29.2	5.20
Granted	21.8	17.67
Exercised	(9.2)	6.05
Forfeited/Expired	(2.0)	9.64
Outstanding, year-end 1999	39.8	$11.64

Sprint Common Stock

	Sprint Shares	Weighted Average per Share Exercise Price
	(millions)	
Outstanding, beginning of 1997	13.6	$29.42
Granted	9.4	46.14
Exercised	(3.4)	27.17
Forfeited/Expired	(0.9)	38.10
Outstanding, year-end 1997	18.7	37.85
Granted	9.1	59.73
Exercised	(3.4)	33.54
Forfeited/Expired	(0.6)	47.28
Converted in November 1998	23.8	$46.60

Options exercisable at year-end 1998 were 21.2 million FON options and 11.5 million PCS options. Sprint options exercisable were 8.3 million at year-end 1997. At year-end 1998, the weighted average exercise prices for exercisable options were $18.83 for FON options and $4.41 for PCS options.

The following tables summarize outstanding and exercisable options at year-end 1999:

FON Common Stock

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
	(millions)	*(years)*	
$ 5.00–$ 9.99	0.3	1.3	$ 8.28
10.00– 19.99	12.0	6.2	16.67
20.00– 29.99	18.5	7.8	24.84
30.00– 39.99	17.9	8.8	38.59
40.00– 49.99	1.6	5.7	45.26
50.00– 59.99	0.5	5.9	52.34
60.00– 69.99	0.8	6.0	67.88
70.00– 79.99	0.4	6.4	74.00

	Options Exercisable	
Range of Exercise Prices	Number Exercisable	Weighted Average Exercise Price
	(millions)	
$ 5.00–$ 9.99	0.3	$ 8.28
10.00– 19.99	9.6	16.23
20.00– 29.99	5.8	25.97
30.00– 39.99	8.4	38.21

PCS Common Stock

Range of Exercise Prices	Options Outstanding Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
	(millions)	*(years)*	
$ 2.00–$ 9.99	19.8	7.1	$ 5.36
10.00– 19.99	18.4	9.1	15.59
20.00– 29.99	0.3	6.6	27.11
30.00– 39.99	0.2	7.0	33.32
40.00– 49.99	0.2	6.5	45.95
50.00– 59.99	0.9	7.7	50.76

Range of Exercise Prices	Options Exercisable Number Exercisable	Weighted Average Exercise Price
	(millions)	
$ 2.00–$ 9.99	9.2	$ 4.74
10.00– 19.99	7.8	15.59

11. Commitments and Contingencies

Litigation, Claims and Assessments

Various suits arising in the ordinary course of business are pending against Sprint. Management cannot predict the final outcome of these actions but believes they will not be material to Sprint's consolidated financial statements.

Operating Leases

Sprint's minimum rental commitments at year-end 1999 for all noncancelable operating leases, consisting mainly of leases for data processing equipment, real estate, cell and switch sites, and office space are as follows:

	(millions)
2000	$676
2001	503
2002	346
2003	229
2004	141
Thereafter	423

Sprint's gross rental expense totaled $890 million in 1999, $730 million in 1998 and $410 million in 1997. Rental commitments for subleases, contingent rentals and executory costs were not significant. The table excludes renewal options related to certain cell and switch site leases. These renewal options generally have five-year terms and may be exercised from time to time.

12. Financial Instruments

Fair Value of Financial Instruments

Sprint estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. As a result, the following estimates do not necessarily represent the values Sprint could realize in a current market exchange. Although management is not aware of any factors that would affect the year-end 1999 estimated fair values, those amounts have not been comprehensively revalued for purposes of these financial statements since that date. Therefore, estimates of fair value after year-end 1999 may differ significantly from the amounts presented below.

The carrying amounts and estimated fair values of Sprint's financial instruments at year-end were as follows:

	1999 Carrying Amount	1999 Estimated Fair Value
	(millions)	
Cash and equivalents	$ 120	$ 120
Investments in equity securities	464	464
Long-term debt and capital lease obligations	16,772	16,126

	1998 Carrying Amount	1998 Estimated Fair Value
	(millions)	
Cash and equivalents	$ 605	$ 605
Investments in equity securities	489	489
Long-term debt and capital lease obligations	12,189	12,771

The carrying amounts of Sprint's cash and equivalents approximate fair value at year-end 1999 and 1998. The estimated fair value of investments in equity securities was based on quoted market prices. The estimated fair value of long-term debt was based on quoted market prices for publicly traded issues. The estimated fair value of all other issues was based on the present value of estimated future cash flows using a discount rate based on the risks involved.

Concentrations of Credit Risk

Sprint's accounts receivable are not subject to any concentration of credit risk. Sprint controls credit risk of its interest rate swap agreements and foreign currency contracts through credit approvals, dollar exposure limits and internal monitoring procedures. In the event of nonperformance by the counterparties, Sprint's accounting loss would be limited to the net amount it would be entitled to receive under the terms of the applicable interest rate swap agreement or foreign currency contract. However, Sprint does not anticipate nonperformance by any of the counterparties to these agreements.

Interest Rate Swap Agreements

Sprint uses interest rate swap agreements as part of its interest rate risk management program. Net interest paid or received related to these agreements is recorded using the accrual method and is recorded as an adjustment to interest expense. Sprint had interest rate swap agreements with notional amounts of $598 million outstanding at year-end 1999 and $134 million outstanding at year-end 1998. Net interest expense (income) related to interest rate swap agreements was $1 million in 1999, $0.1 million in 1998 and $(0.2) million in 1997.

In 1998, Sprint deferred losses from the termination of interest rate swap agreements used to hedge a portion of a $5.0 billion debt offering. These losses, totaling $75 million, are being amortized to interest expense using the effective interest method over the term of the debt. At year-end 1999, the remaining unamortized deferred loss totaled $67 million.

Foreign Currency Contracts

As part of its foreign currency exchange risk management program, Sprint purchases and sells over-the-counter forward contracts and options in various foreign currencies. Sprint had outstanding open forward contracts to buy various foreign currencies of $14 million at year-end 1999 and $18 million at year-end 1998. Sprint had outstanding open purchase option contracts to call various foreign currencies of $1 million at year-end 1999 and $10 million at year-end 1998. The premium paid for an option is deferred and amortized over the life of the option. The forward contracts and options open at year-end 1999 and 1998 all had original maturities of six months or less. The net gain or loss recorded to reflect the fair value of these contracts is recorded in the period incurred. Total net losses, including hedge costs, of $0.3 million in 1999, $0.6 million in 1998 and $0.1 million in 1997 were recorded related to foreign currency transactions and contracts.

13. Additional Financial Information

Segment Information

The FON Group operates in five business segments, based on services and products: the long distance division, the local division, the product distribution and directory publishing businesses, activities to develop and deploy Sprint ION(SM) and other ventures. See Note 12 of Sprint FON Group Notes to the Combined Financial Statements for more information about the FON Group's business segments.

The PCS Group businesses operate in a single segment.

Sprint generally accounts for transactions between segments based on fully distributed costs, which Sprint believes approximates fair value.

Industry segment financial information was as follows:

	Sprint FON Group	Sprint PCS Group	Intergroup Eliminations[1]	Consolidated
			(millions)	
1999				
Net operating revenues	$17,016	$ 3,180	$(268)	$19,928
Intergroup revenues	264	4	(268)	—
Depreciation and amortization	2,129	1,523	—	3,652
Operating expenses	14,086	6,417	(268)	20,235
Operating income (loss)	2,930	(3,237)	—	(307)
Operating margin	17.2%	NM	—	NM
Equity in losses of affiliates	(73)	—	—	(73)
Capital expenditures	3,534	2,580	—	6,114
Total assets	21,803	17,924	(477)	39,250
1998				
Net operating revenues	$15,764	$ 1,225	$(108)	$16,881
Intergroup revenues	108	—	(108)	—
Depreciation and amortization	1,921	789	—	2,710
Operating expenses	13,004	3,795	(108)	16,691
Operating income (loss)	2,760	(2,570)	—	190
Operating margin	17.5%	NM	—	NM
Other partners' loss in Sprint PCS	—	1,251	—	1,251
Equity in losses of affiliates	(41)	—	—	(41)
Capital expenditures	3,159	1,072	—	4,231
Total assets	19,001	15,165	(909)	33,257
1997				
Net operating revenues	$14,564	$ —	$ —	$14,564
Depreciation and amortization	1,713	—	—	1,713
Operating expenses	12,094	19	—	12,113
Operating income (loss)	2,470	(19)	—	2,451
Operating margin	17.0%	NM	—	16.8%
Equity in losses of affiliates	(10)	(660)	—	(670)
Capital expenditures	2,709	154	—	2,863
Total assets	16,581	1,703	(10)	18,274

NM = Not meaningful

[1] FON Group revenues eliminated in consolidation consist principally of long-distance services provided to the PCS Group for resale to PCS customers and for internal business use and telemarketing services provided by the FON Group for PCS sales programs.

More than 95% of Sprint's revenues are from domestic customers located within the United States.

Revenues from one customer of the FON Group represent approximately 4% of the FON Group's net operating revenues in 1999 and 5% in 1998 and 1997.

Equipment sales to one retail chain and the subsequent service revenues generated by sales to its customers represent approximately 28% of the PCS Group's net operating revenues in 1999 and 25% in 1998.

Supplemental Cash Flows Information

Sprint's cash paid (received) for interest and income taxes was as follows:

	1999	1998	1997
		(millions)	
Interest (net of capitalized interest)	$ 714	$ 217	$198
Income taxes	$ (131)	$ 307	$366

Sprint's noncash activities included the following:

	1999	1998	1997
		(millions)	
Common stock issued for Cox PCS acquisition	$1,146	$ —	$—
Debt assumed in the broadband fixed wireless acquisitions	$ 575	$ —	$—
Tax benefit from stock options exercised	$ 254	$ 49	$ 26
Stock received for stock options exercised	$ 118	$ 18	$ 7
Noncash extinguishment of debt	$ 78	$ —	$—
Capital lease obligations	$ 77	$ 460	$ 30
Common stock issued under Sprint's ESPP	$ 72	$ 95	$ 5
Common stock issued to the Cable Partners to purchase Sprint PCS	$ —	$3,200	$—
Preferred stock issued to the Cable Partners in exchange for interim financing	$ —	$ 247	$—

See Note 3 for more details about the assets and liabilities acquired in business combinations.

Related Party Transactions

The Cable Partners advanced PhillieCo $26 million in 1998 and $24 million in 1997. These advances were repaid in the 1999 first quarter.

14. Recently Issued Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires all derivatives to be recorded on the balance sheet as either assets or liabilities and be measured at fair value. Gains or losses from changes in the derivative values are to be accounted for based on how the derivative was used and whether it qualifies for hedge accounting. When adopted in January 2001, this statement is not expected to have a material impact on Sprint's consolidated financial statements.

15. Quarterly Financial Data (Unaudited)

1999	Quarter 1st	2nd	3rd	4th
	(millions, except per share data)			
Net operating revenues[1]	$4,652	$4,888	$5,068	$5,320
Operating income (loss)	(90)	28	(64)	(181)
Loss from continuing operations[2]	(171)	(103)	(196)	(275)
Net loss	(220)	(169)	(256)	(290)
Earnings (Loss) per common share from continuing operations[3],[4]				
FON common stock				
Diluted	0.49	0.51	0.48	0.49
Basic	0.50	0.52	0.49	0.50
PCS common stock				
Diluted and Basic	(0.71)	(0.61)	(0.65)	(0.75)

1998	Quarter 1st	2nd	3rd	4th
	(millions, except per share data)			
Net operating revenues[1]	$4,011	$4,126	$4,273	$4,471
Operating income (loss)[6]	214	185	148	(357)
Income (Loss) from continuing operations[2],[5],[6]	249	247	251	(162)
Net income (loss)[5]	207	210	240	(243)
Earnings (Loss) per common share from continuing operations[3],[4],[7]				
Sprint common stock				
Diluted	0.57	0.56	0.57	0.49
Basic	0.58	0.57	0.58	0.50
FON common stock				
Diluted	NA	NA	NA	0.18
Basic	NA	NA	NA	0.18
PCS common stock				
Diluted and Basic	NA	NA	NA	(0.63)

[1] *Certain reclassifications were made from net operating revenues to operating expenses from amounts reported in 1999 reports on Form 10-Q to conform to current year presentation. These reclassifications had no impact on operating income (loss) as previously reported.*

[2] *Quarterly income (loss) from continuing operations have been adjusted from amounts reported in 1999 reports on Form 10-Q to reflect the presentation of the equity investment in Global One as a discontinued operation for all periods presented.*

[3] *In the 1999 second quarter, Sprint effected a two-for-one stock split of its FON stock. FON Group earnings per share for prior periods have been restated to reflect this stock split.*

[4] *On February 4, 2000, Sprint effected a two-for-one stock split of its PCS stock. PCS Group loss per share for prior periods have been restated to reflect this stock split.*

[5] *In the 1998 fourth quarter, the FON Group recorded net nonrecurring gains of $104 million, mainly from the sale of local exchanges. This decreased loss from continuing operations by $62 million.*

[6] *In the 1998 fourth quarter, the PCS Group recorded a nonrecurring charge to write off $179 million of acquired IPR&D related to the PCS Restructuring. This charge increased operating loss and loss from continuing operations by $179 million.*

[7] *Fourth quarter 1998 reflects EPS for Sprint only through the date of the November 1998 Recapitalization. EPS for the FON Group and the PCS Group reflects EPS from the date of the Recapitalization through year-end 1998.*

NA = Not applicable

16. Subsequent Event (Unaudited)

In February 2000, Sprint's Board of Directors declared dividends of 12.5 cents per share on the Sprint FON common stock and Class A common stock. Dividends will be paid March 30, 2000.

SPRINT CORPORATION

SCHEDULE II—CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1999, 1998 and 1997

	Balance Beginning of Year	Additions			Other Deductions	Balance End of Year
		PCS Restructuring	Charged to Income	Charged to Other Accounts		
			(millions)			
1999						
Allowance for doubtful accounts	$186	$—	$655	$ 7	$(563)[(1)]	$285
Valuation allowance—deferred income tax assets	$249	$—	$ 47	$179[(4)]	$ (9)	$466
1998						
Allowance for doubtful accounts	$147	$ 8[(2)]	$379	$ 3	$(351)[(1)]	$186
Valuation allowance—deferred income tax assets	$ 12	$229[(3)]	$—	$ 16	$ (8)	$249
1997						
Allowance for doubtful accounts	$117	$—	$389	$ 4	$(363)[(1)]	$147
Valuation allowance—deferred income tax assets	$ 14	$—	$ 3	$—	$ (5)	$ 12

(1) *Accounts written off, net of recoveries.*

(2) *As discussed in Note 3, the PCS Group's assets and liabilities were recorded at their fair values on the PCS Restructuring date. Therefore, the data presented in this Schedule reflects activity since the PCS Restructuring.*

(3) *Represents a valuation allowance for deferred income tax assets recorded in connection with the PCS Restructuring.*

(4) *Represents a valuation allowance for deferred income tax assets relating to the net operating loss carryforwards acquired in the purchase of the broadband fixed wireless companies.*

Sprint

Annex II

Sprint FON Group
Combined Financial Information

SELECTED FINANCIAL DATA

	1999	1998	1997	1996	1995
	(millions, except per share data)				
Results of Operations					
Net operating revenues	$17,016	$15,764	$14,564	$13,610	$12,482
Operating income[1]	2,930	2,760	2,470	2,268	1,834
Income from continuing operations[1],[2]	1,736	1,675	1,513	1,373	966
Earnings per Share and Dividends[3]					
Earnings per common share from continuing operations[1],[2]					
Diluted	$ 1.97	$ 1.93	$ 1.73	$ 1.61	$ 1.37
Basic	2.01	1.96	1.76	1.63	1.38
Dividends per common share	$ .50	$ .50	$ .50	$ .50	$ .50
Financial Position					
Total assets	$21,803	$19,001	$16,581	$15,655	$14,101
Property, plant and equipment, net	14,002	12,464	11,307	10,464	9,716
Total debt (including short-term borrowings)	5,433	4,442	3,880	3,274	5,668
Group equity	10,514	9,024	7,639	7,332	3,677
Cash Flow Data					
Cash from operating activities[4]	$ 3,713	$ 3,915	$ 2,899	$ 2,267	$ 2,590
Capital expenditures	3,534	3,159	2,709	2,434	1,857

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or group equity as previously reported.

The FON Group was created as a result of the PCS Restructuring and Recapitalization. See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—General" for more information.

(1) *The FON Group recorded nonrecurring charges of $20 million in 1997 and $60 million in 1996 related to litigation within the long distance division. These charges reduced income from continuing operations by $13 million in 1997 and $36 million in 1996. In 1995, the FON Group recorded a nonrecurring charge of $88 million related to a restructuring within the local division. This reduced income from continuing operations by $55 million.*

(2) *In 1998, the FON Group recorded net nonrecurring gains of $104 million mainly from the sale of local exchanges. This increased income from continuing operations by $62 million. In 1997, the FON Group recorded nonrecurring gains of $71 million mainly from sales of local exchanges and certain investments. These gains increased income from continuing operations by $44 million.*

(3) *In the 1999 second quarter, Sprint effected a two-for-one stock split of its FON stock. Earnings per share and dividends for the FON Group for periods prior to 1999 are on a pro forma basis and assume the FON shares created in the 1998 recapitalization of Sprint's common stock existed for all periods presented. Pro forma earnings per share and dividends for prior periods have been restated to reflect the stock split.*

(4) *The 1996 amount was reduced by $600 million for cash required to terminate an accounts receivable sales agreement.*

General

See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—General" for more information.

Forward-looking Information

See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—Forward-looking Information" for a discussion of forward-looking information.

Sprint FON Group

Core Businesses

Long Distance Division

The long distance division is the nation's third-largest long distance phone company. It operates a nationwide, all-digital long distance communications network that uses fiber-optic and electronic technology. The division primarily provides domestic and international voice, video and data communications services.

Local Division

The local division consists of regulated local phone companies serving more than 8 million access lines in 18 states. It provides local phone services, access by phone customers and other carriers to its local network, sales of telecommunications equipment, and long distance services within certain regional calling areas, or LATAs.

Product Distribution and Directory Publishing Businesses

The product distribution business provides wholesale distribution services of telecommunications products. The directory publishing business publishes and markets white and yellow page phone directories.

Sprint ION(SM)

Sprint is developing and deploying new integrated communications services, referred to as Sprint ION. Sprint ION extends Sprint's existing network capabilities to the customer and enables Sprint to provide the network infrastructure to meet customers' demands for advanced services including integrated voice, data, Internet and video. It is also expected to be the foundation for Sprint to provide new competitive local service.

Other Ventures

The "other ventures" segment includes the cable TV service operations of the broadband fixed wireless companies acquired in the second half of 1999. This segment also includes the FON Group's investments in EarthLink, Inc., an Internet service provider; Call-Net, a long distance provider in Canada operating under the Sprint brand name; and certain other telecommunications investments and ventures.

Results of Operations

Total net operating revenues for 1999 were $17.0 billion, an 8% increase from $15.8 billion in 1998. Total net operating revenues for 1997 were $14.6 billion.

Income from continuing operations was $1.7 billion in 1999 and 1998 and $1.5 billion in 1997.

Core Businesses

In 1999, the FON Group's core businesses generated improved net operating revenues and operating income from 1998. Long distance calling volumes increased 22% in 1999 and 15% in 1998. Access lines served by the local division increased 5% in 1999 and 1998, excluding sales of local exchanges.

Core net income included net nonrecurring pretax gains of $104 million in 1998 and $51 million in 1997. These gains mainly consisted of sales of local exchanges and certain investments, partly offset by litigation charges in 1997.

Excluding these nonrecurring items, operating income from core operations was $3.3 billion in 1999, $2.9 billion in 1998 and $2.6 billion in 1997.

Segmental Results of Operations

Long Distance Division

	1999	1998	1997
		(millions)	
Net operating revenues	$10,567	$9,658	$8,684
Operating expenses			
Interconnection	3,804	3,608	3,640
Operations	1,507	1,453	1,257
Selling, general and administrative[1]	2,629	2,312	2,014
Depreciation and amortization	993	918	748
Total operating expenses	8,933	8,291	7,659
Operating income	$ 1,634	$1,367	$1,025
Operating margin	15.5%	14.2%	11.8%
Capital expenditures	$ 1,209	$1,364	$1,223

(1) *The FON Group recorded nonrecurring litigation charges of $20 million in 1997.*

Net Operating Revenues

All major market segments—business, residential and wholesale—contributed to the increase in net operating revenues in 1999 and 1998. The increases mainly reflect strong data services revenue growth as well as strong minute growth of 22% in 1999 and 15% in 1998, partly offset by a more competitive pricing environment and a change in the mix of products sold.

Business and Data Market

Business and data market revenues increased 9% in 1999 and 15% in 1998. Data services showed strong growth because of continued demand and increased use of the Internet. The increases also reflect strong calling volumes partly offset by lower rates due to increased competition.

Residential Market

Residential market revenues increased 7% in 1999 and 5% in 1998. These increases reflect strong volume growth from long distance calls, partly offset by lower domestic and international rates. Growth was also enhanced by the Sprint Nickel Nights(SM) product which generated increased sales in 1999. Other growth factors included increased prepaid card revenues and increased sales of Sprint Solutions(SM) —bundled local and long-distance services sold through Sprint's local telephone operations.

Wholesale Market

Wholesale market revenues increased 15% in 1999 and 8% in 1998. This reflects strong minute growth mainly from international calls and increased inbound and outbound toll-free calls.

Interconnection Costs

Interconnection costs consist of amounts paid to local phone companies, other domestic service providers and foreign phone companies to complete calls made by the division's domestic customers. These costs increased 5% in 1999 and decreased 1% in 1998. Increased calling volumes were partially offset by reductions in per-minute costs for both domestic and international access in 1999. The 1999 increase in interconnection costs also reflects costs related to growth in non-minute driven revenues. In 1998, reductions in per-minute costs more than offset the impact of increased calling volumes. The rate reductions were generally due to domestic FCC-mandated access rate reductions that took effect in January and July 1998 and July 1999. Lower international per minute costs reflect continued competition. Sprint expects government deregulation and competitive pressures to add to the trend of declining unit costs for international interconnection. Interconnection costs were 36.0% of net operating revenues in 1999, 37.4% in 1998 and 41.9% in 1997.

Operations Expense

Operations expense includes costs to operate and maintain the long distance network and costs of equipment sales. It also includes costs to provide operator, public payphone and video teleconferencing services as well as telecommunications services for the hearing-impaired. Operations expense increased 4% in 1999 and 16% in 1998. These increases were driven by growth in data services as well as increases in network equipment operating leases in both years. The 1998 increase also reflects the service costs of Paranet, which was purchased in late 1997. Operations expense was 14.3% of net operating revenues in 1999, 15.0% in 1998 and 14.5% in 1997.

Selling, General and Administrative Expense

Selling, general and administrative (SG&A) expense increased 14% in 1999 and 15% in 1998. These increases mainly reflect the overall growth of the business as well as increased marketing and promotions to support products and services, including the rollout of an airline alliance program which enables customers to earn frequent flyer miles when they use Sprint's services. SG&A expense was 24.8% of net operating revenues in 1999, 23.9% in 1998 and 23.2% in 1997.

Depreciation and Amortization Expense

Depreciation and amortization expense increased 8% in 1999 and 23% in 1998. These increases were generally due to an increased asset base to enhance network reliability, meet increased demand for voice and data-related services and upgrade capabilities for providing new products and services. The 1998 increase was also driven by capital additions having shorter average depreciable lives. Depreciation and amortization expense was 9.4% of net operating revenues in 1999, 9.5% in 1998 and 8.6% in 1997.

Local Division

	1999	1998	1997
		(millions)	
Net operating revenues	$5,650	$5,372	$5,294
Operating expenses			
Costs of services and products	1,971	1,853	1,892
Selling, general and administrative	1,114	1,130	1,064
Depreciation and amortization	1,065	982	946
Total operating expenses	4,150	3,965	3,902
Operating income	$1,500	$1,407	$1,392
Operating margin	26.5%	26.2%	26.3%
Capital expenditures	$1,354	$1,374	$1,270

Beginning in July 1997, Sprint changed its transfer pricing for certain transactions between FON Group entities to more accurately reflect market pricing. The main effect of this change was a reduction in the local division's "Net Operating Revenues—Other Revenues." Sprint sold approximately 139,000 residential and business access lines in Illinois in 1997 and the remaining 81,000 access lines in Illinois in November 1998. For comparative purposes, the following discussion of local division results assumes these transfer pricing changes and sales of exchanges occurred at the beginning of 1997. Adjusting for these transfer pricing changes and sales of exchanges, operating margins would have been 26.0% in 1998 and 25.0% in 1997.

Net Operating Revenues

Net operating revenues increased 6% in 1999 and 5% in 1998. These increases mainly reflect customer access line growth and increased sales of network-based services such as Caller ID and Call Waiting. Customer access lines increased 5% in both 1999 and 1998. Sales of network-based services increased in 1999 due to strong demand for bundled services which combine local service, network-based features and long distance calling. The increase in 1998 revenues also reflects increased sales of equipment. Net operating revenues were $5.7 billion in 1999, $5.3 billion in 1998 and $5.1 billion in 1997.

Local Service Revenues

Local service revenues, derived from local exchange services, grew 9% in 1999 and 10% in 1998 because of customer access line growth, continued demand for network-based services, growth in data products and increased revenues from maintaining customer wiring and equipment. Revenue growth in 1998 also reflects increased sales of private line services.

Network Access Revenues

Network access revenues, derived from long distance phone companies using the local network to complete calls, increased 4% in 1999 and in 1998. These revenues reflect an 8% increase in minutes of use in 1999 and 1998 and the 1999 implementation of local number portability charges. These increases were partly offset by access rate reductions mandated by the FCC. Access rate reductions took effect in January and July 1998 and July 1999.

Toll Service Revenues

Toll service revenues are mainly derived from providing long distance services within specified regional calling areas, or LATAs, that are beyond the local calling area. These revenues decreased 11% in 1999 and 26% in 1998, mainly reflecting increased competition in the intraLATA long distance market, which is expected to continue. In addition, toll service areas are shrinking as certain local calling areas are expanding. However, the reduced revenues are, in part, offset by increases in local service revenues and by increases in network access revenues paid by other carriers providing intraLATA long distance services to the local division's customers. In addition, over one-third of the toll customers lost by the local division have selected Sprint's long distance division for intraLATA long distance service, which helps mitigate the erosion of these revenues.

Other Revenues

Other revenues increased 7% in 1999 and 1998 reflecting increased equipment sales of business systems and data networks, as well as growth in telemarketing and commission revenues. Revenue growth in 1999 also reflects improvements in uncollectibles. The 1998 growth also reflects increased revenues from providing billing and collection services.

Costs of Services and Products

Costs of services and products include costs to operate and maintain the local network and costs of equipment sales. These expenses increased 7% in 1999 and remained flat in 1998. The 1999 increase was driven by customer access line growth, increased equipment sales, an increased emphasis on service levels, increased telemarketing expenses and storm related costs. The 1998 cost increases from customer access line growth and increased equipment sales were offset by efficiencies from streamlining and standardizing business processes and a reduction in pension costs due to increased returns on plan assets. Costs of services and products were 34.9% of net operating revenues in 1999, 34.5% in 1998 and 36.1% in 1997.

Selling, General and Administrative Expense

SG&A expenses decreased 1% in 1999 and increased 8% in 1998. The 1999 decrease is due to a strong emphasis on cost control, partly offset by increased marketing costs to promote new products and services and costs related to customer access line growth. The 1998 increase was mainly due to marketing costs to promote new products and services and increased customer service costs related to customer access line growth. Also impacting SG&A for 1998 was a reduction in pension costs due to increased returns on plan assets. SG&A expense was 19.7% of net operating revenues in 1999, 21.1% in 1998 and 20.5% in 1997.

Depreciation and Amortization Expense

Depreciation and amortization expense increased 9% in 1999 and 5% in 1998, mainly because of increased capital expenditures in switching and transport technologies which have shorter asset lives. Depreciation and amortization expense was 18.9% of net operating revenues in 1999, 18.4% in 1998 and 18.3% in 1997.

Product Distribution and Directory Publishing Businesses

	1999	1998	1997
		(millions)	
Net operating revenues	$1,731	$1,683	$1,454
Operating expenses			
Costs of services and products	1,345	1,330	1,173
Selling, general and administrative	127	109	93
Depreciation and amortization	17	13	9
Total operating expenses	1,489	1,452	1,275
Operating income	$ 242	$ 231	$ 179
Operating margin	14.0%	13.7%	12.3%
Capital expenditures	$ 36	$ 9	$ 11

Beginning in July 1997, Sprint changed its transfer pricing for certain transactions between FON Group entities to more accurately reflect market pricing. The following discussion assumes these transfer pricing changes occurred at the beginning of 1997. Adjusting for these changes, the product distribution and directory publishing businesses' operating margins would have been 15.7% in 1997.

Net operating revenues increased 3% in 1999 and 16% in 1998. Nonaffiliated revenues accounted for roughly 60% of revenues in 1999 and 1998. These revenues increased 12% in 1999 and 10% in 1998. Sales to affiliates decreased 10% in 1999 and increased 27% in 1998. The change in the mix of the local division's capital program to more electronics and software, which is more frequently purchased directly from manufacturers, caused the decline in affiliate sales in 1999. In 1998, the growth reflects the centralization of certain local division purchasing and warehousing functions at North Supply in 1997 resulting in affiliates purchasing more through North Supply.

Costs of services and products increased 1% in 1999 and 19% in 1998 reflecting increased equipment sales. SG&A expense increased 17% in both 1999 and 1998. The 1999 increase was the result of staffing demands related to nonaffiliated sales growth. The 1998 increase was the result of costs related to the division's acquisition of a sales force from another directory sales company in 1998.

Sprint ION(SM)

	1999	1998	1997
		(millions)	
Operating expenses	$358	$143	$ 5
Capital expenditures	$542	$154	$46

Operating expenses for Sprint ION in 1999 and 1998 reflect its initial development and deployment activities and include costs for network research and testing, systems and operations development, product development and advertising to increase public awareness. Depreciation and amortization totaled $38 million in 1999, $5 million in 1998 and $2 million in 1997.

Other Ventures

	1999	1998	1997
		(millions)	
Net operating revenues	$ 20	$—	$—
Operating expenses	$ 68	$ 40	$ 84
Operating loss	$(48)	$(40)	$(84)
Equity in losses of affiliates	$(89)	$(51)	$(10)
Capital expenditures	$ 23	$—	$ 17

This segment includes the operating results of the cable TV service operations of the broadband fixed wireless companies after their 1999 acquisition dates.

Operating expenses in 1998 and 1997 and capital expenditures in 1997 mainly relate to the FON Group's offering of Internet services. In June 1998, the FON Group completed the strategic alliance to combine its Internet business with EarthLink. As part of the alliance, EarthLink obtained the FON Group's Sprint Internet Passport customers and took over the day-to-day operations of those services. In exchange, the FON Group acquired an equity interest in EarthLink. As a result, beginning in 1998, the FON Group's share of EarthLink's losses has been reflected in "Equity in losses of affiliates" above.

"Equity in losses of affiliates" mainly consists of losses from EarthLink and Call-Net.

Nonoperating Items

Interest Expense

The effective interest rates in the following table reflect interest expense on long-term debt only. Interest costs on short-term borrowings classified as long-term debt, intergroup borrowings, deferred compensation plans and customer deposits have been excluded so as not to distort the effective interest rates on long-term debt.

	1999	1998	1997
Effective interest rate on long-term debt	7.8%	7.9%	8.0%

Effective with the PCS Restructuring, interest expense on borrowings incurred by Sprint and allocated to the PCS Group is based on rates the PCS Group would be able to obtain from third parties. Those interest rates are higher than the rates Sprint obtains on the borrowings. The difference between Sprint's actual interest rates and the rates charged to the PCS Group is reflected as a reduction in the FON Group's interest expense. These reductions, which totaled $157 million in 1999 and $11 million in 1998, have also been excluded in computing the effective interest rates above. See Note 2 of Notes to Combined Financial Statements for a more detailed description of Sprint's policies about the allocation of Group financing.

Other Income, Net

Other income consisted of the following:

	1999	1998	1997
		(millions)	
Dividend and interest income	$36	$ 74	$ 99
Other, net	13	79	66
Total	$49	$153	$165

Dividend and interest income for all years reflects interest earned on temporary investments. For 1998, it also reflects interest earned on loans to unconsolidated affiliates and interest earned on short-term investments following Sprint's $5.0 billion debt offering in late 1998. "Other, net" for 1999 includes net gains on miscellaneous investment activities, partly offset by losses from certain equity method investments. For 1998 and 1997, it mainly reflects net gains on sales of local exchanges and certain investments, partly offset by losses from certain equity method investments.

Income Taxes

The FON Group's effective tax rates were 37.9% in 1999, 37.3% in 1998 and 37.7% in 1997. See Note 7 of Notes to Combined Financial Statements for information about the differences that caused the effective income tax rates to vary from the statutory federal rate for income taxes related to continuing operations.

Discontinued Operation, Net

As a result of Sprint's sale of its interest in Global One to Deutsche Telekom and France Telecom, Sprint's equity share of the results of Global One has been reported as a discontinued operation for all periods presented.

Sprint recorded after-tax losses related to Global One totaling $130 million in 1999, $135 million in 1998 and $142 million in 1997. The 1999 amount includes a $50 million tax benefit recorded to recognize tax assets related to previous losses. The realization of these assets was uncertain until the sale agreement was reached. The gain on the sale of Sprint's interest in Global One made it apparent that these tax assets would be realized.

Extraordinary Items, Net

In 1999, Sprint redeemed, prior to scheduled maturities, $575 million of the broadband fixed wireless companies' debt, assumed by the FON Group, with interest rates ranging from 13.1% to 14.5%. This resulted in a $39 million after-tax extraordinary loss for the FON Group.

In 1998, Sprint redeemed, prior to scheduled maturities, $138 million of FON Group debt with interest rates ranging from 7.9% to 9.3%. This resulted in a $5 million after-tax extraordinary loss.

Financial Condition

	1999	1998
	(millions)	
Combined assets	$21,803	$19,001

The increase in assets was due to capital expenditures to support the core long distance and local networks and Sprint ION development as well as the purchase of the broadband fixed wireless companies. See "Liquidity and Capital Resources" for more information about changes in the Combined Balance Sheets.

Liquidity and Capital Resources

Operating Activities

	1999	1998	1997
		(millions)	
Cash flows provided by operating activities	$3,713	$3,915	$2,899

The decrease in 1999 operating cash flows mainly reflects increases in working capital partly offset by improved operating results. The increase in 1998 operating cash flows mainly reflects improved operating results in the FON Group's core businesses and decreases in working capital.

Investing Activities

	1999	1998	1997
		(millions)	
Cash flows used by investing activities from continuing operations	$(3,965)	$(3,098)	$(3,827)

Capital expenditures, which are the FON Group's largest investing activity, totaled $3.5 billion in 1999, $3.2 billion in 1998 and $2.7 billion in 1997. Long distance capital expenditures were incurred mainly to enhance network reliability, meet increased demand for voice and data-related services and upgrade capabilities for providing new products and services. The local division incurred capital expenditures to accommodate access line growth, provide additional capacity for increased Internet traffic and expand capabilities for providing enhanced services. In addition, capital expenditures increased $388 million in 1999 from 1998 due to Sprint ION development and hardware deployment.

In 1999, Sprint purchased the net assets of several broadband fixed wireless companies for $618 million, excluding assumed debt. In 1997, Sprint purchased the net assets of Paranet for $375 million. See Note 3 of Notes to Combined Financial Statements.

In 1999, the FON Group received a payment of $314 million from the PCS Group on its outstanding loan. The FON Group had advances to the PCS Group and loans to Sprint PCS to fund capital and operating requirements. Loans to Sprint PCS in 1998 were partly offset by the repayment of a vendor financing loan. Equity transfers to the PCS Group were also used to fund its capital and operating requirements and were offset by current tax benefits used by the FON Group.

Investing activities also include net proceeds from sales of assets totaling $90 million in 1999, $230 million in 1998 and $292 million in 1997.

"Investments in and loans to other affiliates, net" includes the FON Group's investment in EarthLink, Call-Net and other miscellaneous ventures.

Financing Activities

	1999	1998	1997
		(millions)	
Cash flows provided (used) by financing activities	$308	$(219)	$79

Financing activities during 1999 mainly reflect long-term borrowings of $1.0 billion, partly offset by payments on long-term debt of $529 million. In 1998, financing activities mainly reflect long-term borrowings of $785 million partly offset by payments on long-term debt of $388 million. In 1997, the FON Group had net borrowings of $532 million, mainly to fund investments in and loans to affiliates.

The FON Group paid dividends of $426 million in 1999 and $430 million in 1998 and 1997. The indicated annual dividend rate on FON stock is $0.50 per share.

Capital Requirements

The FON Group's 2000 investing activities, mainly consisting of capital expenditures and investments in affiliates, are expected to require cash of $4.1 to $4.4 billion. FON Group capital expenditures are expected to range between $3.9 and $4.2 billion in 2000. The long distance and local divisions will require the majority of this total. Sprint ION is expected to require $600 to $700 million for capital expenditures in 2000. Investments in affiliates are expected to require cash of approximately $200 million. Dividend payments are expected to approximate $435 million.

In connection with the PCS Restructuring, Sprint adopted a tax sharing agreement that provides for the allocation of income taxes between the FON Group and the PCS Group. Sprint expects the FON Group to make significant payments to the PCS Group under this agreement because of expected PCS Group operating losses in the near future. These payments will reflect the PCS Group's incremental cumulative effect on Sprint's consolidated federal and state tax liability and tax credit position. The PCS Group accrued current benefits under the agreement totaling $887 million in 1999 and $190 million in 1998 and received related payments from the FON Group totaling $764 million in 1999 and $20 million in 1998. The remaining $293 million will be paid by the FON Group during the first half of 2000. See Note 2 of Notes to Combined Financial Statements, "Allocation of Federal and State Income Taxes" for more details.

Liquidity

See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity" for a discussion of liquidity.

Regulatory Developments

Competitive Local Service

The Telecommunications Act of 1996 (Telecom Act) was designed to promote competition in all aspects of telecommunications. It eliminated legal and regulatory barriers to entry into local phone markets. It also required incumbent local phone companies, among other things, to allow local resale at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to unbundled network elements and allow collocation of interconnection equipment by competitors. Sprint has obtained interconnection and collocation agreements with a number of incumbent local telephone carriers, and is rolling out Sprint ION in cities across the nation.

Sprint is also rolling out resold and UNE based local services obtained from other local phone companies under the Telecom Act. This rollout of local services obtained from other local phone companies will occur in major areas across the nation not served by the LTD.

In January 1999, the Supreme Court affirmed the FCC's authority to establish rules and prices relating to interconnection and unbundling of the incumbent local phone companies' networks. The FCC subsequently reaffirmed in large part the list of network elements incumbents are required to provide on an unbundled basis, and strengthened collocation requirements. It also took steps to speed the deployment of advanced technologies such as xDSL.

RBOC Long Distance Entry

The Telecom Act also allows RBOCs to provide in-region long distance service once they obtain state certification of compliance with a competitive "checklist," have a facilities-based competitor, and obtain a FCC ruling that the provision of in-region long distance service is in the public interest. One RBOC, Bell Atlantic, obtained FCC authorization to provide in-region long distance service in New York in December 1999; RBOCs may gain such authorization in the near future in other states. The entry of the RBOCs into the long distance market will impact competition, but the extent of the impact will depend upon factors such as the RBOCs' competitive ability, the appeal of the RBOC brand to different market segments, and the response of competitors. Some of the impact on Sprint may be offset by wholesale revenues from those RBOCs that choose to resell Sprint services.

Customer Service Slamming

The Telecom Act also established liability for the unauthorized switch of a consumer's telephone service from one carrier to another (slamming). In late 1998, the FCC adopted new rules intended to prevent slamming and to compensate victims of slamming; these rules were stayed by the Court of Appeals, and the FCC is currently considering an industry proposal that would streamline the process for adjudicating alleged slams.

Mergers

As a result of increasing competitive pressures, a number of carriers have combined or proposed to combine. Sprint and MCI WorldCom filed a merger application with the FCC (November 1999) and with the European Commission (January 2000); Sprint and MCI WorldCom are also continuing to provide the Department of Justice with information supporting the proposed merger. SBC completed its merger with Ameritech in 1999; the Bell Atlantic-GTE proposed merger remains pending before the FCC. In 1999, AT&T completed its merger with TCI, and announced its pending merger with MediaOne. AT&T is expected to use its newly acquired cable facilities to provide competitive local telephone services.

Universal Services Requirements

The FCC continued to address issues related to Universal Service and access charge reform. It increased the amount of money available to schools and libraries under the "e-rate" program; adopted a computer model designed to calculate "high cost" universal service subsidies (and to replace high cost subsidies implicit in interstate access charges with explicit contributions); and continued to shift certain non-traffic sensitive costs from usage-sensitive to flat-rated access charges. Sprint's long distance and local divisions both benefit from cost-based access charges. In addition, the shift in costs from usage-sensitive to flat-rated access charges has contributed to sharp decreases in long distance usage rate charges.

The FCC and many states have established "universal service" programs to ensure affordable, quality local telecommunications services for all Americans. The FON Group's assessment to fund these programs is typically a percentage of end-user revenues. The FON Group's 1999 results contained assessments for 1999. Currently, management cannot predict the extent of the FON Group's future federal and state universal service assessments, or its ability to recover its contributions from the universal service fund.

Communications Assistance for Law Enforcement Act

The Communications Assistance for Law Enforcement Act (CALEA) was enacted in 1994 to preserve electronic surveillance capabilities authorized by federal and state law. CALEA requires local telecommunications companies to meet certain "assistance capability requirements" by the end of June 2000 where circuit-switching is used and by September 2001 where packet-switching is used. Where circuit-switched technology was installed before 1995, reimbursement for hardware and software upgrades to facilitate CALEA compliance was authorized. The U.S. Department of Justice has published guidelines concerning what is required for it to support, at the FCC, petitions for extension of the CALEA enforcement deadlines. LTD uses circuit-switching for the bulk of its traffic and most LTD switches were installed before 1995 and qualify for reimbursement if upgrades are required by the Justice Department. Sprint ION uses packet switching for its local operations. In the case of Sprint ION, CALEA compliance capabilities are not currently available from equipment and software vendors involved in Sprint ION's deployment. Sprint believes it will be in compliance with CALEA by the appropriate deadlines for local circuit-switched equipment. Sprint ION will apply for an extension for the local packet-based services to allow for development of required hardware and software.

Financial Strategies

Financial strategies are determined by Sprint on a centralized basis. See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Strategies."

Year 2000 Issue

The FON Group successfully completed its Year 2000 readiness work and passed through the January 1, 2000 rollover event while encountering no customer-affecting outages or business interruptions. Since the inception of the FON Group's Year 2000 readiness program in 1996 through December 31, 1999, the FON Group incurred approximately $275 million of costs associated with its Year 2000 readiness program. The FON Group does not expect to incur any significant additional expenditures related to the Year 2000 issue.

Recently Issued Accounting Pronouncement

See Note 13 of Notes to Combined Financial Statements for a discussion of a recently issued accounting pronouncement.

MANAGEMENT REPORT

Sprint Corporation's management is responsible for the integrity and objectivity of the information contained in this annex. Management is responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the United States are used.

In discharging this responsibility, management maintains a comprehensive system of internal controls and supports an extensive program of internal audits, has made organizational arrangements providing appropriate divisions of responsibility and has established communication programs aimed at assuring that its policies, procedures and principles of business conduct are understood and practiced by its employees.

The combined financial statements included in this annex have been audited by Ernst & Young LLP, independent auditors. Their audits were conducted using auditing standards generally accepted in the United States and their report is included herein.

The Board of Director's responsibility for these combined financial statements is pursued mainly through its Audit Committee. The Audit Committee, composed entirely of directors who are not officers or employees of Sprint, meets periodically with the internal auditors and independent auditors, both with and without management present, to assure that their respective responsibilities are being fulfilled. The internal and independent auditors have full access to the Audit Committee to discuss auditing and financial reporting matters.

/s/ W. T. Esrey

William T. Esrey
Chairman and Chief Executive Officer

/s/ Arthur B. Krause

Arthur B. Krause
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Sprint Corporation

We have audited the accompanying combined balance sheets of the Sprint FON Group (as described in Note 2) as of December 31, 1999 and 1998, and the related combined statements of operations, comprehensive income and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in the Index to Financial Statements and Financial Statement Schedules. These financial statements and the schedule are the responsibility of the management of Sprint Corporation (Sprint). Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Sprint FON Group at December 31, 1999 and 1998, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As more fully discussed in Note 2, the combined financial statements of the Sprint FON Group should be read together with the audited consolidated financial statements of Sprint.

Ernst & Young LLP

Kansas City, Missouri
February 1, 2000

COMBINED STATEMENTS OF OPERATIONS Sprint FON Group
(millions, except per share data)

Years Ended December 31,	1999	1998	1997
Net Operating Revenues	$17,016	$15,764	$14,564
Operating Expenses			
Costs of services and products	7,724	7,346	7,142
Selling, general and administrative	4,233	3,737	3,239
Depreciation and amortization	2,129	1,921	1,713
Total operating expenses	14,086	13,004	12,094
Operating Income	2,930	2,760	2,470
Interest expense	(182)	(243)	(208)
Other income, net	49	153	165
Income from continuing operations before income taxes	2,797	2,670	2,427
Income taxes	(1,061)	(995)	(914)
Income from Continuing Operations	1,736	1,675	1,513
Discontinued operation, net	(130)	(135)	(142)
Extraordinary items, net	(39)	(5)	—
Net Income	1,567	1,535	1,371
Preferred stock dividends received (paid)	7	—	(1)
Earnings applicable to common stock	$ 1,574	$ 1,535	$ 1,370
Diluted Earnings per Common Share[1]			
Continuing operations	$ 1.97	$ 1.93	$ 1.73
Discontinued operation	(0.15)	(0.16)	(0.16)
Extraordinary items	(0.04)	—	—
Total	$ 1.78	$ 1.77	$ 1.57
Diluted weighted average common shares	887.2	868.9	873.0
Basic Earnings per Common Share[1]			
Continuing operations	$ 2.01	$ 1.96	$ 1.76
Discontinued operation	(0.15)	(0.16)	(0.17)
Extraordinary items	(0.05)	—	—
Total	$ 1.81	$ 1.80	$ 1.59
Basic weighted average common shares	868.0	854.0	860.5
Dividends per Common Share[1]	$ 0.50	$ 0.50	$ 0.50

(1) Basic and diluted earnings per common share, weighted average common shares, and dividends per common share for 1998 and 1997 are pro forma, unaudited and assume the Recapitalization occurred at the beginning of 1997. In the 1999 second quarter, Sprint effected a two-for-one stock split of its FON common stock. As a result, 1998 and 1997 basic and diluted earnings per common share, weighted average common shares and dividends per common share have been restated.

See accompanying Notes to Combined Financial Statements.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(millions)

Sprint FON Group

Years Ended December 31,	1999	1998	1997
Net Income	$1,567	$1,535	$1,371
Other Comprehensive Income (Loss)			
Unrealized holding gains on securities	33	28	12
Income tax expense	(12)	(10)	(5)
Net unrealized holding gains on securities during the period	21	18	7
Reclassification adjustment for gains included in net income	(57)	—	—
Total net unrealized holding gains (losses) on securities	(36)	18	7
Foreign currency translation adjustments	—	(2)	10
Total other comprehensive income (loss)	(36)	16	17
Comprehensive Income	$1,531	$1,551	$1,388

See accompanying Notes to Combined Financial Statements.

COMBINED BALANCE SHEETS
(millions)

Sprint FON Group

December 31,	1999	1998
Assets		
Current assets		
Cash and equivalents	$ 104	$ 432
Accounts receivable, net of allowance for doubtful accounts of $228 and $175	2,836	2,375
Inventories	441	350
Prepaid expenses	251	199
Receivables from the PCS Group	136	236
Investments in equity securities	316	—
Other	198	177
Total current assets	4,282	3,769
Investments in equity securities	139	489
Property, plant and equipment		
Long distance division	9,824	9,241
Local division	15,828	14,858
Other	2,035	1,057
Total property, plant and equipment	27,687	25,156
Accumulated depreciation	(13,685)	(12,692)
Net property, plant and equipment	14,002	12,464
Investments in and loans to the PCS Group	431	656
Investments in and advances to other affiliates	452	463
Intangible assets		
Goodwill	1,223	388
Other	296	56
Total intangible assets	1,519	444
Accumulated amortization	(140)	(89)
Net intangible assets	1,379	355
Net assets of discontinued operation	394	182
Other assets	724	623
Total	$ 21,803	$ 19,001
Liabilities and Group Equity		
Current liabilities		
Current maturities of long-term debt	$ 902	$ 33
Accounts payable	1,012	1,260
Accrued interconnection costs	683	592
Accrued taxes	162	349
Advance billings	323	229
Payroll and employee benefits	557	280
Other	662	530
Total current liabilities	4,301	3,273
Long-term debt	4,531	4,409
Deferred credits and other liabilities		
Deferred income taxes and investment tax credits	935	828
Postretirement and other benefit obligations	1,064	1,064
Other	458	403
Total deferred credits and other liabilities	2,457	2,295
Group equity	10,514	9,024
Total	$ 21,803	$ 19,001

See accompanying Notes to Combined Financial Statements.

COMBINED STATEMENTS OF CASH FLOWS
(millions)

Sprint FON Group

Years Ended December 31,	1999	1998	1997
Operating Activities			
Net income	$ 1,567	$ 1,535	$ 1,371
Adjustments to reconcile net income to net cash provided by operating activities:			
Discontinued operation, net	130	135	142
Extraordinary items, net	39	1	—
Equity in net losses of affiliates	70	52	22
Depreciation and amortization	2,129	1,921	1,713
Deferred income taxes and investment tax credits	220	60	—
Net gains on sales of assets	(158)	(104)	(93)
Changes in assets and liabilities:			
Accounts receivable, net	(459)	102	(127)
Inventories and other current assets	(130)	(19)	(92)
Accounts payable and other current liabilities	152	347	(37)
Affiliate receivables and payables, net	88	(84)	—
Noncurrent assets and liabilities, net	(76)	(24)	(19)
Other, net	141	(7)	19
Net cash provided by operating activities	3,713	3,915	2,899
Investing Activities			
Capital expenditures	(3,534)	(3,159)	(2,709)
Repayments from (investments in and loans to) Sprint PCS	314	(154)	(300)
Investments in and loans to other affiliates, net	(135)	(236)	(186)
Net proceeds from sales of assets	90	230	292
Purchase of broadband fixed wireless companies, net of cash acquired	(618)	—	—
Advances to the PCS Group	—	(64)	—
Equity transfers from (to) the PCS Group	—	340	(547)
Paranet acquisition	—	—	(375)
Other, net	(82)	(55)	(2)
Net cash used by continuing operations	(3,965)	(3,098)	(3,827)
Net investing activities of discontinued operation	(384)	(268)	(200)
Net cash used by investing activities	(4,349)	(3,366)	(4,027)
Financing Activities			
Proceeds from long-term debt	1,020	785	867
Payments on long-term debt	(529)	(388)	(135)
Net change in short-term borrowings	—	—	(200)
Proceeds from sales of shares to FT and DT	52	—	—
Proceeds from treasury stock issued	134	60	57
Dividends paid	(426)	(430)	(430)
Treasury stock purchased	(48)	(321)	(145)
Other, net	105	75	65
Net cash provided (used) by financing activities	308	(219)	79
Increase (Decrease) in Cash and Equivalents	(328)	330	(1,049)
Cash and Equivalents at Beginning of Year	432	102	1,151
Cash and Equivalents at End of Year	$ 104	$ 432	$ 102

See accompanying Notes to Combined Financial Statements.

1. General

In October 1999, Sprint announced a definitive merger agreement with MCI WorldCom. Under the agreement, each share of Sprint FON stock will be exchanged for $76 of MCI WorldCom common stock, subject to a collar. In addition, each share of Sprint PCS stock will be exchanged for one share of a new WorldCom PCS tracking stock and 0.116025 shares of MCI WorldCom common stock. The terms of the WorldCom PCS tracking stock will be equivalent to those of Sprint's PCS common stock and will track the performance of the company's personal communication services (PCS) business. The merger is subject to the approvals of Sprint and MCI WorldCom shareholders as well as approvals from the Federal Communications Commission, the Justice Department, various state government bodies and foreign antitrust authorities. The companies anticipate that the merger will close in the second half of 2000.

In November 1998, Sprint's shareholders approved the formation of the FON Group and the PCS Group and the creation of the FON stock and the PCS stock. In addition, Sprint purchased the remaining ownership interests in Sprint Spectrum Holding Company, L.P. and PhillieCo, L.P. (together, Sprint PCS), other than a minority interest in Cox Communications PCS, L.P. (Cox PCS). Sprint acquired these ownership interests from Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (the Cable Partners). In exchange, Sprint issued the Cable Partners special low-vote PCS shares and warrants to acquire additional PCS shares. Sprint also issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares. The purchase of the Cable Partners' interests is referred to as the PCS Restructuring. In the 1999 second quarter, Sprint acquired the remaining minority interest in Cox PCS.

Also in November 1998, Sprint reclassified each of its publicly traded common shares into one share of FON stock and 1/2 share of PCS stock. This recapitalization was tax-free to shareholders. Each Class A common share owned by France Telecom S.A. (FT) and Deutsche Telekom AG (DT) was reclassified to represent an equity interest in the FON Group and the PCS Group that entitles FT and DT to one share of FON stock and 1/2 share of PCS stock. These transactions are referred to as the Recapitalization.

In connection with the PCS Restructuring, FT and DT purchased 5.1 million additional PCS shares (pre-split basis) to maintain their combined 20% voting power in Sprint (Top-up).

The PCS stock is intended to reflect the performance of Sprint's domestic wireless PCS operations. The FON stock is intended to reflect the performance of all of Sprint's other operations.

2. Summary of Significant Accounting Policies

Basis of Combination and Presentation

The combined FON Group financial statements, together with the combined PCS Group financial statements, include all the accounts in Sprint's consolidated financial statements. The combined financial statements for each Group were prepared on a basis that management believes is reasonable and proper and include:

- the combined historical balance sheets, results of operations and cash flows for each of the Groups, with all significant intragroup amounts and transactions eliminated,
- an allocation of Sprint's debt, including the related effects on results of operations and cash flows, and
- an allocation of corporate overhead after the PCS Restructuring date.

The FON Group entities are commonly controlled companies. Transactions between the PCS Group and the FON Group have not been eliminated in the combined financial statements of either Group.

The FON Group combined financial statements provide FON shareholders with financial information about the FON Group operations. Investors in FON stock and PCS stock are Sprint shareholders and are subject to risks related to all of Sprint's businesses, assets and liabilities. Sprint retains ownership and control of the assets and operations of each Group. Financial effects of either Group that affect Sprint's results of operations or financial condition could affect the results of operations or financial position of the other Group or the market price of the other Group's stock. Net losses of either Group, and dividends or distributions on, or repurchases of, PCS stock or FON stock will reduce Sprint funds legally available for dividends on both Groups' stock. As a result, the FON Group combined financial statements should be read along with Sprint's consolidated financial statements and the PCS Group's combined financial statements.

The FON Group combined financial statements are prepared using accounting principles generally accepted in the United States. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or group equity as previously reported.

Investments in entities in which the FON Group exercises significant influence, but does not control, are accounted for using the equity method (see Note 4).

Classification of Operations

Core Businesses

Long Distance Division

The long distance division is the nation's third-largest long distance phone company. It operates a nationwide, all-digital long distance communications network that uses fiber-optic and electronic technology. The division provides domestic and international voice, video and data communications services.

Local Division

The local division consists of regulated local phone companies serving more than 8 million access lines in 18 states. It provides local services, access by phone customers and other carriers to its local network, sales of telecommunications equipment, and long distance services within certain regional calling areas, or local access transport areas. In November 1998, Sprint sold its remaining 81,000 residential and business access lines in Illinois.

Product Distribution and Directory Publishing Businesses

The product distribution business provides wholesale distribution services of telecommunications products. The directory publishing business publishes and markets white and yellow page phone directories.

Sprint ION(SM)

Sprint ION extends Sprint's existing network capabilities to the customer and enables Sprint to provide the network infrastructure to meet customers' demands for advanced services including integrated voice, data, Internet and video. It is also expected to be the foundation for Sprint to provide new competitive local service.

Other Ventures

The "other ventures" segment includes the cable TV service operations of the broadband fixed wireless companies acquired in the second half of 1999.

This segment also includes the FON Group's investments in EarthLink, Inc., an Internet service provider; Call-Net, a long distance provider in Canada operating under the Sprint brand name; and certain other telecommunications investments and ventures. All of the investments and ventures are accounted for on the equity basis.

Allocation of Shared Services

Sprint directly assigns, where possible, certain general and administrative costs to the FON Group and the PCS Group based on their actual use of those services. Where direct assignment of costs is not possible, or practical, Sprint uses other indirect methods, including time studies, to estimate the assignment of costs to each Group. Sprint believes that the costs allocated are comparable to the costs that would be incurred if the Groups would have been operating on a stand-alone basis. The allocation of shared services may change at the discretion of Sprint and does not require shareholder approval.

Allocation of Federal and State Income Taxes

Sprint files a consolidated federal income tax return and certain state income tax returns which include FON Group and PCS Group results. In connection with the PCS Restructuring, Sprint adopted a tax sharing agreement which provides for the allocation of income taxes between the two Groups. The FON Group's income taxes are calculated as if it files returns which exclude the PCS Group. Intergroup tax payments are satisfied on the date Sprint's related tax payment is due to or the refund is received from the applicable tax authority. The FON Group accrued income taxes payable to the PCS Group in accordance with the tax sharing agreement totaling $887 million in 1999 and $190 million in 1998.

Allocation of Group Financing

Financing activities for the Groups are managed by Sprint on a centralized basis. Debt incurred by Sprint on behalf of the Groups is specifically allocated to and reflected in the financial statements of the applicable Group. Interest expense is allocated to the PCS Group based on an interest rate that is substantially equal to the rate it would be able to obtain from third parties as a direct or indirect wholly owned Sprint subsidiary, but without the benefit of any guaranty by Sprint or any member of the FON Group. That interest rate is higher than the rate Sprint obtains on borrowings. The difference between Sprint's actual interest rate and the rate charged to the PCS Group is reflected as a reduction in the FON Group's interest expense.

Under Sprint's centralized cash management program, one Group may advance funds to the other Group. These advances are accounted for as short-term borrowings between the Groups and bear interest at a market rate that is substantially equal to the rate that Group would be able to obtain from third parties on a short-term basis.

The allocation of Group financing activities may change at the discretion of Sprint and does not require shareholder approval.

Income Taxes

The FON Group records deferred income taxes based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Revenue Recognition

The FON Group recognizes operating revenues as services are rendered or as products are delivered to customers. The FON Group records operating revenues net of an estimate for uncollectible accounts. Sprint's directory publishing business recognizes revenues for directory services over the life of the related directory (amortization method).

Cash and Equivalents

Cash and equivalents generally include highly liquid investments with original maturities of three months or less. They are stated at cost, which approximates market value. Sprint uses controlled disbursement banking arrangements as part of its cash management program. Outstanding checks in excess of cash balances for the FON Group were included in accounts payable. These amounts totaled $174 million at year-end 1999 and $263 million at year-end 1998. The FON Group had sufficient funds available to fund these outstanding checks when they were presented for payment.

Investments in Debt and Equity Securities

Investments in debt and equity securities are classified as available for sale and reported at fair value (estimated based on quoted market prices). Gross unrealized holding gains and losses are reflected as adjustments to "Group equity," net of related income taxes.

Inventories

Inventories are stated at the lower of cost (principally first-in, first-out method) or market value.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Generally, ordinary asset retirements and disposals are charged against accumulated depreciation with no gain or loss recognized. The cost of property, plant and equipment is generally depreciated on a straight-line basis over estimated economic useful lives. Repair and maintenance costs are expensed as incurred.

Capitalized Interest

The FON Group capitalized interest costs related to constructing capital assets of $43 million in 1999, $42 million in 1998 and $23 million in 1997. In addition, Sprint capitalized interest costs related to the PCS Group's network buildout. This capitalized interest totaled $61 million for 1998 and $24 million for 1997 and was contributed to, and will be amortized by, the PCS Group. Sprint also capitalized interest costs related to its investment in Sprint PCS until July 1997 when Sprint PCS emerged from the development stage. This capitalized interest, totaling $142 million, was contributed to, and is being amortized by, the PCS Group.

Intangible Assets

The FON Group evaluates the recoverability of intangible assets when events or circumstances indicate that such assets might be impaired. The FON Group determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying value. In the event impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in business combinations accounted for as purchases. Goodwill is being amortized over five to 40 years using the straight-line method. Accumulated amortization totaled $94 million at year-end 1999 and $52 million at year-end 1998.

Earnings per Share

As a result of the Recapitalization, earnings per share for the FON Group for 1998 has been calculated based on the Group's income from November 1998 through year-end 1998. It was not calculated on a Group basis for periods prior to November 1998 because the FON stock was not part of Sprint's capital structure at that time.

In the 1999 second quarter, Sprint effected a two-for-one split on its FON common stock. As a result, basic and diluted earnings per common share, weighted-average common shares and dividends for FON common stock have been restated for periods prior to the stock split.

In 1999, the FON Group's convertible preferred dividends totaled $1 million and dilutive securities (mainly options) totaled 19.2 million shares. From the Recapitalization date to year-end 1998, the FON Group's convertible preferred dividends totaled $0.1 million, and dilutive securities (mainly options) totaled 13.8 million shares.

The FON Group's earnings per common share after the Recapitalization date was as follows:

	1998
	(millions, except per share data)
Earnings applicable to common stock	$ 118
Diluted earnings per common share	
Continuing operations	$ 0.18
Discontinued operation	(0.04)
Total	$ 0.14
Diluted weighted average common shares	869.0
Basic earnings per common share	
Continuing operations	$ 0.18
Discontinued operation	(0.04)
Total	$ 0.14
Basic weighted average common shares	855.2

Stock-based Compensation

The FON Group participates in the incentive-based stock option plans and employee stock purchase plan administered by Sprint for executives and other employees. Sprint adopted the pro forma disclosure requirements under Statement of Financial Accounting Standards (SFAS) No. 123, "Stock-based Compensation," and continues to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," to its stock option and employee stock purchase plans. Had the FON Group applied SFAS 123, pro forma net income would have been $1,434 million for 1999 and $103 million from the Recapitalization date through year-end 1998. See Note 10 of Sprint's Notes to Consolidated Financial Statements for more information about Sprint's stock-based compensation and the FON Group's pro forma net income and earnings per share.

In 1997, Sprint granted performance-based stock options to certain key executives. The FON Group expensed $9 million in 1999 and $14 million in 1998 related to these performance-based stock options.

3. Business Combinations

Broadband Fixed Wireless Companies

In the second half of 1999, Sprint acquired People's Choice TV Corp. (PCTV), American Telecasting, Inc. (ATI), Videotron USA and the operating subsidiaries of WBS America, LLC. These companies own broadband fixed wireless licenses in the Midwest, Southwest, North Central, Western and Southeastern United States. Sprint paid $618 million for the companies' outstanding stock and assumed $575 million of the companies' debt. These notes were redeemed, prior to scheduled maturities, in the 1999 fourth quarter (see Note 8).

These acquisitions were accounted for as purchases. As a result, the financial statements of these companies have been reflected in the FON Group's combined financial statements after the acquisition dates. The excess of the purchase price over the net liabilities acquired totaled $835 million and was preliminarily allocated to goodwill, which is being amortized on a straight-line basis over 40 years.

Paranet, Inc.

In September 1997, Sprint paid $375 million to purchase the net assets of Houston-based Paranet, Inc., a provider of integration, management and support services for computer networks.

The transaction was accounted for using the purchase method of accounting. As a result, the FON Group's combined financial statements reflect Sprint Paranet's results of operations beginning in October 1997.

The excess of the purchase price over the tangible net assets acquired was $357 million. This excess was allocated to noncompete agreements and goodwill, and is being amortized on a straight-line basis over four to 10 years.

4. Investments

Investments in Equity Securities

The cost of investments in equity securities was $153 million at year-end 1999 and $105 million at year-end 1998. Gross unrealized holding gains were $302 million at year-end 1999 and $384 million at year-end 1998. At year-end 1999, $316 million of investments in equity securities are classified as current in anticipation of using the investments to retire debt instruments (see Note 8).

During 1999, the FON Group sold available-for-sale securities with a cost basis of $14 million for $104 million. The $90 million gain was included in "Other income, net" in the Combined Statements of Operations.

Investments in and Advances to Other Affiliates

At year-end 1999, investments accounted for using the equity method consisted of the FON Group's investments in EarthLink, Call-Net and strategic investments. Combined, unaudited, summarized financial information (100% basis) of these entities and others accounted for using the equity method was as follows:

	1999	1998	1997
		(millions)	
Results of operations			
Net operating revenues	$1,571	$1,242	$ 724
Operating income (loss)	$ (192)	$ 67	$(246)
Net loss	$ (329)	$ (145)	$(287)
Financial position			
Current assets	$1,524	$1,038	
Noncurrent assets	2,749	2,401	
Total	$4,273	$3,439	
Current liabilities	$ 599	$ 538	
Noncurrent liabilities	1,644	1,004	
Owners' equity	2,030	1,897	
Total	$4,273	$3,439	

5. Discontinued Operation

In January 2000, Sprint reached a definitive agreement with Deutsche Telekom and France Telecom to sell its interest in Global One. In February 2000, Sprint received $1.1 billion in cash and was repaid $276 million for advances for its entire stake in Global One.

The FON Group's investment in the net assets of the discontinued operation, including advances, totaled $394 million at year-end 1999 and $182 million at year-end 1998.

The Fon Group recorded after-tax losses related to Global One totaling $130 million in 1999, $135 million in 1998 and $142 million in 1997. The 1999 amount includes a $50 million tax benefit recorded to recognize tax assets related to previous losses. The realization of these assets was uncertain until the sale agreement was reached. The gain on the sale of Sprint's interest in Global One made it apparent that these tax assets would be realized.

The FON Group provided various voice, data and administrative services to Global One totaling $241 million in 1999, $277 million in 1998 and $415 million in 1997. In addition, Global One provided data and administrative services to the FON Group totaling $139 million in 1999, $140 million in 1998 and $114 million in 1997. The FON Group's receivable from Global One was $107 million at year-end 1999 and $187 million at year-end 1998. The FON Group's payable to Global One was $36 million at year-end 1999 and $42 million at year-end 1998.

6. Employee Benefit Plans

Defined Benefit Pension Plan

Most FON Group employees are covered by a noncontributory defined benefit pension plan sponsored by Sprint. Benefits for plan participants belonging to unions are based on negotiated schedules. For non-union participants, pension benefits are based on years of service and the participants' compensation.

Sprint's policy is to make plan contributions equal to an actuarially determined amount consistent with federal tax regulations. The funding objective is to accumulate funds at a relatively stable rate over the participants' working lives so benefits are fully funded at retirement.

Amounts included in the Combined Balance Sheets for the plan were prepaid pension costs of $285 million at year-end 1999 and $222 million at year-end 1998.

Net pension costs or credits are determined for the FON Group based on a direct calculation of service costs and interest on projected benefit obligations and an appropriate allocation of unrecognized prior service costs, amortization of unrecognized transition asset, actuarial gains and losses, and expected return on plan assets. The FON Group recorded net pension credits (costs) of $63 million in 1999, $46 million in 1998 and $(2) million in 1997.

Defined Contribution Plans

Sprint sponsors defined contribution employee savings plans covering most FON Group employees. Participants may contribute portions of their pay to the plans. For union employees, Sprint matches contributions based on negotiated amounts. Sprint also matches contributions of non-union employees in FON and PCS stock. The matching is equal to 50% of participants' contributions up to 6% of their pay. In addition, Sprint may, at the discretion of the Board of Directors, provide additional matching contributions based on the performance of FON and PCS stock compared to other telecommunications companies' stock. The FON Group recorded expenses of $73 million in 1999 and $54 million in 1998 and 1997 for Sprint's matching contributions to the Sprint defined contribution plans. At year-end 1999, Sprint's defined contribution plans held 33 million FON shares and 27 million PCS shares (on a post-split basis).

Postretirement Benefits

Sprint provides postretirement benefits (principally medical and life insurance benefits) to most FON Group employees. Employees retiring before certain dates are eligible for benefits at no cost, or at a reduced cost. Employees retiring after certain dates are eligible for benefits on a shared-cost basis. Sprint funds the accrued costs as benefits are paid.

Amounts included in the Combined Balance Sheets at year-end were accrued postretirement benefits costs of $1.0 billion in 1999 and 1998.

Net postretirement benefits costs are determined for the FON Group based on a direct calculation of service costs and interest on accumulated postretirement benefit obligations and an appropriate allocation of unrecognized prior service costs and actuarial gains. The FON Group recorded net postretirement benefits costs of $54 million in 1999, $51 million in 1998 and $54 million in 1997.

7. Income Taxes

Income tax expense allocated to continuing operations consisted of the following:

	1999	1998	1997
	(millions)		
Current income tax expense			
Federal	$ 776	$861	$814
State	65	74	100
Total current	841	935	914
Deferred income tax expense (benefit)			
Federal	170	38	(7)
State	50	22	7
Total deferred	220	60	—
Total	$1,061	$995	$914

The differences that caused the FON Group's effective income tax rates to vary from the 35% federal statutory rate for income taxes related to continuing operations were as follows:

	1999	1998	1997
		(millions)	
Income tax expense at the federal statutory rate	$979	$935	$849
Effect of:			
State income taxes, net of federal income tax effect	75	62	70
Equity in losses of foreign joint ventures	18	6	4
Other, net	(11)	(8)	(9)
Income tax expense	$1,061	$995	$914
Effective income tax rate	37.9%	37.3%	37.7%

Income tax expense (benefit) allocated to other items was as follows:

	1999	1998	1997
		(millions)	
Discontinued operation	$(111)	$(62)	$(24)
Extraordinary items	(23)	(3)	—
Unrealized holding gains on investments[1]	20	10	5
Stock ownership, purchase and options arrangements[1]	(223)	(49)	(26)

[1] *These amounts have been recorded directly to "Group equity."*

The FON Group recognizes deferred income taxes for the temporary differences between the carrying amounts of its assets and liabilities for financial statement purposes and their tax bases. The sources of the differences that give rise to the deferred income tax assets and liabilities at year-end 1999 and 1998, along with the income tax effect of each, were as follows:

	1999 Deferred Income Tax	
	Assets	Liabilities
	(millions)	
Property, plant and equipment	$—	$1,555
Postretirement and other benefits	422	—
Reserves and allowances	143	—
Unrealized holding gains on investments	—	52
Operating loss carryforwards	183	—
Tax credit carryforwards	22	—
Other, net	161	—
	931	1,607
Less valuation allowance	183	—
Total	$748	$1,607

	1998 Deferred Income Tax	
	Assets	Liabilities
	(millions)	
Property, plant and equipment	$—	$1,402
Postretirement and other benefits	419	—
Reserves and allowances	149	—
Unrealized holding gains on investments	—	72
Other, net	117	—
	685	1,474
Less valuation allowance	4	—
Total	$681	$1,474

Management believes it is more likely than not that these deferred income tax assets, net of the valuation allowance, will be realized based on current income tax laws and expectations of future taxable income stemming from the reversal of existing deferred tax liabilities or ordinary operations. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions, and future operating income levels may, however, affect the ultimate realization of all or some of these deferred income tax assets.

The valuation allowance related to deferred income tax assets increased $179 million in 1999 and decreased $8 million in 1998 and $2 million in 1997.

In 1999, the FON Group acquired approximately $179 million of potential tax benefits related to net operating loss carryforwards in the acquisitions of the broadband fixed wireless companies. These benefits are subject to certain realization restrictions under various tax laws. A valuation allowance was provided for the total of these benefits. If these benefits are subsequently recognized, they will reduce goodwill or other noncurrent intangible assets resulting from the application of the purchase method of accounting for these transactions.

At year-end 1999, the FON Group had federal operating loss carryforwards of $432 million and state operating loss carryforwards of $741 million. Related to these loss carryforwards are federal tax benefits of $151 million and state tax benefits of $49 million which expire in varying amounts through 2019.

8. Long-term Debt and Capital Lease Obligations

Sprint's consolidated long-term debt and capital lease obligations at year-end was as follows:

		1999			1998		
	Maturing	Sprint FON Group	Sprint PCS Group	Consolidated	Sprint FON Group	Sprint PCS Group	Consolidated
				(millions)			
Senior notes							
5.7% to 6.9%(1)	2001 to 2028	$1,105	$ 8,145	$ 9,250	$1,059	$3,941	$ 5,000
8.1% to 9.8%	2000 to 2003	632	—	632	632	—	632
11.0% to 12.5%(2)	2001 to 2006	—	734	584	—	699	565
Debentures and notes							
5.8% to 9.6%	2000 to 2022	565	—	565	565	—	565
Notes payable and commercial paper	—	294	1,971	2,265	472	274	746
First mortgage bonds							
2.0% to 9.9%	1999 to 2025	1,295	—	1,295	1,312	—	1,312
Capital lease obligations							
5.2% to 14.0%	1999 to 2008	69	486	555	32	452	484
Revolving credit facilities							
Variable rates	2002 to 2006	900	—	900	—	1,800	1,800
Other(2),(3)							
2.0% to 10.0%	1999 to 2007	573	153	726	370	1,029	1,085
		5,433	11,489	16,772	4,442	8,195	12,189
Less: current maturities(2)		902	185	1,087	33	348	247
Long-term debt and capital lease obligations(2)		$4,531	$11,304	$15,685	$4,409	$7,847	$11,942

(1) *These borrowings were incurred by Sprint and allocated to the applicable Group. Sprint's weighted average interest rate related to these borrowings was 6.6% at year-end 1999 and 6.4% at year-end 1998. The weighted average interest rate related to the borrowings allocated to the PCS Group was approximately 8.7% at year-end 1999 and 8.5% at year-end 1998. See Note 2 for a more detailed description of how Sprint allocates financing to each of the Groups.*

(2) *Consolidated debt does not equal the total of PCS Group and FON Group debt due to intergroup debt eliminated in consolidation. The FON Group had an investment in the PCS Group's Senior Discount notes totaling $150 million at year-end 1999 and $134 million at year-end 1998. In addition, the PCS Group had other long-term debt payable to the FON Group totaling $314 million at year-end 1998, including $134 million classified as current.*

(3) *Includes notes with a market value of $316 million at year-end 1999 and $358 million at year-end 1998 recorded by the FON Group that may be exchanged at maturity for SBC Communications, Inc. (SBC) common shares owned by the FON Group or for cash. Based on SBC's closing price, had the notes matured at year-end 1999, they could have been exchanged for 6.5 million SBC shares. At year-end 1999, Sprint held 7.5 million SBC shares, which have been included in "Investments in equity securities" in the FON Group's Combined Balance Sheets.*

Scheduled principal payments, excluding reclassified short-term borrowings, during each of the next five years are as follows:

	Sprint FON Group	Sprint PCS Group	Sprint
		(millions)	
2000	$ 902	$ 185	$1,087
2001	877	289	1,096
2002	1,339	59	1,398
2003	373	1,058	1,431
2004	144	1,042	1,186

Sprint

Short-term Borrowings

Sprint had bank notes payable totaling $670 million at year-end 1999 and $454 million at year-end 1998. In addition, Sprint had commercial paper borrowings totaling $1.6 billion at year-end 1999 and $292 million at year-end 1998. Though these borrowings are renewable at various dates throughout the year, they were classified as long-term debt because of Sprint's intent and ability, through unused credit facilities, to refinance these borrowings on a long-term basis.

In 1998, Sprint replaced its previous $1.5 billion credit facility with new facilities with syndicates of domestic and international banks. The new facilities totaled $5.0 billion and expire in 2000 and 2003. Commercial paper and certain bank notes payable are supported by Sprint's revolving credit facilities. Certain other notes payable relate to a separate revolving credit facility which expires in 2002. At year-end 1999, Sprint had total unused lines of credit of $3.5 billion.

Bank notes outstanding had weighted average interest rates of 6.3% at year-end 1999 and 5.7% at year-end 1998. The weighted average interest rate of commercial paper was 6.4% at year-end 1999 and 5.8% at year-end 1998.

Long-term Debt

In the 1999 third quarter, Sprint filed a shelf registration statement with the SEC covering $4.0 billion of senior unsecured debt securities. At year-end 1999, Sprint had issued $750 million of debt securities under the shelf. These securities have interest rates ranging from 6.4% to 6.5% and mature in 2001.

In August 1999, Sprint incurred other borrowings totaling $250 million which mature in 2002 and have variable interest rates. At year-end 1999, the notes had an interest rate of 6.1%.

In June 1999, Sprint entered into a $1.0 billion financing agreement to sell, on a continuous basis with recourse, undivided percentage ownership interests in a designated pool of its accounts receivable. Subsequent collections of receivables sold to investors are typically reinvested in new receivables. At year-end 1999, Sprint had borrowed $900 million with a weighted average interest rate of 6.4% under this agreement. These borrowings mature in 2002.

In May 1999, Sprint issued $3.5 billion of senior notes registered with the SEC. These notes have maturities ranging from 5 to 20 years and interest rates ranging from 5.9% to 6.9%. In 1998, Sprint issued $5.0 billion of senior notes registered with the SEC. These notes have maturities ranging from 5 to 30 years and interest rates ranging from 5.7% to 6.9%.

Sprint FON Group

In 1999, the FON Group received a net allocation of $1.0 billion of debt from Sprint. This debt was mainly used for new capital investments and acquisitions. See Note 2 for a more detailed description of how Sprint allocates debt to the Groups.

In the 1999 fourth quarter, Sprint redeemed, prior to scheduled maturities, $575 million of the assumed broadband fixed wireless companies' debt with interest rates ranging from 13.1% to 14.5%. This resulted in a $39 million after-tax extraordinary loss for the FON Group. In 1998, Sprint redeemed, prior to scheduled maturities, $138 million of FON Group debt with interest rates ranging from 7.9% to 9.3%. This resulted in a $5 million after-tax extraordinary loss for the FON Group.

FON Group gross property, plant and equipment totaling $14.3 billion was either pledged as security for first mortgage bonds and certain notes or is restricted for use as mortgaged property.

Other

Sprint, including the FON Group, had complied with all restrictive or financial covenants relating to its debt arrangements at year-end 1999.

9. Group Equity

	1999	1998	1997
		(millions)	
Beginning balance	$ 9,024	$7,639	$7,332
Net income	1,567	1,535	1,371
Dividends	(427)	(431)	(429)
Equity issued	209	164	65
Equity repurchased	(48)	(321)	(145)
Tax benefit from stock options exercised	223	49	26
Contributions to the PCS Group	—	(146)	(1,052)
Equity transfer from the PCS Group	—	460	435
Other comprehensive income (loss)	(36)	16	17
Other, net	2	59	19
Ending balance	$10,514	$9,024	$7,639

10. Commitments and Contingencies

Litigation, Claims and Assessments

FON shareholders are subject to all of the risks related to an investment in Sprint and the FON Group, including the effects of any legal proceedings and claims against the PCS Group.

Various suits arising in the ordinary course of business are pending against Sprint. Management cannot predict the final outcome of these actions but believes they will not be material to the FON Group's combined financial statements.

Operating Leases

The FON Group's minimum rental commitments at year-end 1999 for all noncancelable operating leases, consisting mainly of leases for data processing equipment and real estate, are as follows:

	(millions)
2000	$423
2001	299
2002	202
2003	148
2004	106
Thereafter	349

The FON Group's gross rental expense totaled $575 million in 1999, $474 million in 1998 and $406 million in 1997. Rental commitments for subleases, contingent rentals and executory costs were not significant.

11. Financial Instruments

Fair Value of Financial Instruments

Sprint estimates the fair value of the FON Group's financial instruments using available market information and appropriate valuation methodologies. As a result, the following estimates do not necessarily represent the values the FON Group could realize in a current market exchange. Although management is not aware of any factors that would affect the year-end 1999 estimated fair values, those amounts have not been comprehensively revalued for purposes of these financial statements since that date. Therefore, estimates of fair value after year-end 1999 may differ significantly from the amounts presented below.

The carrying amounts and estimated fair values of the FON Group's financial instruments at year-end were as follows:

	1999	
	Carrying Amount	Estimated Fair Value
	(millions)	
Cash and equivalents	$ 104	$ 104
Investment in affiliate debt securities	169	169
Investments in equity securities	455	455
Long-term debt and capital lease obligations	5,433	5,497

	1998	
	Carrying Amount	Estimated Fair Value
	(millions)	
Cash and equivalents	$ 432	$ 432
Investment in affiliate debt securities	165	165
Investment in equity securities	489	489
Long-term debt and capital lease obligations	4,442	4,834

The carrying amounts of the FON Group's cash and equivalents approximate fair value at year-end 1999 and 1998. The estimated fair value of investments in debt and equity securities was based on quoted market prices. The estimated fair value of the FON Group's long-term debt was based on quoted market prices for publicly traded issues. The estimated fair value of all other issues was based on the present value of estimated future cash flows using a discount rate based on the risks involved.

Concentrations of Credit Risk

The FON Group's accounts receivable are not subject to any concentration of credit risk.

12. Additional Financial Information

Segment Information

The FON Group operates in five business segments, based on services and products: the long distance division, the local division, the product distribution and directory publishing businesses, activities to develop and deploy Sprint ION(SM) and other ventures.

Sprint generally accounts for transactions between segments based on fully distributed costs, which Sprint believes approximates fair value.

Industry segment financial information was as follows:

	Long Distance Division	Local Division	Product Distribution & Directory Publishing	Sprint ION(SM)	Other Ventures[1]	Corporate and Eliminations[2]	Sprint FON Group
				(millions)			
1999							
Net operating revenues	$10,567	$5,650	$1,731	$—	$ 20	$ (952)	$17,016
Intercompany revenues	256	319	641	—	—	(952)	264
Depreciation and amortization	993	1,065	17	38	18	(2)	2,129
Operating expenses	8,933	4,150	1,489	358	68	(912)	14,086
Operating income (loss)	1,634	1,500	242	(358)	(48)	(40)	2,930
Operating margin	15.5%	26.5%	14.0%	NM	NM	—	17.2%
Capital expenditures	1,209	1,354	36	542	23	370	3,534
Total assets	13,523	8,072	726	909	1,936	(3,363)	21,803
1998							
Net operating revenues	$ 9,658	$5,372	$1,683	$—	$ —	$ (949)	$15,764
Intercompany revenues	137	208	712	—	—	(949)	108
Depreciation and amortization	918	982	13	5	7	(4)	1,921
Operating expenses	8,291	3,965	1,452	143	40	(887)	13,004
Operating income (loss)	1,367	1,407	231	(143)	(40)	(62)	2,760
Operating margin	14.2%	26.2%	13.7%	NM	NM	—	17.5%
Capital expenditures	1,364	1,374	9	154	—	258	3,159
Total assets	6,445	7,044	727	199	628	3,958	19,001
1997							
Net operating revenues	$ 8,684	$5,294	$1,454	$—	$ —	$ (868)	$14,564
Intercompany revenues	3	294	571	—	—	(868)	—
Depreciation and amortization	748	946	9	2	9	(1)	1,713
Operating expenses	7,659	3,902	1,275	5	84	(831)	12,094
Operating income (loss)	1,025	1,392	179	(5)	(84)	(37)	2,470
Operating margin	11.8%	26.3%	12.3%	NM	NM	—	17.0%
Capital expenditures	1,223	1,270	11	46	17	142	2,709
Total assets	6,828	7,933	601	50	228	941	16,581

NM = Not meaningful

(1) The "other ventures" segment's equity in losses of affiliates totaled $89 million in 1999, $51 million in 1998 and $10 million in 1997.

(2) Significant intercompany eliminations consist of local access charged to the long distance division, equipment purchases from the product distribution business and interexchange services provided to the local division.

More than 95% of the FON Group's s revenues are from domestic customers located within the United States.

Revenues of one customer represents approximately 4% of the FON Group's net operating revenues in 1999 and 5% in 1998 and 1997.

Supplemental Cash Flows Information

The FON Group's cash paid for interest and income taxes was as follows:

	1999	1998	1997
	(millions)		
Interest (net of capitalized interest)	$ 82	$217	$198
Income taxes	$633	$327	$366

Noncash activities for the FON Group included the following:

	1999	1998	1997
	(millions)		
Debt assumed in the broadband fixed wireless acquisitions	$575	$—	$—
Tax benefit from stock options exercised	$223	$ 49	$ 26
Stock received for stock options exercised	$ 78	$ 18	$ 7
Noncash extinguishment of debt	$ 78	$—	$—
Common stock issued under Sprint's ESPP	$ 72	$ 95	$ 5
Capital lease obligations	$ 41	$—	$ 30

Intergroup Investments and Transactions

Sprint FON Group Investments in the Sprint PCS Group

The following table reflects the FON Group's noncurrent investments in the PCS Group, which have been eliminated in Sprint's consolidated financial statements:

	1999	1998
	(millions)	
Common and preferred intergroup interest	$262	$311
Long-term loans	—	180
Investment in debt securities	169	165
Total	$431	$656

Common Intergroup Interest

The FON Group received a 1% intergroup interest in the PCS Group at the time of the PCS Restructuring and Recapitalization. This interest represented 4.5 million PCS shares and included 2.7 million shares held in treasury by the FON Group. During 1999, PCS shares were issued to FON Group employees, reducing the FON Group's interest in the PCS Group.

The FON Group's share of the PCS Group's net loss totaled $13 million in 1999 and $6 million from the date of the PCS Restructuring to year-end 1998 and was included in "Other income, net" in the Sprint FON Group Combined Statements of Operations.

Preferred Intergroup Interest

The FON Group provided Sprint PCS and the PCS Group with interim financing from the date the PCS Restructuring agreement was signed in May 1998 until it was completed in November 1998. As part of the PCS Restructuring, Sprint converted this financing, totaling $279 million, into an intergroup interest representing 0.3 million shares of 10-year PCS preferred stock convertible into a PCS common intergroup interest. The PCS Group paid the FON Group dividends on the preferred intergroup interest of $8 million in 1999 and $1 million in 1998.

Long-term Loans

Sprint provided Sprint PCS with additional interim financing of $180 million from May 1998 through November 1998. This loan was repaid in 1999.

Intergroup Interest Income

The FON Group earned intergroup interest income of $16 million in 1999, $15 million in 1998 and $24 million in 1997 related to the FON Group's investment in PCS Group debt securities and advances to the PCS Group. These amounts are included in "Other income, net" in the Sprint FON Group Combined Statements of Operations.

The difference between Sprint's actual interest costs and the interest costs charged to the PCS Group on allocated debt totaled $157 million in 1999 and $11 million in 1998. These amounts are reflected as a reduction to "Interest expense" in the Sprint FON Group Combined Statements of Operations. See Note 2 for a more detailed description of how Sprint allocates interest expense to each of the Groups.

Intergroup Transactions

The PCS Group is using the long distance division as its interexchange carrier and purchasing wholesale long distance for resale to its customers. Additionally, the FON Group provided the PCS Group with telemarketing services and various other goods and services. Charges to the PCS Group for these items totaled $280 million in 1999 and $21 million from the PCS Restructuring date to year-end 1998.

The FON Group provided management, printing, mailing and warehousing services to the PCS Group. Charges to the PCS Group for these services totaled $65 million in 1999 and $5 million from the PCS Restructuring date to year-end 1998.

Related Party Transactions

Sprint PCS

The following discussion reflects related party transactions between Sprint and Sprint PCS prior to the PCS Restructuring:

Sprint provided Sprint PCS with billing and operator services, and switching equipment. Sprint PCS also used the long distance division as its interexchange carrier. Charges to Sprint PCS for these services totaled $104 million in 1998 and $61 million in 1997.

Sprint provided management, printing, mailing and warehousing services to Sprint PCS. Charges to Sprint PCS for these services totaled $25 million in 1998 and $11 million in 1997.

Sprint had a vendor financing loan to Sprint PCS for $300 million at year-end 1997 which was repaid in 1998. Sprint also loaned Sprint PCS $114 million in 1998 and $21 million in 1997, which was repaid in the 1999 first quarter.

13. Recently Issued Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires all derivatives to be recorded on the balance sheet as either assets or liabilities and be measured at fair value. Gains or losses from changes in the derivative values are to be accounted for based on how the derivative was used and whether it qualifies for hedge accounting. When adopted in January 2001, this statement is not expected to have a material impact on the FON Group's combined financial statements.

14. Quarterly Financial Data (Unaudited)

	Quarter			
1999	1st	2nd	3rd	4th
	(millions, except per share data)			
Net operating revenues[1]	$4,107	$4,204	$4,298	$4,407
Operating income	737	736	726	731
Income from continuing operations[2]	434	452	419	431
Net income	406	386	359	416
Earnings per common share from continuing operations[3]				
Diluted	0.49	0.51	0.48	0.49
Basic	0.50	0.52	0.49	0.50

	Quarter			
1998	1st	2nd	3rd	4th
	(millions, except per share data)			
Net operating revenues[1]	$3,827	$3,882	$3,977	$4,078
Operating income	683	692	713	672
Income from continuing operations[2],[4]	394	401	426	454
Net income[4]	352	364	415	404
Pro forma earnings per common share from continuing operations[3],[5]				
Diluted	0.45	0.45	0.48	0.52
Basic	0.46	0.46	0.49	0.53

(1) *Certain reclassifications were made from net operating revenues to operating expenses from amounts reported in 1999 reports on Form 10-Q to conform to current year presentation. These reclassifications had no impact on operating income as previously reported.*

(2) *Quarterly income from continuing operations has been adjusted from amounts reported in 1999 reports on Form 10-Q to reflect the presentation of the equity investment in Global One as a discontinued operation for all periods presented.*

(3) *In the 1999 second quarter, Sprint effected a two-for-one stock split of its FON stock. FON Group earnings per share for prior periods have been restated to reflect this stock split.*

(4) *In the 1998 fourth quarter, the FON Group recorded net nonrecurring gains of $104 million, mainly from the sale of local exchanges. This increased income from continuing operations by $62 million.*

(5) *Pro forma earnings per share assumes the FON shares created in the Recapitalization existed for all periods presented.*

15. Subsequent Events (Unaudited)

In February 2000, Sprint's Board of Directors declared dividends of 12.5 cents per share on the Sprint FON common stock and Class A common stock. Dividends will be paid March 30, 2000.

SPRINT FON GROUP

SCHEDULE II—COMBINED VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1999, 1998 and 1997

		Additions			
	Balance Beginning of Year	Charged to Income	Charged to Other Accounts	Other Deductions	Balance End of Year
			(millions)		
1999					
Allowance for doubtful accounts	$175	$383	$ 3	$(333)[1]	$228
Valuation allowance—deferred income tax assets	$ 4	$—	$179[2]	$ —	$183
1998					
Allowance for doubtful accounts	$147	$365	$ 3	$(340)[1]	$175
Valuation allowance—deferred income tax assets	$ 12	$—	$—	$ (8)	$ 4
1997					
Allowance for doubtful accounts	$117	$389	$ 4	$(363)[1]	$147
Valuation allowance—deferred income tax assets	$ 14	$ 3	$—	$ (5)	$ 12

(1) *Accounts written off, net of recoveries.*

(2) *Represents a valuation allowance for deferred income tax assets relating to the net operating loss carryforwards acquired in the purchase of the broadband fixed wireless companies.*

Annex III

Sprint PCS Group
Combined Financial Information

	1999	1998(1)	1997(1)	1996(1)	1995(1)
	(millions, except per share data)				
Results of Operations					
Net operating revenues	$ 3,180	$ 1,225	$ —	$ —	$—
Operating loss(2)	(3,237)	(2,570)	(19)	(1)	—
Other partners' loss in Sprint PCS	—	1,251	—	—	—
Equity in loss of Sprint PCS	—	—	(660)	(192)	(31)
Loss before extraordinary items(2)	(2,481)	(1,090)	(419)	(120)	(20)
Net loss(2)	(2,502)	(1,121)	(419)	(120)	(20)
Loss per Share(3),(4)					
Diluted and basic loss per common share before extraordinary items	$ (2.71)	$ (2.21)	$ (1.98)	NA	NA
Financial Position					
Total assets	$17,924	$15,165	$1,703	$1,260	$974
Property, plant and equipment, net	7,996	6,535	187	—	—
Investment in Sprint PCS	—	—	784	1,176	974
Total debt	11,489	8,195	—	—	—
Group equity	3,320	3,755	1,386	1,188	966
Cash Flow Data					
Net cash provided (used) by operating activities	$ (1,692)	$ (159)	$ 38	$ (1)	$—
Capital expenditures	2,580	1,072	154	—	—
PCS license purchases	—	—	460	84	—
Investments in Sprint PCS	—	33	406	298	911

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or Group equity as previously reported.

(1) *Results of operations for 1998 include Sprint PCS' operating results on a consolidated basis for the entire year. The cable partners' share of losses through the PCS restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Combined Statements of Operations. Before 1998, the PCS Group's investment in Sprint PCS was accounted for using the equity method. Sprint PCS' financial position at year-end 1998 has also been reflected on a consolidated basis. Cash flow data reflects Sprint PCS' cash flows only after the PCS restructuring date. See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—General" for more information.*

(2) *In 1998, the PCS Group recorded a nonrecurring charge to write off $179 million of acquired in-process research and development costs related to the PCS restructuring. This charge increased operating loss, loss before extraordinary items and net loss by $179 million.*

(3) *In December 1999, the Sprint Board of Directors authorized a two-for-one stock split of Sprint's PCS common stock in the form of a stock dividend, which was distributed on February 4, 2000 to the PCS shareholders. As a result, diluted and basic loss per common share have been restated for periods before this stock split.*

(4) *Loss per share for the PCS Group for periods prior to 1999 is on a pro forma basis and assumes the PCS restructuring, the recapitalization, the purchase of 5.1 million PCS shares by France Telecom and Deutsche Telekom that occurred in connection with the restructuring and the PCS Group's write-off of $179 million of acquired in-process research and development costs occurred at the beginning of 1997. These pro forma amounts are for comparative purposes only and do not necessarily represent what actual results of operations would have been had the transactions occurred at the beginning of 1997, nor do they indicate the results of future operations.*

NA = not applicable

General

See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—General" for more information.

Forward-looking Information

See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—Forward-looking Information" for a discussion of forward-looking information.

Sprint PCS Group

The PCS Group includes Sprint's domestic wireless personal communication services (PCS) operations. It operates the only 100% digital PCS wireless network in the United States with licenses to provide service nationwide using a single frequency and a single technology. At year-end 1999, the PCS Group, together with affiliates, operated PCS systems in over 360 metropolitan markets, including the 50 largest U.S. metropolitan areas. The PCS Group has licenses to serve more than 270 million people in all 50 states, Puerto Rico and the U.S. Virgin Islands. The service offered by the PCS Group and its affiliates now reaches nearly 190 million people. The PCS Group provides nationwide service through:

- operating its own digital network in major U.S. metropolitan areas,
- affiliating with other companies, mainly in and around smaller U.S. metropolitan areas,
- roaming on other providers' analog cellular networks using dual-band/dual-mode handsets, and
- roaming on other providers' digital PCS networks that use code division multiple access.

The wireless industry typically generates a significantly higher number of subscriber additions and handset sales in the fourth quarter of each year versus the remaining quarters. This is due to the use of retail distribution, which is dependent on the holiday shopping season; the timing of new products and service introductions; and aggressive marketing and sales promotions.

Results of Operations

	1999	1998	1997
		(millions)	
Net operating revenues	$ 3,180	$ 1,225	$—
Operating expenses	6,417	3,795	19
Operating loss	$(3,237)	$(2,570)	$(19)

The PCS Group's 1999 results of operations reflect the first full year of combined results after the PCS Restructuring. The PCS Group's 1998 results of operations included SprintCom's operating results as well as Sprint PCS' operating results on a consolidated basis for the entire year. Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method.

Operating expenses in 1998 include a write-off of $179 million associated with the cost of nine in-process research and development projects acquired in connection with the PCS Restructuring. Management has continued supporting these research and development projects and believes the PCS Group has a reasonable chance of successfully completing the projects. These projects are intended to address new and emerging markets within the PCS wireless communications industry, such as the rapid adoption of the Internet and the rapid convergence of voice, data, and video. The failure of any particular individual project in-process would not materially impact the PCS Group's financial condition, results of operations or cash flows.

The PCS Group markets its products through multiple distribution channels, including its own retail stores as well as other retail outlets. Equipment sales to one retail chain and the subsequent service revenues generated by sales to its customers accounted for 28% of net operating revenues in 1999 and 25% in 1998.

Pro Forma Sprint PCS Group

To provide a more meaningful analysis of the PCS Group's underlying operating results, the following supplemental discussion presents 1998 and 1997 on a pro forma basis and assumes the PCS Restructuring and the write-off of acquired in-process research and development costs occurred at the beginning of 1997.

	1999	1998	1997
		(millions)	
Net operating revenues	$ 3,180	$ 1,225	$ 258
Operating expenses			
Costs of services and products	3,150	1,758	850
Selling, general and administrative	1,744	1,069	490
Depreciation and amortization	1,523	1,038	1,021
Acquired in-process research and development costs	—	—	179
Total operating expenses	6,417	3,865	2,540
Operating loss	$(3,237)	$(2,640)	$(2,282)
Capital expenditures (including capital lease obligations)	$ 2,616	$ 2,904	$ 2,278

Net Operating Revenues

	1999	1998	1997
Customers at year-end *(millions)*	5.7	2.6	0.9
Average monthly service revenue per user	$ 54	$ 56	$ 49

Net operating revenues include subscriber revenues and sales of handsets and accessory equipment. Subscriber revenues consist of monthly recurring charges and usage charges. The PCS Group's net operating revenues were $3.2 billion in 1999, $1.2 billion in 1998 and $258 million in 1997. The 1999 increase mainly reflects the launch of nearly 60 new markets and the addition of 3.1 million customers. The 1998 increase reflects the launch of nearly 90 new markets and the addition of 1.7 million customers. Average monthly service revenue per user (ARPU) has decreased from 1998 due to a wider acceptance of lower-priced, bundled minute rate plans.

Approximately 20% of 1999 and 1998 net operating revenues, and nearly half of 1997 revenues, were from sales of handsets and accessories. As part of the PCS Group's marketing plans, handsets are normally sold at prices below the PCS Group's cost.

Average monthly customer churn rates have remained consistent during 1999 and 1998 in the mid 3% range.

Operating Expenses

Costs of services and products mainly include handset and accessory costs, switch and cell site expenses and other network-related costs. These costs increased $1.4 billion in 1999 and $908 million in 1998 driven by the significant growth in customers and the expanded market coverage.

Selling, general and administrative (SG&A) expense mainly includes marketing costs to promote products and services as well as salary and benefit costs. SG&A expense increased $675 million in 1999 and $579 million in 1998 reflecting an expanded workforce to support subscriber growth and increased marketing and selling costs.

Acquisition costs per gross customer addition, including equipment subsidies and marketing costs, have improved from the high-$500 range in 1998 to the low-$400 range in 1999. Lower handset unit costs and scale benefits from greater customer additions have contributed to the improvement.

Cash costs per user (CCPU) consists of costs of service revenues, service delivery and other general and administrative costs. CCPU decreased 36% in 1999 compared to 1998. The improvements reflect good expense management and scale benefits resulting from the increased customer base.

Depreciation and amortization expense, which increased $485 million in 1999 and $17 million in 1998, consists mainly of depreciation of network assets and amortization of intangible assets. The intangible assets include goodwill, PCS licenses, customer base, microwave relocation costs and assembled workforce, which are being amortized over 30 months to 40 years. The increase in depreciation and amortization expense in 1999 reflects amortization of intangible assets acquired in the PCS Restructuring and the Cox PCS purchase as well as depreciation on an increased property base. The increase in 1998 reflects depreciation on an increased property base.

Nonoperating Items

Interest Expense

The effective interest rates in the following table reflect interest expense on long-term debt only. Interest costs on short-term borrowings classified as long-term debt and intergroup borrowings have been excluded so as not to distort the PCS Group's effective interest rates on long-term debt.

	1999	1998
Effective interest rate on long-term debt [1]	8.7%	9.4%

[1] The effective interest rate on long-term debt for 1998 is on a pro forma basis as if Sprint PCS' long-term debt had been included in the PCS Group's outstanding long-term debt balance all year.

The decrease in the PCS Group's effective interest rate mainly reflects increased borrowings with lower interest rates.

Effective with the PCS Restructuring, interest expense on borrowings incurred by Sprint and allocated to the PCS Group is based on rates the PCS Group would be able to obtain from third parties as a direct or indirect wholly owned Sprint subsidiary, but without the benefit of any guaranty by Sprint or any member of the FON Group. The PCS Group's interest expense includes $157 million in 1999 and $11 million in 1998 resulting from the difference between Sprint's actual interest rates and the rates charged to the PCS Group. These costs are included in the effective interest rates above.

Equity in Sprint PCS Losses

Sprint PCS' results of operations for 1998 have been consolidated for the entire year. The Cable Partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Combined Statements of Operations. Prior to the PCS Restructuring, the PCS Group's ownership interest in Sprint PCS was accounted for using the equity method. The PCS Group's share of losses from Sprint PCS was $660 million in 1997.

Other Income, Net

Other income for 1999 mainly includes a gain on the sale of property totaling $25 million and $13 million from the FON Group's interest in the PCS Group's loss.

Other income for 1998 consisted mainly of interest income totaling $34 million, reflecting interest earned on partner contributions from the Sprint PCS partners prior to the PCS Restructuring.

Income Taxes

The PCS Group's effective tax rates were 35.9% in 1999, 33.2% in 1998 and 38.3% in 1997. See Note 5 of Notes to Combined Financial Statements for the differences that caused the effective income tax rates to vary from the statutory federal rate.

Extraordinary Items, Net

In 1999, Sprint redeemed, prior to scheduled maturities, $2.2 billion of the PCS Groups revolving credit facilities and other borrowings. These borrowings had interest rates ranging from 5.6% to 8.3%. This resulted in a $21 million after-tax extraordinary loss. These short-term borrowings were repaid with proceeds from long-term financing.

In 1998, Sprint redeemed, prior to scheduled maturities, $3.3 billion of PCS Group debt with a weighted average interest rate of 8.3%. This resulted in a $31 million after-tax extraordinary loss.

Financial Condition

	1999	1998
	(millions)	
Combined assets	$17,924	$15,165

Net property, plant and equipment increased $1.5 billion in 1999 reflecting capital expenditures to support the PCS network buildout, partly offset by 1999 depreciation.

Net intangibles increased $850 million mainly reflecting goodwill resulting from the 1999 acquisition of the remaining interest in Cox PCS, partly offset by 1999 amortization. See "Liquidity and Capital Reserves" for more information about changes in the Combined Balance Sheets.

Liquidity and Capital Resources

The PCS Group's cash flows for 1998 include Sprint PCS cash flows only after the PCS Restructuring date. In 1997 and prior to the PCS Restructuring date in 1998, the PCS Group's cash flows include SprintCom's cash flows and treat the investment in Sprint PCS as an equity method investment.

Operating Activities

	1999	1998	1997
		(millions)	
Cash flows provided (used) by operating activities	$(1,692)	$(159)	$38

Cash flows used by operating activities increased $1.5 billion in 1999 and $197 million in 1998. The 1999 increase mainly reflects increased operating losses for the PCS Group and an increase in working capital. The 1998 increase mainly reflects increased operating losses, partly offset by a decrease in working capital.

Investing Activities

	1999	1998	1997
		(millions)	
Cash flows used by investing activities	$(2,509)	$(861)	$(1,020)

The PCS Group's main use of cash in 1999 and 1998 was to fund capital expenditures for the PCS network buildout. In 1997, the PCS Group used cash to acquire PCS licenses and to fund the initial operating losses of Sprint PCS. Capital expenditures for the PCS Group totaled $2.6 billion in 1999, $1.1 billion in 1998 and $154 million in 1997.

Financing Activities

	1999	1998	1997
		(millions)	
Cash flows provided by financing activities	$4,044	$1,193	$982

In 1999, the PCS Group received $5.9 billion of proceeds from long-term debt allocated from Sprint and $905 million of proceeds from stock issuances. These proceeds were mainly used to repay existing debt and to fund the PCS Group's capital expenditures and operating losses.

In 1998, the PCS Group used their allocated portion of the proceeds from Sprint's $5.0 billion debt offering mainly to repay existing debt and to fund capital expenditures. In 1997, the PCS Group used capital provided by the FON Group mainly to fund its investing activities.

In connection with the PCS Restructuring, Sprint adopted a tax sharing agreement that provides for the allocation of income taxes between the FON Group and PCS Group. Sprint expects the FON Group to make significant payments to the PCS Group under this agreement because of expected PCS Group operating losses in the near future. These payments will reflect the PCS Group's incremental cumulative effect on Sprint's consolidated federal and state tax liability and tax credit position. The PCS Group accrued current benefits under the agreement totaling $887 million in 1999 and $190 million in 1998 and received related payments from the FON Group totaling $764 million in 1999 and $20 million in 1998. The remaining $293 million will be paid by the FON Group during the first half of 2000. See Note 2 of Notes to Combined Financial Statements, "Allocation of Federal and State Income Taxes," for more details.

Capital Requirements

The PCS Group's 2000 investing activities, mainly consisting of capital expenditures, are expected to be between $2.4 and $2.6 billion. Additional funds will be required to fund expected operating losses, working capital and debt service requirements of the PCS Group.

PCS preferred stock dividend payments are expected to total $15 million, including payments to the FON Group for its preferred intergroup interest. See Note 10 of Notes to Combined Financial Statements for a more detailed discussion of the FON Group's preferred intergroup interest in the PCS Group.

Liquidity

See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity" for a discussion of liquidity.

Regulatory Developments

The FCC sets rules, regulations and policies to, among other things:

- grant licenses for PCS frequencies and license renewals,
- rule on assignments and transfers of control of PCS licenses,
- govern the interconnection of PCS networks with other wireless and wireline carriers,
- establish access and universal service funding provisions,
- impose fines and forfeitures for violations of any of the FCC's rules, and
- regulate the technical standards of PCS networks.

The FCC currently prohibits a single entity from having a combined attributable interest (20% or greater interest in any license) in broadband PCS, cellular and specialized mobile radio licenses totaling more than 45 megahertz (MHz) in any geographic area except that in rural service areas no licensee may have an attributable interest in more than 55 MHz of commercial mobile radio service (CMRS) spectrum.

PCS License Transfers and Assignments

The FCC must approve any substantial changes in ownership or control of a PCS license. Noncontrolling interests in an entity that holds a PCS license or operates PCS networks generally may be bought or sold without prior FCC approval. In addition, a recent FCC order requires only post-consummation notification of certain pro forma assignments or transfers of control.

PCS License Conditions

All PCS licenses are granted for 10-year terms if the FCC's buildout requirements are followed. Based on those requirements, all 30 MHz broadband major trading area licensees must build networks offering coverage to ⅓ of the population within five years and ⅔ within 10 years. All 10 MHz broadband PCS licensees must build networks offering coverage to at least ¼ of the population within five years or make a showing of "substantial service" within that five-year period. Licenses may be revoked if the rules are violated.

PCS licenses may be renewed for additional 10-year terms. Renewal applications are not subject to auctions. However, third parties may oppose renewal applications and/or file competing applications.

Other FCC Requirements

Broadband PCS providers cannot unreasonably restrict or prohibit other companies from reselling their services. They also cannot unreasonably discriminate against resellers. CMRS resale obligations will expire in 2002.

Local phone companies must program their networks to allow customers to change service providers without changing phone numbers. This is referred to as service provider number portability. CMRS providers are currently required to deliver calls from their networks to ported numbers anywhere in the country. By November 24, 2002, CMRS providers must be able to offer their own customers number portability in their switches in the 100 largest metropolitan areas. They must also be able to support nationwide roaming.

Broadband PCS and other CMRS providers may provide wireless local loop and other fixed services that would directly compete with the wireline services of local phone companies. Broadband PCS and other CMRS providers must implement enhanced emergency 911 capabilities to be completed in phases by October 2001.

Communications Assistance for Law Enforcement Act

The Communications Assistance for Law Enforcement Act (CALEA) was enacted in 1994 to preserve electronic surveillance capabilities authorized by federal and state law. CALEA requires telecommunications carriers to meet certain "assistance capability requirements" by the end of June 2000. In 1997, telecommunications industry standard-setting organizations agreed to a joint standard to implement CALEA's capability requirements. The PCS Group believes it will be in compliance with CALEA requirements.

Other Federal Regulations

Wireless systems must comply with certain FCC and Federal Aviation Administration regulations about the siting, lighting and construction of transmitter towers and antennas. In addition, certain FCC environmental regulations may cause certain cell site locations to come under National Environmental Policy Act (NEPA) regulation. NEPA requires carriers to meet certain land use and radio frequency standards.

Universal Service Requirements

The FCC and many states have established "universal service" programs to ensure affordable, quality telecommunications services for all Americans. The PCS Group's "contribution" to these programs is typically a percentage of end-user revenues. The PCS Group's 1999 results contained assessments for 1999. Currently, management cannot predict the extent of the PCS Group's future federal and state universal service assessments, or its ability to recover its contributions from the universal service fund.

Financial Strategies

Financial strategies are determined by Sprint on a centralized basis. See Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Strategies."

Year 2000 Issue

The PCS Group successfully completed its Year 2000 readiness work and passed through the January 1, 2000 rollover event while encountering no customer-affecting outages or business interruptions. Since the inception of the PCS Group's Year 2000 readiness program through December 31, 1999, the PCS Group incurred approximately $45 million of costs associated with its Year 2000 readiness program. The PCS Group does not expect to incur any significant additional expenditures related to the Year 2000 issue.

Recently Issued Accounting Pronouncement

See Note 11 of Notes to Combined Financial Statements for a discussion of a recently issued accounting pronouncement.

MANAGEMENT REPORT

Sprint Corporation's management is responsible for the integrity and objectivity of the information contained in this annex. Management is responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the United States are used.

In discharging this responsibility, management maintains a comprehensive system of internal controls and supports an extensive program of internal audits, has made organizational arrangements providing appropriate divisions of responsibility and has established communication programs aimed at assuring that its policies, procedures and principles of business conduct are understood and practiced by its employees.

The combined financial statements included in this annex have been audited by Ernst & Young LLP, independent auditors. Their audits were conducted using auditing standards generally accepted in the United States and their report is included herein.

The Board of Director's responsibility for these combined financial statements is pursued mainly through its Audit Committee. The Audit Committee, composed entirely of directors who are not officers or employees of Sprint, meets periodically with the internal auditors and independent auditors, both with and without management present, to assure that their respective responsibilities are being fulfilled. The internal and independent auditors have full access to the Audit Committee to discuss auditing and financial reporting matters.

/s/ W. T. Esrey

William T. Esrey
Chairman and Chief Executive Officer

/s/ Arthur B. Krause

Arthur B. Krause
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Sprint Corporation

We have audited the accompanying combined balance sheets of the Sprint PCS Group (as described in Note 2) as of December 31, 1999 and 1998, and the related combined statements of operations, comprehensive loss and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in the Index to Financial Statements and Financial Statement Schedules. These financial statements and the schedule are the responsibility of the management of Sprint Corporation (Sprint). Our responsibility is to express an opinion on these financial statements and the schedule based on our audits. We did not audit the 1998 or 1997 consolidated financial statements of Sprint Spectrum Holding Company, L.P., a wholly owned subsidiary of Sprint as of December 31, 1998 and an investment in which Sprint had a 40% interest through November 23, 1998 (as discussed in Note 1). Such financial statements reflect assets of $2.7 billion as of December 31, 1998 and revenues of $1.2 billion for the year then ended which we did not audit. The PCS Group's equity in the net loss of Sprint Spectrum Holding Company, L.P. is stated at $625 million for the year ended December 31, 1997. The consolidated financial statements and financial statement schedule of Sprint Spectrum Holding Company, L.P. have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the 1998 assets and revenues and the 1997 equity in the net loss which we did not audit, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Sprint PCS Group at December 31, 1999 and 1998, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As more fully discussed in Note 2, the combined financial statements of the Sprint PCS Group should be read together with the audited consolidated financial statements of Sprint.

Ernst & Young LLP

Kansas City, Missouri
February 1, 2000

REPORT OF INDEPENDENT AUDITORS

The Board of Directors of Sprint Corporation and Partners of Sprint Spectrum Holding Company, L.P.

We have audited the consolidated balance sheets of Sprint Spectrum Holding Company, L.P. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations and cash flows for the two years in the period ended December 31, 1998. Our audits also included the financial statement schedule (Schedule II). These financial statements and Schedule II are the responsibility of Partnership management. Our responsibility is to express an opinion on these consolidated financial statements and Schedule II based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sprint Spectrum Holding Company, L.P. and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for the two years ended December 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, Schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

Deloitte & Touche LLP

Kansas City, Missouri
February 2, 1999

COMBINED STATEMENTS OF OPERATIONS
(millions)

Sprint PCS Group

Years Ended December 31,	1999	1998	1997
Net Operating Revenues	$ 3,180	$ 1,225	$ —
Operating Expenses			
Costs of services and products	3,150	1,758	—
Selling, general and administrative	1,744	1,069	19
Depreciation and amortization	1,523	789	—
Acquired in-process research and development costs	—	179	—
Total operating expenses	6,417	3,795	19
Operating Loss	(3,237)	(2,570)	(19)
Interest expense	(698)	(491)	—
Other partners' loss in Sprint PCS	—	1,251	—
Equity in loss of Sprint PCS	—	—	(660)
Minority interest	20	145	—
Other income, net	46	34	—
Loss before income tax benefit and extraordinary items	(3,869)	(1,631)	(679)
Income tax benefit	1,388	541	260
Loss before Extraordinary Items	(2,481)	(1,090)	(419)
Extraordinary items, net	(21)	(31)	—
Net Loss	(2,502)	(1,121)	(419)
Preferred stock dividends paid	(15)	(2)	—
Loss applicable to common stock	$(2,517)	$(1,123)	$ (419)
Basic and Diluted Loss per Common Share[(1),(2)]			
Continuing operations	$ (2.71)	$ (2.21)	$ (1.98)
Extraordinary items	(0.02)	(0.04)	—
Total	$ (2.73)	$ (2.25)	$ (1.98)
Basic and diluted weighted average common shares	920.4	831.6	831.6

[(1)] *Basic and diluted loss per common share and weighted average common shares for 1998 and 1997 are pro forma, unaudited and assume the PCS Restructuring, Recapitalization, Top-up and the write-off of $179 million of acquired in-process research and development occurred at the beginning of 1997. These pro forma amounts are for comparative purposes only and do not necessarily represent what actual results of operations would have been had the transactions occurred at the beginning of 1997, nor do they indicate the results of future operations.*

[(2)] *In February 2000, Sprint effected a two-for-one stock split of its PCS common stock. As a result, basic and diluted loss per common share and weighted average common shares for periods before the stock split have been restated.*

See accompanying Notes to Combined Financial Statements.

COMBINED STATEMENTS OF COMPREHENSIVE LOSS
(millions)

Sprint PCS Group

Years Ended December 31,	1999	1998	1997
Net Loss	$(2,502)	$(1,121)	$(419)
Other Comprehensive Income			
Unrealized holding gains on securities	8	—	—
Income tax expense	(3)	—	—
Net unrealized holding gains on securities	5	—	—
Total other comprehensive income	5	—	—
Comprehensive Loss	$(2,497)	$(1,121)	$(419)

See accompanying Notes to Combined Financial Statements.

COMBINED BALANCE SHEETS
(millions)

December 31,	1999	1998
Assets		
Current assets		
Cash and equivalents	$ 16	$ 173
Accounts receivable, net of allowance for doubtful accounts of $57 and $11	572	333
Inventories	336	127
Prepaid expenses	89	60
Current tax benefit receivable from the FON Group	293	170
Other	9	19
Total current assets	1,315	882
Property, plant and equipment		
Network equipment	5,817	3,999
Construction work in progress	1,692	1,607
Buildings and leasehold improvements	1,235	1,026
Other	667	356
Total property, plant and equipment	9,411	6,988
Accumulated depreciation	(1,415)	(453)
Net property, plant and equipment	7,996	6,535
Intangible assets		
Goodwill	4,522	3,313
PCS licenses	3,060	3,037
Customer base	726	681
Microwave relocation costs	377	355
Other	54	45
Total intangible assets	8,739	7,431
Accumulated amortization	(551)	(93)
Net intangible assets	8,188	7,338
Other assets	425	410
Total	$17,924	$15,165
Liabilities and Group Equity		
Current liabilities		
Current maturities of long-term debt	$ 185	$ 348
Accounts payable	450	371
Construction obligations	1,039	979
Accrued taxes	130	93
Payables to the FON Group	136	101
Other	638	534
Total current liabilities	2,578	2,426
Long-term debt and capital lease obligations	11,304	7,847
Deferred credits and other liabilities		
Deferred income taxes	582	1,013
Other	140	124
Total deferred credits and other liabilities	722	1,137
Group equity	3,320	3,755
Total	$17,924	$15,165

See accompanying Notes to Combined Financial Statements.

COMBINED STATEMENTS OF CASH FLOWS
(in millions)

Years Ended December 31,	1999	1998	1997
Operating Activities			
Net loss	$(2,502)	$(1,121)	$ (419)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Extraordinary items, net	21	31	—
Equity in net losses of affiliates	—	840	660
Acquired in-process research and development costs	—	179	—
Depreciation and amortization	1,523	121	—
Deferred income taxes	(553)	68	176
Current tax benefit used by the FON Group	—	(460)	(436)
Net gains on sales of assets	(25)	—	—
Changes in assets and liabilities, excluding the PCS Restructuring:			
Accounts receivable, net	(241)	(1)	—
Inventories and other current assets	(237)	—	(3)
Accounts payable and other current liabilities	363	386	58
Current tax benefit receivable from the FON Group	(123)	(170)	—
Affiliate receivables and payables, net	35	101	—
Noncurrent assets and liabilities, net	13	(102)	1
Other, net	34	(31)	1
Net cash provided (used) by operating activities	(1,692)	(159)	38
Investing Activities			
Capital expenditures	(2,580)	(1,072)	(154)
Proceeds from sales of assets	153	—	—
Cash acquired in the PCS Restructuring	—	244	—
Investments in Sprint PCS	—	(33)	(406)
PCS licenses purchased	—	—	(460)
Other, net	(82)	—	—
Net cash used by investing activities	(2,509)	(861)	(1,020)
Financing Activities			
Proceeds from long-term debt	5,901	4,428	—
Payments on long-term debt	(2,734)	(3,434)	—
Proceeds from common stock issued	688	—	—
Proceeds from sales of shares to FT and DT	217	85	—
Dividends paid	(15)	—	—
Advances from the FON Group	—	64	—
Equity transfer (to) from the FON Group	—	(340)	547
Current tax benefit used by the FON Group	—	460	435
Other, net	(13)	(70)	—
Net cash provided by financing activities	4,044	1,193	982
Increase (Decrease) in Cash and Equivalents	(157)	173	—
Cash and Equivalents at Beginning of Year	173	—	—
Cash and Equivalents at End of Year	$ 16	$ 173	$ —

See accompanying Notes to Combined Financial Statements.

1. General

In October 1999, Sprint announced a definitive merger agreement with MCI WorldCom. Under the agreement, each share of Sprint FON stock will be exchanged for $76 of MCI WorldCom common stock, subject to a collar. In addition, each share of Sprint PCS stock will be exchanged for one share of a new WorldCom PCS tracking stock and 0.116025 shares of MCI WorldCom common stock. The terms of the WorldCom PCS tracking stock will be equivalent to those of Sprint's PCS common stock and will track the performance of the company's personal communication services (PCS) business. The merger is subject to the approvals of Sprint and MCI WorldCom shareholders as well as approvals from the Federal Communications Commission, the Justice Department, various state government bodies and foreign antitrust authorities. The companies anticipate that the merger will close in the second half of 2000.

In November 1998, Sprint's shareholders approved the formation of the FON Group and the PCS Group and the creation of the FON stock and the PCS stock. In addition, Sprint purchased the remaining ownership interests in Sprint Spectrum Holding Company, L.P. and PhillieCo, L.P. (together, Sprint PCS), other than a minority interest in Cox Communications PCS, L.P. (Cox PCS). Sprint acquired these ownership interests from Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (the Cable Partners). In exchange, Sprint issued the Cable Partners special low-vote PCS shares and warrants to acquire additional PCS shares. Sprint also issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares. The purchase of the Cable Partners' interests is referred to as the PCS Restructuring. In the 1999 second quarter, Cox Communications, Inc. exercised a put option requiring Sprint to purchase the remaining 40.8% interest in Cox PCS. Sprint issued additional low vote PCS shares in exchange for this interest.

Also in November 1998, Sprint reclassified each of its publicly traded common shares into one share of FON stock and ½ share of PCS stock. This recapitalization was tax-free to shareholders. Each Class A common share owned by France Telecom S.A. (FT) and Deutsche Telekom AG (DT) was reclassified to represent an equity interest in the FON Group and the PCS Group that entitles FT and DT to one share of FON stock and ½ share of PCS stock. These transactions are referred to as the Recapitalization.

In connection with the PCS Restructuring, FT and DT purchased 5.1 million additional PCS shares (pre-split basis) to maintain their combined 20% voting power in Sprint (Top-up).

The PCS stock is intended to reflect the performance of Sprint's domestic wireless PCS operations. The FON stock is intended to reflect the performance of all of Sprint's other operations.

2. Summary of Significant Accounting Policies

Basis of Combination and Presentation

The combined PCS Group financial statements, together with the combined FON Group financial statements, include all the accounts included in Sprint's consolidated financial statements. The combined financial statements for each Group were prepared on a basis that management believes is reasonable and proper and include:

- the combined historical balance sheets, results of operations and cash flows for each of the Groups, with all significant intragroup amounts and transactions eliminated,
- an allocation of Sprint's debt, including the related effects on results of operations and cash flows, and
- an allocation of corporate overhead after the PCS Restructuring date.

The PCS Group entities are commonly controlled companies and are wholly owned by Sprint. Transactions between the PCS Group and the FON Group have not been eliminated in the combined financial statements of either Group.

The PCS Group combined financial statements provide PCS shareholders with financial information about the PCS Group operations. Investors in FON stock and PCS stock are Sprint shareholders and are subject to risks related to all of Sprint's businesses, assets and liabilities. Sprint retains ownership and control of the assets and operations of each Group. Financial effects of either Group that affect Sprint's results of operations or financial condition could affect the results of operations or financial position of the other Group or the market price of the other Group's stock. Net losses of either Group, and dividends or distributions on, or repurchases of, PCS stock or FON stock will reduce Sprint funds legally available for dividends on both Groups' stock. As a result, the PCS Group combined financial statements should be read along with Sprint's consolidated financial statements and the FON Group's combined financial statements.

Sprint PCS' results of operations for 1998 have been consolidated for the entire year. The Cable Partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Combined Statements of Operations. Sprint PCS financial position has been reflected on a consolidated basis at year-end 1998. Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method. The PCS Group's cash flows include Sprint PCS' cash flows only after the PCS Restructuring date.

The PCS Group combined financial statements are prepared using accounting principles generally accepted in the United States. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or group equity as previously reported.

Classification of Operations

The PCS Group includes Sprint's domestic wireless PCS operations. It operates the only 100% digital PCS wireless network in the United States with licenses to provide nationwide service using a single frequency and a single technology. At year-end 1999, the PCS Group, together with affiliates, operated PCS systems in over 360 metropolitan markets including the 50 largest U.S. metropolitan areas.

Allocation of Shared Services

Sprint directly assigns, where possible, certain general and administrative costs to the FON Group and the PCS Group based on their actual use of those services. Where direct assignment of costs is not possible, or practical, Sprint uses indirect methods, including time studies, to estimate the assignment of costs to each Group. Sprint believes that the costs allocated are comparable to the costs that would be incurred if the Groups would have been operating on a stand-alone basis. The allocation of shared services may change at the discretion of Sprint and does not require shareholder approval.

Allocation of Federal and State Income Taxes

Sprint files a consolidated federal income tax return and certain state income tax returns which include FON Group and PCS Group results. In connection with the PCS Restructuring, Sprint adopted a tax sharing agreement which provides for the allocation of income taxes between the two Groups. The PCS Group's income taxes reflect the PCS Group's incremental cumulative impact on Sprint's consolidated income taxes. Intergroup tax payments are satisfied on the date Sprint's related tax payment is due to or the refund is received from the applicable tax authority. The PCS Group accrued current income tax benefits in accordance with the tax sharing agreement totaling $887 million in 1999 and $190 million in 1998.

Allocation of Group Financing

Financing activities for the Groups are managed by Sprint on a centralized basis. Debt incurred by Sprint on behalf of the Groups is specifically allocated to and reflected in the financial statements of the applicable Group. Interest expense is allocated to the PCS Group based on an interest rate that is substantially equal to the rate it would be able to obtain from third parties as a direct or indirect wholly owned Sprint subsidiary, but without the benefit of any guaranty by Sprint or any member of the FON Group. That interest rate is higher than the rate Sprint obtains on borrowings. The difference between Sprint's actual interest rate and the rate charged to the PCS Group is reflected as a reduction in the FON Group's interest expense.

Under Sprint's centralized cash management program, one Group may advance funds to the other Group. These advances are accounted for as short-term borrowings between the Groups and bear interest at a market rate that is substantially equal to the rate that Group would be able to obtain from third parties on a short-term basis.

The allocation of Group financing activities may change at the discretion of Sprint and does not require shareholder approval.

Income Taxes

The PCS Group records deferred income taxes based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Revenue Recognition

The PCS Group recognizes operating revenues as services are rendered or as products are delivered to customers. The PCS Group records operating revenues net of an estimate for uncollectible accounts.

Cash and Equivalents

Cash equivalents generally include highly liquid investments with original maturities of three months or less. They are stated at cost, which approximates market value. Sprint uses controlled disbursement banking arrangements as part of its cash management program. Outstanding checks in excess of cash balances for the PCS Group were included in accounts payable. These amounts totaled $30 million at year-end 1999 and $73 million at year-end 1998. The PCS Group had sufficient funds available to fund these outstanding checks when they were presented for payment.

Inventories

Inventories are stated at the lower of cost (principally first-in, first-out method) or replacement value.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Generally, ordinary asset retirements and disposals are charged against accumulated depreciation with no gain or loss recognized. Property, plant and equipment is depreciated on a straight-line basis over estimated economic useful lives. Repair and maintenance costs are expensed as incurred.

Capitalized Interest

The PCS Group capitalizes interest costs related to network buildout and PCS licenses, which totaled $108 million in 1999 and $64 million in 1998. In addition, Sprint capitalized interest costs related to the PCS Group's network buildout. This capitalized interest totaled $61 million for 1998 and $24 million for 1997 and was contributed to, and will be amortized by, the PCS Group. Sprint also capitalized interest costs related to its investment in Sprint PCS until July 1997 when Sprint PCS emerged from the development stage. This capitalized interest, totaling $142 million, was contributed to, and is being amortized by, the PCS Group.

Intangible Assets

The PCS Group evaluates the recoverability of intangible assets when events or circumstances indicate that such assets might be impaired. The PCS Group determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying value. In the event impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in business combinations accounted for as purchases. Goodwill is being amortized over 40 years using the straight-line method. Accumulated amortization totaled $116 million at year-end 1999 and $11 million at year-end 1998.

PCS Licenses

The PCS Group acquired licenses from the Federal Communications Commission (FCC) to operate as a PCS service provider. These licenses are granted for up to 10-year terms with renewals for additional 10-year terms if license obligations are met. These licenses are recorded at cost and are amortized on a straight-line basis over 40 years when service begins in a specific geographic area. Accumulated amortization totaled $130 million at year-end 1999 and $51 million at year-end 1998.

Customer Base

The PCS Group capitalized the fair value of Sprint PCS' customer base acquired in the PCS Restructuring and the fair value of Cox PCS' customer base when the remaining minority interest in Cox PCS was acquired in the 1999 second quarter. The customer base is being amortized over 30 months using the straight-line method. Accumulated amortization totaled $277 million at year-end 1999 and $23 million at year-end 1998.

Microwave Relocation Costs

The PCS Group has incurred costs related to microwave relocation in constructing the PCS network. Microwave relocation costs are being amortized over the remaining lives of the PCS licenses. Accumulated amortization totaled $15 million at year-end 1999 and $6 million at year-end 1998.

Loss per Share

As a result of the PCS Restructuring and the Recapitalization, loss per share for the PCS Group for 1998 has been calculated based on the Group's net loss from November 1998 through year-end 1998. It was not calculated on a Group basis for periods prior to November 1998 because the PCS stock was not part of Sprint's capital structure at that time.

On December 14, 1999, the Sprint Board of Directors authorized a two-for-one stock split of Sprint's PCS common stock in the form of a stock dividend which was distributed on February 4, 2000 to the PCS shareholders. As a result, basic and diluted loss per common share and weighted-average common shares for PCS common stock have been restated for periods prior to the stock split.

Dilutive securities for the PCS Group mainly include options, warrants and convertible preferred stock. These securities did not have a dilutive effect on loss per share because the PCS Group incurred net losses for 1999 and 1998. As a result, diluted loss per share equaled basic loss per share.

The PCS Group's basic and diluted loss per common share after the PCS Restructuring and Recapitalization date was as follows:

	1998
	(millions, except per share data)
Loss applicable to common stock	$ (559)
Basic and diluted loss per common share:	
Loss before extraordinary item	$ (0.63)
Extraordinary item	(0.04)
Total	$ (0.67)
Basic and diluted weighted average shares	831.6

Stock-based Compensation

The PCS Group participates in the incentive-based stock option plans and employee stock purchase plan administered by Sprint for executives and other employees. Sprint adopted the pro forma disclosure requirements under Statement of Financial Accounting Standards (SFAS) No. 123, "Stock-based Compensation," and continues to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," to its stock option and employee stock purchase plans. Had the PCS Group applied SFAS 123, pro forma net loss would have been $2,578 million in 1999 and would not have changed materially from the Recapitalization date through year-end 1998. See Note 10 of Sprint's Notes to Consolidated Financial Statements for more information about Sprint's stock-based compensation and the PCS Group's pro forma net loss and loss per share.

In 1997, Sprint granted performance-based stock options to certain key executives. The PCS Group expensed $5 million in 1999 and $1 million in 1998 related to these performance-based stock options.

3. Business Combinations

Cox PCS

In the 1999 second quarter, Cox Communications, Inc. exercised a put option requiring Sprint to purchase the remaining 40.8% interest in Cox PCS. Sprint's existing 59.2% interest in Cox PCS was reflected in the PCS Group combined financial statements on a combined basis. Sprint issued 24.3 million shares of low-vote PCS stock (pre-split basis) in exchange for the remaining interest. The shares were valued at $1.1 billion. Sprint accounted for the transaction as a purchase.

The excess of the purchase price over the fair value of the net liabilities acquired was allocated as follows:

	1999
	(millions)
Purchase price	$1,146
Net liabilities acquired	99
Fair value assigned to customer base acquired	(45)
Fair value assigned to PCS licenses	(99)
Deferred taxes established on acquired assets and liabilities	88
Goodwill	$1,189

Goodwill is being amortized on a straight-line basis over 40 years.

PCS Restructuring

In November 1998, Sprint acquired the remaining interest in Sprint PCS (except for the minority interest in Cox PCS) from the Cable Partners. In exchange, Sprint issued the Cable Partners 195.1 million low-vote shares of PCS stock and 12.5 million warrants to purchase additional shares of PCS stock (on a pre-split basis). The purchase price was $3.2 billion. In addition, Sprint issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares.

Sprint accounted for the transaction as a purchase. The excess of the purchase price over the fair value of the net liabilities acquired was allocated as follows:

	1998
	(millions)
Purchase price including transaction costs	$ 3,226
Net liabilities acquired	281
Fair value assigned to customer base acquired	(681)
Fair value assigned to assembled workforce acquired	(45)
Increase in property, plant and equipment to fair value	(204)
Mark-to-market of long-term debt	85
Deferred taxes established on acquired assets and liabilities	678
In-process research and development costs	(179)
Goodwill	$ 3,161

Goodwill is being amortized on a straight-line basis over 40 years.

With respect to the purchase price attributed to in-process research and development (IPR&D), the acquired IPR&D was limited to significant new products under development that were intended to address new and emerging market needs and requirements, such as the rapid adoption of the Internet and the rapid convergence of voice, data, and video. No routine research and development projects, minor refinements, normal enhancements, or production activities were included in the acquired IPR&D.

The income approach was the primary technique utilized in valuing the acquired IPR&D. This approach included, but was not limited to, an analysis of (i) the markets for each product; (ii) the completion costs for projects; (iii) the expected cash flows attributable to the IPR&D projects; (iv) the risks related to achieving these cash flows; and (v) the stage of development of each project. The issue of alternative future use was extensively evaluated and these technologies, once completed, could only be economically used for their intended purposes.

Sprint PCS Group Pro Forma Results

The following unaudited pro forma combined results of operations for the PCS Group assume the PCS Restructuring, Recapitalization, Top-up and the write-off of acquired IPR&D costs occurred at the beginning of 1997. These pro forma amounts are for comparative purposes only and do not necessarily represent what actual results of operations would have been had the transactions occurred at the beginning of 1997, nor do they indicate the results of future operations. Pro forma results were as follows:

	1998	1997
	(millions, except per share data)	
Net operating revenues	$ 1,225	$ 258
Loss before extraordinary items	$(1,847)	$(1,645)
Net loss	$(1,878)	$(1,645)
Basic and diluted loss per common share:		
Loss before extraordinary items	$ (2.21)	$ (1.98)
Extraordinary items	(0.04)	—
Total	$ (2.25)	$ (1.98)

4. Employee Benefit Plans

Defined Benefit Pension Plan

Effective January 1999, most PCS Group employees became eligible to participate in Sprint's pension plans. Pension benefits are based on years of service and the participants' compensation.

Sprint's policy is to make plan contributions equal to an actuarially determined amount consistent with federal tax regulations. The funding objective is to accumulate funds at a relatively stable rate over the participants' working lives so benefits are fully funded at retirement.

Amounts included in the Combined Balance Sheets for the plan were accrued pension costs of $5 million at year-end 1999.

Net pension costs are determined for the PCS Group based on a direct calculation of service costs. The PCS Group recorded net pension costs of $5 million in 1999.

Defined Contribution Plan

Prior to January 1999, Sprint PCS sponsored a savings and retirement program for certain employees. Sprint PCS matched contributions equal to 50% of the contribution of each participant, up to the first 6% that the employee elected to contribute. Expense under the savings plan was $7 million in 1998. Effective January 1999, the PCS Group employees began making contributions to Sprint's defined contribution plan. The existing assets of the Sprint PCS savings plan were rolled over to Sprint's defined contribution plan in early 1999. The PCS Group recorded $10 million of expense in 1999 for Sprint's matching contributions to the Sprint defined contribution plans. At year-end 1999, Sprint's defined contribution plans held 33 million FON shares and 27 million PCS shares (on a post-split basis).

Postretirement Benefits

Effective January 1999, most PCS Group employees also became eligible for postretirement benefits (principally medical and life insurance benefits). Retiring employees are eligible for benefits on a shared-cost basis. Sprint funds the accrued costs as benefits are paid.

Amounts included in the Combined Balance Sheets at year-end were accrued postretirement benefits costs of $1 million in 1999.

Net postretirement benefits costs are determined for the PCS Group based on a direct calculation of service costs. The PCS Group recorded net postretirement benefits costs of $1 million in 1999.

5. Income Taxes

Income tax benefits allocated to continuing operations consisted of the following:

	1999	1998	1997
		(millions)	
Current income tax benefit			
Federal	$ (810)	$(579)	$(415)
State	(25)	(30)	(21)
Total current	(835)	(609)	(436)
Deferred income tax expense (benefit)			
Federal	(479)	83	188
State	(74)	(15)	(12)
Total deferred	(553)	68	176
Total	$(1,388)	$(541)	$(260)

The differences that caused the PCS Group's effective income tax rates to vary from the 35% federal statutory rate for income taxes related to continuing operations were as follows:

	1999	1998	1997
		(millions)	
Income tax benefit at the statutory rate	$ (1,354)	$ (571)	$ (238)
Effect of:			
State income taxes, net of federal income tax effect	(64)	(29)	(21)
Write-off of in-process research and development costs	—	63	—
Goodwill amortization	34	3	—
Other, net	(4)	(7)	(1)
Income tax benefit	$ (1,388)	$ (541)	$ (260)
Effective income tax rate	35.9%	33.2%	38.3%

Income tax expense (benefit) allocated to other items was as follows:

	1999	1998	1997
	(millions)		
Extraordinary items	$(11)	$(20)	$—
Unrealized holding gains on investments[1]	3	—	—
Stock ownership, purchase and options arrangements[1]	(31)	—	—

[1] These amounts have been recorded directly to "Group equity."

The PCS Group recognizes deferred income taxes for the temporary differences between the carrying amounts of its assets and liabilities for financial statement purposes and their tax bases. The sources of the differences that give rise to the deferred income tax assets and liabilities at year-end 1999 and 1998, along with the income tax effect of each, were as follows:

	1999 Deferred Income Tax	
	Assets	Liabilities
	(millions)	
Property, plant and equipment	$ —	$ 811
Intangibles	—	453
Capitalized interest	—	108
Operating loss carryforwards	1,006	—
Tax credit carryforwards	53	—
Other, net	21	—
	1,080	1,372
Less valuation allowance	283	—
Total	$ 797	$1,372

	1998 Deferred Income Tax	
	Assets	Liabilities
	(millions)	
Property, plant and equipment	$—	$ 542
Intangibles	—	454
Capitalized interest	—	103
Reserves and allowances	22	—
Operating loss carryforwards	295	—
Tax credit carryforwards	27	—
Other, net	5	—
	349	1,099
Less valuation allowance	245	—
Total	$104	$1,099

Management believes it is more likely than not that these deferred income tax assets, net of the valuation allowance, will be realized based on current income tax laws and expectations of future taxable income stemming from the reversal of existing deferred tax liabilities or ordinary operations. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions, and future operating income levels may, however, affect the ultimate realization of all or some of these deferred income tax assets.

The valuation allowance related to deferred income tax assets increased $38 million in 1999.

The PCS Group acquired approximately $229 million of potential tax benefits related to net operating loss carryforwards in the PCS Restructuring which are subject to certain realization restrictions under various tax laws. A valuation allowance was provided for the total of these benefits. If these benefits are subsequently recognized, they will reduce the goodwill or other noncurrent intangible assets resulting from the PCS Restructuring.

In connection with the PCS Restructuring, the PCS Group is required to reimburse the FON Group and the Cable Partners for net operating loss and tax credit carryforward benefits generated prior to the PCS Restructuring if realization by the PCS Group produces a cash benefit that would not otherwise have been realized. The reimbursement will equal 60% of the net cash benefit received by the PCS Group and will be made to the FON Group in cash and to the Cable Partners in shares of Series 2 PCS stock. The carryforward benefits subject to this requirement totaled $259 million, which includes the $229 million acquired in the PCS Restructuring.

At year-end 1999, the PCS Group had federal operating loss carryforwards of approximately $2.3 billion and state operating loss carryforwards of approximately $5.5 billion. Related to these loss carryforwards are federal tax benefits of $787 million and state tax benefits of $336 million. In addition, the PCS Group had available for income tax purposes federal alternative minimum tax credit carryforwards of $49 million, state alternative minimum tax credit carryforwards of $5 million, federal alternative minimum tax net operating loss carryforwards of $933 million, and state alternative minimum tax net operating loss carryforwards of $359 million. The loss carryforwards expire in varying amounts through 2019.

6. Long-term Debt and Capital Lease Obligations

Sprint's consolidated long-term debt and capital lease obligations at year-end was as follows:

	Maturing	1999 Sprint FON Group	1999 Sprint PCS Group	1999 Consolidated	1998 Sprint FON Group	1998 Sprint PCS Group	1998 Consolidated
				(millions)			
Senior notes							
5.7% to 6.9%[1]	2001 to 2028	$ 1,105	$ 8,145	$ 9,250	$1,059	$ 3,941	$ 5,000
8.1% to 9.8%	2000 to 2003	632	—	632	632	—	632
11.0% to 12.5%[2]	2001 to 2006	—	734	584	—	699	565
Debentures and notes							
5.8% to 9.6%	2000 to 2022	565	—	565	565	—	565
Notes payable and commercial paper	—	294	1,971	2,265	472	274	746
First mortgage bonds							
2.0% to 9.9%	1999 to 2025	1,295	—	1,295	1,312	—	1,312
Capital lease obligations							
5.2% to 14.0%	1999 to 2008	69	486	555	32	452	484
Revolving credit facilities							
Variable rates	2002 to 2006	900	—	900	—	1,800	1,800
Other[2],[3]							
2.0% to 10.0%	1999 to 2007	573	153	726	370	1,029	1,085
		5,433	11,489	16,772	4,442	8,195	12,189
Less: current maturities[2]		902	185	1,087	33	348	247
Long-term debt and capital lease obligations[2]		$ 4,531	$ 11,304	$15,685	$4,409	$ 7,847	$11,942

(1) *These borrowings were incurred by Sprint and allocated to the applicable Group. Sprint's weighted average interest rate related to these borrowings was 6.6% at year-end 1999 and 6.4% at year-end 1998. The weighted average interest rate related to the borrowings allocated to the PCS Group was approximately 8.7% at year-end 1999 and 8.5% at year-end 1998. See Note 2 for a more detailed description of how Sprint allocates financing to each of the Groups.*

(2) *Consolidated debt does not equal the total of PCS Group and FON Group debt due to intergroup debt eliminated in consolidation. The FON Group had an investment in the PCS Group's Senior Discount notes totaling $150 million at year-end 1999 and $134 million at year-end 1998. In addition, the PCS Group had other long-term debt payable to the FON Group totaling $314 million at year-end 1998, including $134 million classified as current.*

(3) *Includes notes with a market value of $316 million at year-end 1999 and $358 million at year-end 1998 recorded by the FON Group that may be exchanged at maturity for SBC Communications, Inc. (SBC) common shares owned by the FON Group or for cash. Based on SBC's closing price, had the notes matured at year-end 1999, they could have been exchanged for 6.5 million SBC shares. At year-end 1999, Sprint held 7.5 million SBC shares, which have been included in "Investments in equity securities" in the FON Group's Combined Balance Sheets.*

Scheduled principal payments, excluding reclassified short-term borrowings, during each of the next five years are as follows:

	Sprint FON Group	Sprint PCS Group	Sprint
		(millions)	
2000	$ 902	$ 185	$1,087
2001	877	289	1,096
2002	1,339	59	1,398
2003	373	1,058	1,431
2004	144	1,042	1,186

Sprint

Short-term Borrowings

Sprint had bank notes payable totaling $670 million at year-end 1999 and $454 million at year-end 1998. In addition, Sprint had commercial paper borrowings totaling $1.6 billion at year-end 1999 and $292 million at year-end 1998. Though these borrowings are renewable at various dates throughout the year, they were classified as long-term debt because of Sprint's intent and ability, through unused credit facilities, to refinance these borrowings on a long-term basis.

In 1998, Sprint replaced its previous $1.5 billion credit facility with new facilities with syndicates of domestic and international banks. The new facilities totaled $5.0 billion and expire in 2000 and 2003. Commercial paper and certain bank notes payable are supported by Sprint's revolving credit facilities. Certain other notes payable relate to a separate revolving credit facility which expires in 2002. At year-end 1999, Sprint had total unused lines of credit of $3.5 billion.

Bank notes outstanding had weighted average interest rates of 6.3% at year-end 1999 and 5.7% at year-end 1998. The weighted average interest rate of commercial paper was 6.4% at year-end 1999 and 5.8% at year-end 1998.

Long-term Debt

In the 1999 third quarter, Sprint filed a shelf registration statement with the SEC covering $4.0 billion of senior unsecured debt securities. At year-end 1999, Sprint had issued $750 million of debt securities under the shelf. These securities have interest rates ranging from 6.4% to 6.5% and mature in 2001.

In August 1999, Sprint incurred other borrowings totaling $250 million which mature in 2002 and have variable interest rates. At year-end 1999, the notes had an interest rate of 6.1%.

In June 1999, Sprint entered into a $1.0 billion financing agreement to sell, on a continuous basis with recourse, undivided percentage ownership interests in a designated pool of its accounts receivable. Subsequent collections of receivables sold to investors are typically reinvested in new receivables. At year-end 1999, Sprint had borrowed $900 million with a weighted average interest rate of 6.4% under this agreement. These borrowings mature in 2002.

In May 1999, Sprint issued $3.5 billion of senior notes registered with the SEC. These notes have maturities ranging from 5 to 20 years and interest rates ranging from 5.9% to 6.9%. In 1998, Sprint issued $5.0 billion of senior notes registered with the SEC. These notes have maturities ranging from 5 to 30 years and interest rates ranging from 5.7% to 6.9%.

Sprint PCS Group

In 1999, Sprint allocated $5.9 billion of debt to the PCS Group. This debt was mainly used to repay debt, to fund new capital investments and to fund operating losses and working capital requirements. See Note 2 for a more detailed description of how Sprint allocates debt to the Groups.

In 1999, the PCS Group repaid $2.2 billion of its revolving credit facilities and other borrowings prior to scheduled maturities. This resulted in a $21 million after-tax extraordinary loss.

In 1998, Sprint redeemed, prior to scheduled maturities, $3.3 billion of PCS Group debt with a weighted average interest rate of 8.3%. This resulted in a $31 million after-tax extraordinary loss for the PCS Group. The debt was repaid with a portion of the proceeds from Sprint's $5.0 billion debt offering in November 1998.

Other

Sprint, including the PCS Group, had complied with all restrictive or financial covenants relating to its debt arrangements at year-end 1999.

7. Group Equity

	1999	1998	1997
		(millions)	
Beginning balance	$ 3,755	$ 1,386	$1,188
Net loss	(2,502)	(1,121)	(419)
Dividends	(15)	(2)	—
Common stock issued	2,064	3,285	—
Tax benefit from stock options exercised	31	—	—
Preferred stock issued	—	247	—
Preferred intergroup interest	—	279	—
Contributions from the FON Group	—	146	1,052
Equity transfers to the FON Group	—	(460)	(435)
Other, net	(13)	(5)	—
Ending balance	$ 3,320	$ 3,755	$1,386

8. Commitments and Contingencies

Litigation, Claims and Assessments

PCS shareholders are subject to all of the risks related to an investment in Sprint and the PCS Group, including the effects of any legal proceedings and claims against the FON Group.

Various suits arising in the ordinary course of business are pending against Sprint. Management cannot predict the final outcome of these actions but believes they will not be material to the PCS Group combined financial statements.

Operating Leases

The PCS Group's minimum rental commitments at year-end 1999 for all noncancelable operating leases, consisting mainly of leases for cell and switch sites and office space, are as follows:

	(millions)
2000	$253
2001	204
2002	144
2003	81
2004	35
Thereafter	74

The PCS Group's gross rental expense totaled $315 million in 1999, $256 million in 1998 and $4 million in 1997. The table excludes renewal options related to certain cell and switch site leases. These renewal options generally have five-year terms and may be exercised from time to time.

9. Financial Instruments

Fair Value of Financial Instruments

Sprint estimates the fair value of the PCS Group's financial instruments using available market information and appropriate valuation methodologies. As a result, the following estimates do not necessarily represent the values the PCS Group could realize in a current market exchange. Although management is not aware of any factors that would affect the year-end 1999 estimated fair values, those amounts have not been comprehensively revalued for purposes of these financial statements since that date. Therefore, estimates of fair value after year-end 1999 may differ significantly from the amounts presented below.

The carrying amounts and estimated fair values of the PCS Group's financial instruments at year-end were as follows:

	1999	
	Carrying Amount	Estimated Fair Value
	(millions)	
Cash and equivalents	$ 16	$ 16
Investments in equity securities	9	9
Long-term debt and capital lease obligations	11,489	11,054

	1998	
	Carrying Amount	Estimated Fair Value
	(millions)	
Cash and equivalents	$ 173	$ 173
Long-term debt and capital lease obligations	8,195	8,385

The carrying amounts of the PCS Group's cash and equivalents approximate fair value at year-end 1999 and 1998. The estimated fair value of investments in equity securities was based on quoted market prices. The estimated fair value of the PCS Group's long-term debt was based on quoted market prices for publicly traded issues. The estimated fair value of all other issues was based on the present value of estimated future cash flows using a discount rate based on the risks involved.

Concentrations of Credit Risk

The PCS Group's accounts receivable are not subject to any concentration of credit risk.

Interest Rate Swap Agreements

In 1998, Sprint deferred losses from the termination of interest rate swap agreements used to hedge a portion of a $5.0 billion debt offering. These losses, totaling $75 million, were allocated to the PCS Group and are being amortized to interest expense using the effective interest method over the term of the debt. At year-end 1999, the remaining unamortized deferred loss totaled $67 million.

10. Additional Financial Information

Supplemental Cash Flows Information

The PCS Group received cash from the FON Group of $764 million in 1999 and $20 million in 1998 related to income taxes.

The PCS Group paid $632 million for interest (net of capitalized interest) in 1999.

Noncash activities for the PCS Group included the following:

	1999	1998
	(millions)	
Common stock issued for Cox PCS acquisition	$1,146	$ —
Stock received for stock options exercised	$ 40	$ —
Capital lease obligations	$ 36	$ 460
Tax benefit from stock options exercised	$ 31	$ —
Common stock issued to the Cable Partners to purchase Sprint PCS	$ —	$3,200
Conversion of interim financing to preferred intergroup interest	$ —	$ 279
Preferred stock issued to the Cable Partners in exchange for interim financing	$ —	$ 247

See Note 3 for more details about the assets and liabilities acquired in the Cox PCS purchase and the PCS Restructuring.

Intergroup Investments and Transactions

Sprint FON Group Investments in the Sprint PCS Group

The following table reflects the FON Group's noncurrent investments in the PCS Group, which have been eliminated in Sprint's consolidated financial statements:

	1999	1998
	(millions)	
Common and preferred intergroup interest	$262	$311
Long-term loans	—	180
Investment in debt securities	169	165
Total	$431	$656

Common Intergroup Interest

The FON Group received a 1% intergroup interest in the PCS Group at the time of the PCS Restructuring and Recapitalization. This interest represented 4.5 million PCS shares, and included 2.7 million shares held in treasury by the FON Group. During 1999, PCS shares were issued to FON Group employees, reducing the FON Group's interest in the PCS Group.

The FON Group's share of the PCS Group's net loss totaled $13 million in 1999 and $6 million from the date of the PCS Restructuring to year-end 1998 and was included in "Other income, net" in the Sprint PCS Group Combined Statements of Operations.

Preferred Intergroup Interest

The FON Group provided Sprint PCS and the PCS Group with interim financing from the date the PCS Restructuring agreement was signed in May 1998 until it was completed in November 1998. As part of the PCS Restructuring, Sprint converted this financing, totaling $279 million, into an intergroup interest representing 0.3 million shares of 10-year PCS preferred stock convertible into a PCS common intergroup interest. The PCS Group paid the FON Group dividends on the preferred intergroup interest of $8 million in 1999 and $1 million in 1998.

Long-term Loans

Sprint provided Sprint PCS with additional interim financing of $180 million from May 1998 through November 1998. This loan was repaid in 1999.

Intergroup Interest Expense

The PCS Group incurred intergroup interest expense of $16 million in 1999, $15 million in 1998 and $24 million in 1997 related to the FON Group's investment in PCS Group debt securities and advances from the FON Group. The difference between Sprint's actual interest costs and the interest costs charged to the PCS Group on allocated debt totaled $157 million in 1999 and $11 million in 1998. These amounts are included in "Interest expense" in the Sprint PCS Group Combined Statements of Operations. See Note 2 for a more detailed description of how Sprint allocates interest expense to each of the Groups.

Intergroup Transactions

The PCS Group is using the long distance division as its interexchange carrier and purchasing wholesale long distance for resale to its customers. Additionally, the FON Group provided the PCS Group with telemarketing services and various other goods and services. Charges to the PCS Group for these items totaled $280 million in 1999 and $21 million from the PCS Restructuring date to year-end 1998.

The FON Group provided management, printing, mailing and warehousing services to the PCS Group. Charges to the PCS Group for these services totaled $65 million in 1999 and $5 million from the PCS Restructuring date to year-end 1998.

Related Party Transactions

Sprint PCS Group

The Cable Partners advanced PhillieCo $26 million in 1998 and $24 million in 1997. These advances were repaid in the 1999 first quarter.

Sprint PCS

The following discussion reflects related party transactions between Sprint and Sprint PCS prior to the PCS Restructuring:

Sprint provided Sprint PCS with billing and operator services, and switching equipment. Sprint PCS also used the long distance division as its interexchange carrier. Charges to Sprint PCS for these services totaled $104 million in 1998 and $61 million in 1997.

Sprint provided management, printing, mailing and warehousing services to Sprint PCS. Charges to Sprint PCS for these services totaled $25 million in 1998 and $11 million in 1997.

Sprint had a vendor financing loan to Sprint PCS for $300 million at year-end 1997 which was repaid in 1998. Sprint also loaned Sprint PCS $114 million in 1998 and $21 million in 1997, which was repaid in the 1999 first quarter.

Major Customer

The PCS Group markets its products through multiple distribution channels, including its own retail stores as well as other retail outlets. Equipment sales to one retail chain and the subsequent service revenues generated by sales to its customers accounted for 28% of net operating revenues in 1999 and 25% in 1998.

11. Recently Issued Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires all derivatives to be recorded on the balance sheet as either assets or liabilities and be measured at fair value. Gains or losses from changes in the derivative values are to be accounted for based on how the derivative was used and whether it qualified for hedge accounting. When adopted in January 2001, this statement is not expected to have a material impact on the PCS Group's combined financial statements.

12. Quarterly Financial Data (Unaudited)

1999	Quarter 1st	2nd	3rd	4th
	(millions, except per share data)			
Net operating revenues	$ 604	$ 736	$ 844	$ 996
Operating loss	(827)	(708)	(790)	(912)
Loss before extraordinary items	(605)	(555)	(615)	(706)
Net loss	(626)	(555)	(615)	(706)
Diluted and basic loss per common share before extraordinary items[(3)]	(0.71)	(0.61)	(0.65)	(0.75)

1998	Quarter 1st	2nd	3rd	4th
	(millions, except per share data)			
Net operating revenues	$ 203	$ 265	$ 320	$ 437
Operating loss[(1)]	(469)	(507)	(565)	(1,029)
Loss before extraordinary items[(1)]	(145)	(154)	(175)	(616)
Net loss[(1)]	(145)	(154)	(175)	(647)
Pro forma diluted and basic loss per common share before extraordinary items[(2),(3)]	(0.48)	(0.49)	(0.52)	(0.72)

(1) *In the 1998 fourth quarter, the PCS Group recorded a nonrecurring charge to write off $179 million of acquired IPR&D costs related to the PCS Restructuring. This charge increased operating loss and loss before extraordinary items by $179 million.*

(2) *Pro forma loss per share assumes the PCS Restructuring, Recapitalization, Top-up and the PCS Group's write-off of $179 million of acquired IPR&D occurred at the beginning of 1997. These pro forma amounts are for comparative purposes only and do not necessarily represent what actual results of operations would have been had the transactions occurred at the beginning of 1997, nor do they indicate the results of future operations.*

(3) *On February 4, 2000, Sprint effected a two-for-one stock split of its PCS stock. PCS Group loss per share for prior periods have been restated to reflect this stock split.*

SPRINT PCS GROUP

SCHEDULE II—COMBINED VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1999 and 1998

		Additions				
	Balance Beginning of Year	PCS Restructuring	Charged to Income	Charged to Other Accounts	Other Deductions	Balance End of Year
			(millions)			
1999						
Allowance for doubtful accounts	$ 11	$—	$272	$ 4	$(230)[3]	$ 57
Valuation allowance—deferred income tax assets	$245	$—	$ 47	$—	$ (9)	$283
1998						
Allowance for doubtful accounts	$—	$ 8[1]	$ 14	$—	$ (11)[3]	$ 11
Valuation allowance—deferred income tax assets	$—	$229[2]	$—	$ 16	$ —	$245

There was no activity in the valuation and qualifying accounts for 1997.

(1) *As discussed in Note 3 of the Notes to Combined Financial Statements, the PCS Group's assets and liabilities were recorded at their fair values on the PCS Restructuring date. Therefore, the data presented in this schedule reflects activity since the PCS Restructuring.*

(2) *Represents a valuation allowance for deferred income tax assets recorded in connection with the PCS Restructuring.*

(3) *Accounts written off, net of recoveries.*

EXHIBIT (12)
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Sprint Corporation

	1999	1998	1997	1996	1995
			(millions)		
Earnings					
Income (loss) from continuing operations before income taxes	$(1,072)	$1,039	$1,748	$1,994	$1,480
Capitalized interest	(151)	(167)	(93)	(104)	(57)
Equity in losses of less than 50% owned entities	80	42	680	199	33
Subtotal	(1,143)	914	2,335	2,089	1,456
Fixed charges					
Interest charges	1,011	885	277	301	318
Interest factor of operating rents	311	275	135	120	119
Pre-tax cost of preferred stock dividends of subsidiaries	—	—	—	—	1
Total fixed charges	1,322	1,160	412	421	438
Earnings, as adjusted	$ 179	$2,074	$2,747	$2,510	$1,894
Ratio of earnings to fixed charges	— (1)	1.79(2)	6.67(3)	5.96(4)	4.32(5)

(1) *Earnings, as adjusted, were inadequate to cover fixed charges by $1.1 billion in 1999.*

(2) *Earnings as computed for the ratio of earnings to fixed charges includes nonrecurring net gains of $104 million mainly relating to sales of local exchanges and a nonrecurring charge to write off $179 million of acquired in-process research and development costs related to the PCS Restructuring. Excluding these items, the ratio of earnings to fixed charges would have been 1.85 for 1998.*

(3) *Earnings as computed for the ratio of earnings to fixed charges includes nonrecurring items. These items include a litigation charge of $20 million, gains on the sales of local exchanges of $45 million and a gain on the sale of an equity investment in an equipment provider of $26 million. Excluding these items, the ratio of earnings to fixed charges would have been 6.54 for 1997.*

(4) *Earnings as computed for the ratio of earnings to fixed charges includes the nonrecurring charge related to litigation of $60 million recorded in 1996. Excluding this charge, the ratio of earnings to fixed charges would have been 6.10 for 1996.*

(5) *Earnings as computed for the ratio of earnings to fixed charges includes the nonrecurring restructuring charge of $88 million recorded in 1995. Excluding this charge, the ratio of earnings to fixed charges would have been 4.53 for 1995.*

Note: The ratios were computed by dividing fixed charges into the sum of earnings (after certain adjustments) and fixed charges. Earnings include income from continuing operations before taxes, plus equity in the net losses of less-than-50% owned entities, less capitalized interest. Fixed charges include (a) interest on all debt of continuing operations (including amortization of debt issuance costs), (b) the interest component of operating rents, and (c) the pre-tax cost of subsidiary preferred stock dividends.

EXHIBIT (21)
SUBSIDIARIES OF REGISTRANT

Sprint Corporation is the parent. The subsidiaries of Sprint Corporation are as follows:

Name	Jurisdiction of Incorporation or Organization	Ownership Interest Held By Its Immediate Parent
American Telecasting, Inc.	Delaware	100
American Telecasting Development, Inc.	Delaware	100
Fresno MMDS Associates, A General Partnership	Delaware Partnership	35
FMA Licensee Subsidiary, Inc.	California	100
American Telecasting of Anchorage, Inc.	Delaware	100
American Telecasting of Bend, Inc.	Delaware	100
American Telecasting of Billings, Inc.	Delaware	100
American Telecasting of Bismarck, Inc.	Delaware	100
American Telecasting of Central Florida, Inc.	Delaware	100
American Telecasting of Cincinnati, Inc.	Delaware	100
American Telecasting of Colorado Springs, Inc.	Delaware	100
American Telecasting of Columbus, Inc.	Delaware	100
American Telecasting of Denver, Inc.	Delaware	100
American Telecasting of Fort Collins, Inc.	Delaware	100
American Telecasting of Fort Myers, Inc.	Delaware	100
American Telecasting of Green Bay, Inc.	Delaware	100
American Telecasting of Minnesota, Inc.	Delaware	100
American Telecasting of Nebraska, Inc.	Delaware	100
American Telecasting of North Dakota, Inc.	Delaware	100
American Telecasting of South Dakota, Inc.	Delaware	100
American Telecasting of Hawaii, Inc.	Delaware	100
American Telecasting of Jackson, Inc.	Delaware	100
American Telecasting of Jacksonville, Inc.	Delaware	100
American Telecasting of Lansing, Inc.	Delaware	100
American Telecasting of Lincoln, Inc.	Delaware	100
American Telecasting of Little Rock, Inc.	Delaware	100
American Telecasting of Louisville, Inc.	Delaware	100
American Telecasting of Medford, Inc.	Delaware	100
American Telecasting of Michiana, Inc.	Delaware	100
American Telecasting of Monterey, Inc.	Delaware	100
American Telecasting of Oklahoma, Inc.	Delaware	100
American Telecasting of Portland, Inc.	Delaware	100
American Telecasting of Rapid City, Inc.	Delaware	100
American Telecasting of Redding, Inc.	Delaware	100
American Telecasting of Rockford, Inc.	Delaware	100
American Telecasting of Salem/Eugene, Inc.	Delaware	100
American Telecasting of Santa Barbara, Inc.	Delaware	100
American Telecasting of Santa Rosa, Inc.	Delaware	100
American Telecasting of Sarasota, Inc.	Delaware	100
American Telecasting of Seattle, Inc.	Delaware	90
American Telecasting of Sheridan, Inc.	Delaware	100
American Telecasting of Sioux Valley, Inc.	Delaware	100
American Telecasting of Toledo, Inc.	Delaware	100
American Telecasting of Youngstown, Inc.	Delaware	100
American Telecasting of Yuba City, Inc.	Delaware	100
Fresno Wireless Cable Television, Inc.	Washington	100
Fresno MMDS Associates, A General Partnership	Delaware Partnership	65
FMA Licensee Subsidiary, Inc.	California	100
Superchannels of Las Vegas, Inc.	Arizona	58
Carolina Telephone and Telegraph Company	North Carolina	100
Carolina Telephone Long Distance, Inc.	North Carolina	100
NOCUTS, Inc.	Pennsylvania	100
SC One Company	Kansas	100

Name	Jurisdiction of Incorporation or Organization	Ownership Interest Held By Its Immediate Parent
Centel Corporation	Kansas	91.4[1]
Centel Capital Corporation	Delaware	100
Centel Credit Company	Delaware	100
Centel Directory Company	Delaware	100
The CenDon Partnership	Illinois Partnership	50
Centel-Texas, Inc.	Texas	100
Central Telephone Company of Texas	Texas	100
Central Telephone Company	Delaware	98.8[2]
Central Telephone Company of Illinois	Illinois	100
Central Telephone Company of Virginia	Virginia	100
Sprint-Florida, Incorporated	Florida	100
United Telephone Communications Systems, Incorporated	Florida	100
United Telephone Long Distance, Incorporated	Florida	100
C FON Corporation	Delaware	100
DirectoriesAmerica, Inc.	Kansas	100
Sprint Publishing & Advertising, Inc.	Kansas	100
LD Corporation	Kansas	100
North Supply Company	Ohio	100
Northstar Transportation, Inc.	Kansas	100
North Supply Company of Lenexa	Delaware	100
North Supply International, Ltd.	Kansas	100
NSC Advertising, Inc.	Kansas	100
Sprint Products Group, Inc.	Kansas	100
People's Choice TV Corporation	Delaware	100
Alda Gold, Inc.	Delaware	100
Alda Tucson, Inc.	Delaware	100
Alda Wireless Holdings, Inc.	Delaware	100
Broadcast Cable, Inc.	Indiana	6.9
PCTV Development Co.	Delaware	100
PCTV Gold, Inc.	Delaware	100
People's Choice TV of Albuquerque, Inc.	Delaware	100
People's Choice TV of Houston, Inc.	Delaware	100
People's Choice TV of Milwaukee, Inc.	Delaware	100
People's Choice TV of Salt Lake City, Inc.	Delaware	100
People's Choice TV of St. Louis, Inc.	Delaware	100
People's Choice TV of Tucson, Inc.	Delaware	100
Preferred Entertainment, Inc.	Delaware	100
Sat-Tel Services, Inc.	Arizona	100
SpeedChoice Equipment, Inc.	Delaware	100
SpeedChoice of Detroit, Inc.	Delaware	100
SpeedChoice of Phoenix, Inc.	Delaware	100
Waverunner, Inc.	Delaware	100
Wireless Cable of Indianapolis, Inc.	Delaware	100
Broadcast Cable, Inc.	Indiana	78.8

[1] *Sprint Corporation owns all of the common stock. The voting preferred stock is held by 11 Sprint subsidiaries.*

[2] *Centel Corporation owns all of the common stock. The voting preferred stock has been called for redemption. The redemption date is March 31, 2000.*

Name	Jurisdiction of Incorporation or Organization	Ownership Interest Held By Its Immediate Parent
Sprint Asian American, Inc.	Kansas	100
Sprint Capital Corporation	Delaware	100
SprintCom, Inc.	Kansas	100
Sprint Communications of Michigan, Inc.	Michigan	100
Sprint Credit General, Inc.	Kansas	100
Sprint Credit Limited, Inc.	Kansas	100
Sprint eBusiness, Inc.	Kansas	100
Sprint Healthcare Systems, Inc.	Kansas	100
Sprint International Holding, Inc.	Kansas	100
Sprint Cayman Holding, Ltd.	Cayman Islands	100
Shanghai Cayman Holding, Ltd.	Cayman Islands	100
Sprint International do Brasil Ltda.	Brazil	50
Sprint UK Holdings Limited	United Kingdom	100
Telecom Entity Participacoes Ltda.	Brazil	50
JVCO Participacoes Ltda.	Brazil	50
Holdco Participacoes Ltda.	Brazil	99.9
Intelig Telecomunicacoes Ltda.	Brazil	99.9
SprintLink Global Holdings, Inc.	Kansas	100
Sprint Mexico, Inc.	Kansas	100
Sprint Mid-Atlantic Telecom, Inc.	North Carolina	100
Sprint Minnesota, Inc.	Minnesota	100
Sprint Missouri, Inc.	Missouri	100
SC Eight Company	Kansas	100
Sprint Paranet, Inc.	Kansas	100
Sprint Paranet Canada, Inc.	Canada	100
Sprint Payphone Services, Inc.	Florida	100
Sprint TELECENTERS Inc.	Florida	100
Sprint/United Management Company	Kansas	100
Sprint Services, Inc.	Kansas	100
Sprint Ventures, Inc.	Kansas	100
Sprint Wavepath Holdings, Inc.	Delaware	100
Sprint (Bay Area), Inc.	Florida	100
Wavepath Holdings, Inc.	Delaware	62.5
Bay Area Cablevision, Inc.	California	100
Transworld Wireless T.V.—Spokane, Inc.	Delaware	100
TTI Acquisition Corporation	Delaware	100
Desert Winds Comm, Inc.	California	100
WHI—San Diego, Inc.	California	100
Wireless Holdings Purchasing Co.	Delaware	100
SWV Eight, Inc.	Delaware	100
SWV Three Telephony Partnership	Delaware Partnership	22
Cox Communications PCS, L.P.	Delaware Partnership	40.8
Cox PCS Assets, L.L.C.	Delaware	100
Cox PCS License, L.L.C.	Delaware	100
PCS Leasing Company, L.P.	Delaware Partnership	51
SWV Five, Inc.	Delaware	100
PhillieCo Partners I, L.P.	Delaware Partnership	35.3
PhillieCo Sub, L.P.	Delaware Partnership	99
PhillieCo, L.P.	Delaware Partnership	99
PhillieCo Equipment & Realty Company, L.P.	Delaware Partnership	99
PhillieCo Partners II, L.P.	Delaware Partnership	35.3
PhillieCo Equipment & Realty Company, L.P.	Delaware Partnership	1
PhillieCo, L.P.	Delaware Partnership	1
PhillieCo Sub, L.P.	Delaware Partnership	1

Name	Jurisdiction of Incorporation or Organization	Ownership Interest Held By Its Immediate Parent
SWV Four, Inc.	Delaware	100
PhillieCo Partners I, L.P.	Delaware Partnership	17.6
PhillieCo Partners II, L.P.	Delaware Partnership	17.6
SWV Two Telephony Partnership	Delaware Partnership	99
MinorCo, L.P.	Delaware Partnership	15
American PCS, L.P.	Delaware Partnership	[3]
American PCS Communications, LLC	Delaware	99[4]
APC PCS, LLC	Delaware	99[5]
APC Realty and Equipment Company	Delaware	99[5]
American Personal Communications Holdings, Inc.	Delaware	100
American PCS Communications, LLC	Delaware	[6]
APC PCS, LLC	Delaware	[6]
APC Realty and Equipment Company, LLC	Delaware	[6]
NewTelco, L.P.	Delaware Partnership	[3]
Sprint Spectrum Equipment Company, L.P.	Delaware Partnership	[3]
Sprint Spectrum L.P.	Delaware Partnership	[3]
Sprint Spectrum Equipment Company, L.P.	Delaware Partnership	99[7]
Sprint Spectrum Finance Corporation	Delaware	100
Sprint Spectrum Realty Company, L.P.	Delaware Partnership	99[7]
WirelessCo, L.P.	Delaware Partnership	99[7]
Sprint Spectrum Realty Company, L.P.	Delaware Partnership	[3]
WirelessCo, L.P.	Delaware Partnership	[3]
Sprint Spectrum Holding Company, L.P.	Delaware Partnership	15
American PCS, L.P.	Delaware Partnership	99[8]
Cox Communications PCS, L.P.	Delaware Partnership	59.2
NewTelco, L.P.	Delaware Partnership	99[8]
PCS Leasing Company, L.P.	Delaware Partnership	49
Sprint Spectrum L.P. (dba Sprint PCS)	Delaware Partnership	99[8]
SWV One, Inc.	Delaware	100
SWV One Telephony Partnership	Delaware Partnership	1
MinorCo, L.P.	Delaware Partnership	15
Sprint Spectrum Holding Company, L.P.	Delaware Partnership	15
SWV Seven, Inc.	Delaware	100
SWV Three Telephony Partnership	Delaware Partnership	78
SWV Six, Inc.	Colorado	100
MinorCo, L.P.	Delaware Partnership	30
Sprint Spectrum Holding Company, L.P.	Delaware Partnership	30
SWV Three, Inc.	Delaware	100
SWV Two Telephony Partnership	Delaware Partnership	1
SWV Two, Inc.	Delaware	100
SWV One Telephony Partnership	Delaware Partnership	99
TDI Acquisition Corporation	Delaware	100
WBS California, LLC	Delaware	100
WBSE Licensing Corporation	Delaware	100
WBSS Licensing Corporation	Delaware	100
WBS Idaho, LLC	Delaware	100
WBSB Licensing Corporation	Delaware	100

[3] *MinorCo, L.P. holds a limited and preferred partnership interest of less than 1%.*

[4] *American PCS, L.P. holds the general partnership interest of greater than 99%.*

[5] *American PCS Communications, LLC holds the general partnership interest of greater than 99%.*

[6] *American Personal Communications Holdings, Inc. holds a limited partnership interest of less than 1%.*

[7] *Sprint Spectrum L.P. holds the general partnership interest of greater than 99%.*

[8] *Sprint Spectrum Holding Company, L.P. holds the general partnership interest of greater than 99%.*

Name	Jurisdiction of Incorporation or Organization	Ownership Interest Held By Its Immediate Parent
WBS Montana, LLC	Delaware	100
WBSH Licensing Corporation	Delaware	100
WBS Oregon, LLC	Delaware	100
WBSCB Licensing Corporation	Delaware	100
WBSK Licensing Corporation	Delaware	100
WBSR Licensing Corporation	Delaware	100
WBS Washington, LLC	Delaware	100
Kennewick Licensing, LLC	Delaware	100
WBSY Licensing Corporation	Delaware	100
Wireless Broadband Services of America, LLC	Delaware	100
Wireless Broadcasting Systems of America, Inc.	Delaware	100
Wireless Broadcasting Systems of Boise, Inc.	Delaware	100
Wireless Broadcasting Systems of Coos Bay, Inc.	Delaware	100
Wireless Broadcasting Systems of Eureka, Inc.	Delaware	100
Wireless Broadcasting Systems of Ft. Pierce, Inc.	Delaware	100
WBSFP Licensing Corporation	Delaware	100
Wireless Broadcasting Systems of Helena, Inc.	Delaware	100
Wireless Broadcasting Systems of Klamath Falls, Inc.	Delaware	100
Wireless Broadcasting Systems of Melbourne, Inc.	Delaware	100
WBSM Licensing Corporation	Delaware	100
Wireless Broadcasting Systems of Roseburg, Inc.	Delaware	100
Wireless Broadcasting Systems of Sacramento, Inc.	Delaware	100
Wireless Broadcasting Systems of West Palm, Inc.	Delaware	100
WBSWP Licensing Corporation	Delaware	100
Wireless Broadcasting Systems of Yakima, Inc.	Delaware	100
Wireless Broadcasting Systems of Knoxville, LLC	Delaware	100
Cherokee Wireless of Knoxville, Inc.	Delaware	100
Transworld Telecommunications, Inc.	Pennsylvania	100
Wavepath Holdings, Inc.	Delaware	37.5
UCOM, Inc.	Missouri	100
Sprint Communications Company L.P.	Delaware Partnership	34
Sprint Communications Company of New Hampshire, Inc.	New Hampshire	100
Sprint Communications Company of Virginia, Inc.	Virginia	100
Sprint Licensing, Inc.	Kansas	100
United Telephone Company of Kansas	Kansas	1[9]
USST of Texas, Inc.	Texas	100
UTI Holding Company, Inc.	Kansas	100
SprintCom Equipment Company L.P.	Delaware	49
Sprint Enterprises, L.P.	Delaware Partnership	49
MinorCo, L.P.	Delaware Partnership	40
PhillieCo Partners I, L.P.	Delaware Partnership	47
PhillieCo Partners II, L.P.	Delaware Partnership	47
Sprint Spectrum Holding Company, L.P.	Delaware Partnership	40
Sprint Global Venture, Inc.	Kansas	[10]
SGV Corporation	Kansas	100
United Telephone Company of the Carolinas	South Carolina	100
SC Two Company	Kansas	100
United Telephone Company of Eastern Kansas	Delaware	100
Sprint/United Midwest Management Services Company	Kansas	20
United Teleservices, Inc.	Kansas	100
United Telephone Company of Florida	Florida	100
Vista-United Telecommunications	Florida	49
United Telephone Company of Indiana, Inc.	Indiana	100
SC Four Company	Kansas	100

[9] *Sprint Corporation owns all of the common stock. The voting preferred stock is held by Sprint Communications Company L.P.*

[10] *UCOM, Inc., US Telecom, Inc., and Utelcom, Inc. each holds less than 1% of the common stock.*

Name	Jurisdiction of Incorporation or Organization	Ownership Interest Held By Its Immediate Parent
United Telephone Company of Kansas	Kansas	99(9)
Sprint/United Midwest Management Services Company	Kansas	80
United Telephone Company of New Jersey, Inc.	New Jersey	100
United Telephone Company of the Northwest	Oregon	100
United Telephone Company of Ohio	Ohio	100
SC Five Company	Kansas	100
United Telephone Communications Services of Ohio, Inc.	Ohio	100
United Telephone Company of Pennsylvania, The	Pennsylvania	100
SC Six Company	Kansas	100
United Telephone Long Distance, Inc.	Pennsylvania	100
Valley Network Partnership	Virginia Partnership	20
United Telephone Company of Southcentral Kansas	Arkansas	100
United Telephone Company of Texas, Inc.	Texas	100
SC Seven Company	Kansas	50
United Telephone Company of the West	Delaware	100
United Telephone-Southeast, Inc.	Virginia	100
SC Three Company	Kansas	100
Valley Network Partnership	Virginia Partnership	20
US Telecom, Inc.	Kansas	100
ASC Telecom, Inc. (dba AlternaTel)	Kansas	100
LCF, Inc.	California	100
SC Seven Company	Kansas	50
Sprint Communications Company L.P.	Delaware Partnership	59
SprintCom Equipment Company L.P.	Delaware	51
Sprint Enterprises, L.P.	Delaware Partnership	51
Sprint Global Venture, Inc.	Kansas	(10)
Sprint Iridium, Inc.	Kansas	100
United Telecommunications, Inc.	Delaware	100
US Telecom of New Hampshire, Inc.	New Hampshire	100
Utelcom, Inc.	Kansas	100
Private TransAtlantic Telecommunications System, Inc.	Delaware	100
Private Trans-Atlantic Telecommunications System (N.J.), Inc.	New Jersey	100
Sprint Communications Company L.P.	Delaware Partnership	5
Sprint Global Venture, Inc.	Kansas	(10)
Sprint International Incorporated	Delaware	100
Consortium Communications International, Inc.	New York	100
Dial—The Israeli Company for International Communication Services LTD	Israel	54.4
Sprint FON Inc.	Delaware	100
Sprint Global Venture, Inc.	Kansas	86
Sprint International do Brasil Ltda.	Brazil	50
Sprint International Caribe, Inc.	Puerto Rico	100
Sprint International Communications Corporation	Delaware	100
Sprint Communications Company L.P.	Delaware Partnership	2
Sprint Global Venture, Inc.	Kansas	13
Sprint International Construction Company	Delaware	100
Sprint Israel Cellular, Inc.	Delaware	100
Sprint R.P. Telekom Sp. z o.o.	Poland	50
Sprint Telecommunications France Inc.	Delaware	100
Sprint Telecommunications Services GmbH	Germany	100
Sprint Telecommunications (UK) Limited	Delaware	100
Wireless Cable of Florida, Inc.	Florida	100

(9) *Sprint Corporation owns all of the common stock. The voting preferred stock is held by Sprint Communications Company L.P.*

(10) *UCOM, Inc., US Telecom, Inc., and Utelcom, Inc. each holds less than 1% of the common stock.*

EXHIBIT (23)(a)
CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-3, No. 333-83577; Form S-3, No. 33-58488; Form S-8, No. 33-38761; Form S-8, No. 33-31802; Form S-8, No. 2-97322; Form S-8, No. 33-59316; Form S-8, No. 33-59318; Form S-8, No. 33-59322; Form S-8, No. 33-59324; Form S-8, No. 33-59326; Form S-8, No. 33-53695; Form S-8, No. 33-59349; Form S-8, No. 33-65149; Form S-8, No. 33-25449; Form S-8, No. 333-42077; Form S-8, No. 333-46487; Form S-8, No. 333-46491; Form S-8, No. 333-68737; Form S-8, No. 333-68741; Form S-8, No. 333-68739; Form S-8, No. 333-68795; Form S-8, No. 333-76755; Form S-8, No. 333-76783; and Form S-8, No. 333-92809) of Sprint Corporation and in the related Prospectuses and in the Joint Proxy Statement/Prospectus of MCI WORLDCOM, Inc. and Sprint Corporation that is made a part of the Registration Statement (Form S-4, No. 333-90421) of MCI WORLDCOM, Inc. of our reports dated February 1, 2000 with respect to the consolidated financial statements and schedule of Sprint Corporation and the combined financial statements and schedules of the Sprint FON Group and the Sprint PCS Group included in this Annual Report (Form 10-K) for the year ended December 31, 1999.

/s/ Ernst & Young LLP

Ernst & Young LLP

Kansas City, Missouri
March 20, 2000

EXHIBIT (23)(b)
INDEPENDENT AUDITORS' CONSENT

Sprint Spectrum Holding Company, L.P.

We consent to the incorporation by reference in Registration Statements (Nos. 33-58488 and 333-83577) on Form S-3 and Registration Statements (Nos. 33-38761, 33-31802, 2-97322, 33-59316, 33-59318, 33-59322, 33-59324, 33-59326, 33-53695, 33-59349, 33-65149, 33-25449, 333-42077, 333-46487, 333-46491, 333-68737, 333-68739, 333-68741, 333-68795, 333-76755, 333-76783, and 333-92809) on Form S-8 of Sprint Corporation and in Registration Statement No. 333-90421 on Form S-4 of MCI WORLDCOM, Inc. of our report dated February 2, 1999, on the consolidated financial statements of Sprint Spectrum Holding Company, L.P. and subsidiaries for each of the two years in the period ended December 31, 1998 appearing in this Annual Report on Form 10-K of Sprint Corporation for the year ended December 31, 1999.

/s/ Deloitte & Touche LLP

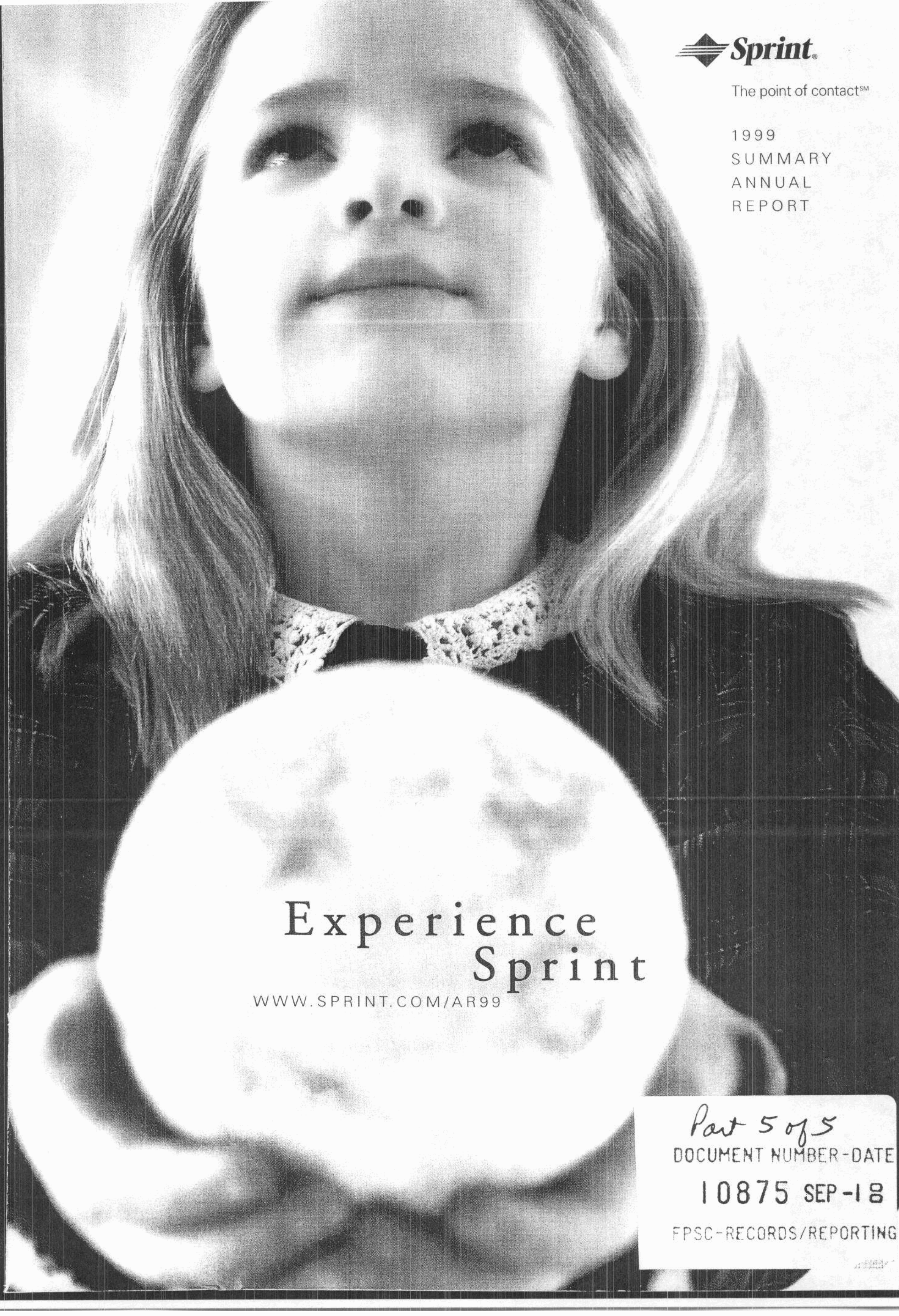
Deloitte & Touche LLP

Kansas City, Missouri
March 20, 2000

Sprint.

The point of contact℠

1999 SUMMARY ANNUAL REPORT



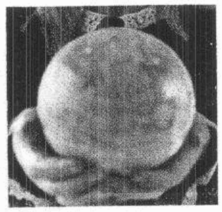
Experience Sprint

WWW.SPRINT.COM/AR99

Part 5 of 5
DOCUMENT NUMBER-DATE
10875 SEP-18
FPSC-RECORDS/REPORTING

The beginning of the beginning

We stand at the threshold of an exciting new era of technology with an incredible explosion of capabilities. We're only beginning to realize the promise and potential of our new growth engines beyond traditional local and long distance service. Likewise, we're about to realize the opportunity we sought to broaden our scale, to increase customer access to next generation products and services, and to enhance shareholder value. The pending MCI WorldCom/Sprint merger will enable us to take our vision to greater heights and to deliver our vision on a true global scale. Together, we will create the model for the 21st century global communications company.

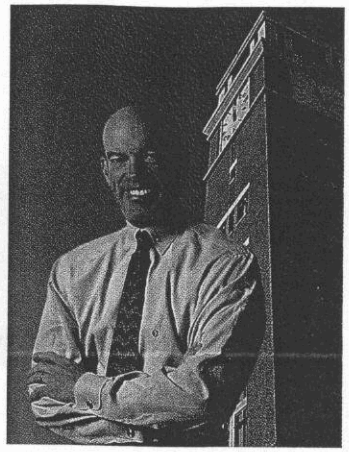


Contents

MCI WorldCom has filed a Form S-4 Registration Statement with the SEC that includes a proxy statement/prospectus containing information about MCI WorldCom, Sprint and the proposed merger. We urge you to read the proxy statement/prospectus and other relevant documents filed with the SEC because they contain important information. You can obtain the proxy statement and other documents filed by Sprint and MCI WorldCom for free at the SEC Internet site at http://www.sec.gov. We expect to mail the final proxy statement/prospectus to you in March. You may obtain copies of the proxy statement/prospectus, when available, and these other documents, including these companies' Forms 10-K, 10-Q and 8-K, without charge, excluding exhibits, by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

MCI WorldCom, Inc.
500 Clinton Center Drive
Clinton, Mississippi 39056
Attention: Investor Relations Department
Telephone: (877) 624-9266 or (601) 460-5600

Sprint Corporation
2330 Shawnee Mission Parkway
Westwood, Kansas 66205
Attention: Investor Relations Department
Telephone: (800) 259-3755



William T. Esrey
Chairman and Chief Executive Officer

To our shareholders,

I write this letter to you with pride, appreciation and enormous enthusiasm. While 1999 was a very successful year, I believe we have only touched the surface of our potential in an industry that has become the lifeblood of worldwide commerce.

The pride that I describe comes from the more than 70,000 Sprint employees who have made our company the "most admired" in the telecommunications industry, the leader in customer service and through whose efforts Sprint achieved record-breaking operating results in 1999.

My appreciation is centered on the support you have demonstrated through your continued investment and belief in our strategic plans. Last year, the Sprint FON Group's total return to shareholders was 62 percent and the Sprint PCS Group's stock price increased 343 percent, the second best performing stock among the Standard & Poor's 500 companies.

The enormous enthusiasm I possess is based on the belief that Sprint now stands at the threshold of not just being "a" leader in the telecommunications industry, but, rather "the" industry leader in the new millennium.

POSITIONING SPRINT FOR THE FUTURE

The marketplace in which Sprint competes is completely different than just a few years ago. Industry consolidation by the Regional Bell Companies, AT&T ventures into the cable industry, Bell Atlantic's entry into long distance in New York and even America Online's pending merger with Time-Warner require new strategies for success.

In this new marketplace, companies are seeking to develop the scale and scope necessary to provide bundled, end-to-end solutions to their customers. Increasingly, competitors are positioning themselves to provide all services, on all spectra, over all distances.

As I wrote last year, we were prepared to "go it alone" despite the intense industry consolidation. But as stewards of your investment, we continuously seek and examine new opportunities that we believe will enable Sprint to be an even stronger competitor, an even better investment, and a company offering more opportunities for its employees.

During the course of the year, an exceptional opportunity presented itself. It was one that just a few years ago would seem almost unthinkable – a merger with MCI WorldCom, perhaps our most fierce competitor. In October, we announced that historic merger, which at the time was the largest in United States corporate history. If the expected regulatory approvals are received, WorldCom, as the new entity will be known, will be operating in the second half of this year.

Some of you have asked if the decision to merge was difficult, given Sprint's reputation for innovation and entrepreneurial spirit. It was not a hard decision at all. In every way, the merger of MCI WorldCom and Sprint is a reflection of – and reaction to – the market forces I have described. It is clear that a merger with MCI WorldCom makes us a more complete and effective company, with the size and scale needed to compete on a worldwide basis. The new WorldCom will be a $50 billion company in annual revenues and will hold leadership positions in the newest and fastest-growing areas of the communications industry: wireless personal communications, broadband fixed wireless, high-speed data and Internet services, international and competitive local communications. For our employees, shareholders and customers, that translates into incredible opportunity.

COMBINING THE BEST OF TWO COMPANIES

Sprint and MCI WorldCom share a similar heritage. Both were born outside of the Bell System monopoly. Both are entrepreneurial, highly customer-driven, and intensely product- and price-innovative. What makes this merger even more inviting is that each of us brings to it a number of complementary strengths:

- Sprint has more than a century's experience providing local phone service. MCI WorldCom is the country's second-largest competitive local exchange carrier.
- Sprint has built an advanced nationwide digital wireless network, Sprint PCS, which will fill a critical gap in MCI WorldCom's product portfolio.

"During the course of the year, an exceptional opportunity presented itself. It was one that just a few years ago would seem almost unthinkable – a merger with MCI WorldCom, perhaps our most fierce competitor."

- MCI WorldCom has an extensive international network.
- Sprint and MCI WorldCom each are committed to the broadband future. MCI WorldCom is a leader in providing Internet services through UUNet® and has made a substantial investment in an innovative fixed wireless service called MMDS. Sprint also acquired equally extensive MMDS facilities and has introduced Sprint ION,℠ our revolutionary Integrated On-Demand Network.

BREAKING THE BOTTLENECK

Our proposed merger represents an important step forward in the evolution of the communications industry. Together, the combined companies will represent the only national facilities-based alternative to the emerging duopoly of AT&T and the Regional Bell Operating Companies (RBOCs).

More than ever before, scale is an important element of economic success. That's because our industry, with its constant changes in access economics, has become a high-fixed-costs business, and it follows that the most efficient and competitive companies will be those that can effectively leverage their economies of scale – that is, drive more traffic over a bigger network.

Consider: With its pending purchase of MediaOne, AT&T will become the nation's largest cable operation, with a 60 percent market share. Even with the advent of local competition, the RBOCs continue to enjoy a monopoly share of the local exchange market. As the Federal Communications Commission recently pointed out, the RBOCs and GTE still control approximately 96 percent of access lines in their territories.

These numbers underscore the pressing need for a competitive alternative to these monoliths. Seen in this light, the merger of MCI WorldCom and Sprint represents an opportunity to achieve the scale necessary to compete with AT&T and the RBOCs.

POSITIONED FOR THE FUTURE

There is no question that bandwidth will be the next great battleground in communications. From the explosive growth of the Internet (since 1996, the number of American Internet users has grown from 27 million to 80 million) to the increasing acceptance of e-commerce (which topped $70 billion in 1999), it is clear that more consumers have embraced the potential of the interactive world.

This paradigm shift has had an impact on the telecommunications network. Current studies suggest that data traffic on networks approaches – if not eclipses – voice traffic. And the pendulum is likely to continue to swing in that direction.

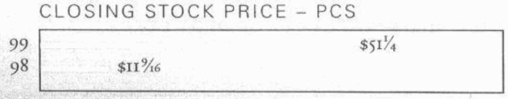
For example, analysts predict that 78 million Americans will have broadband access within 10 years. But the single biggest impediment to achieving the promise of a digital future remains the bottleneck in the last mile.

Whether through our wire line or wireless networks, the new WorldCom will be at the forefront of delivering broadband services to homes and businesses.

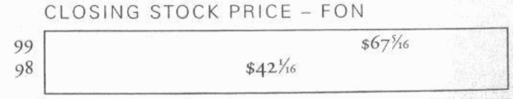
- The companies' combined MMDS footprint reaches more than half of the nation's 100 million households.
- Sprint ION represents a robust and dynamic broadband offering that no other company currently can match. Sprint ION can be delivered either through wireless MMDS networks or through traditional wire line networks, such as MCI WorldCom's national competitive local exchange carrier operations, Sprint's local telephone operations, or even the cable television companies' connections to the home.
- Sprint PCS is an industry leader in wireless data, allowing customers to break free of their desktops when they need to access e-mail or the Internet.

Taken together, the strongest alternative to the RBOC/AT&T duopoly would be the merged MCI WorldCom and Sprint, which is well-positioned to deliver broadband capability on a national basis. Together, we can do more, and do it faster, than either of us could do on our own, and it will hasten the arrival of full competition across all service categories. Customers will enjoy greater choice and innovation at even better prices.

CLOSING STOCK PRICE – PCS



CLOSING STOCK PRICE – FON



Financial highlights

(dollars in millions, except per share data)		1999	1998	% Change
Sprint FON Group	Net operating revenues	**$ 17,016**	$ 15,764	7.9%
	Operating income	**2,930**	2,760	6.2%
	Operating cash flows[3]	**5,059**	4,681	8.1%
	Operating margin	**17.2%**	17.5%	
	Income from continuing operations[2]	**1,736**	1,613	7.6%
	Earnings per share from continuing operations[1],[2]			
	Diluted	**1.97**	1.86	5.9%
	Basic	**2.01**	1.89	6.3%
Sprint PCS Group[1]	Net operating revenues	**$ 3,180**	$ 1,225	159.6%
	Operating loss	**(3,237)**	(2,640)	22.6%
	Operating cash flows[3]	**(1,714)**	(1,602)	7.0%
	Loss from continuing operations	**(2,481)**	(1,847)	34.3%
	Diluted and basic loss per share from continuing operations	**(2.71)**	(2.21)	22.6%
Sprint Corporation	Net operating revenues[1]	**$ 19,928**	$ 16,881	18.0%
	Total assets	**39,250**	33,257	18.0%
	Employees (year-end)	**77,600**	64,900	19.6%

These financial highlights should be read in connection with the full financial statements presented in Sprint's Form 10-K.

[1]In November 1998, Sprint completed the restructuring of Sprint PCS and recapitalized its common stock into two separate classes – FON Stock and PCS Stock. The PCS Stock is intended to reflect the performance of Sprint's wireless businesses. The FON Stock is intended to reflect the performance of all of Sprint's other operations. This information assumes the PCS Restructuring and Recapitalization occurred at the beginning of 1998. The PCS Group's 1998 information is pro forma and excludes a $179 million charge for acquired in-process research and development.

[2]In 1998, the FON Group recorded nonrecurring net gains of $104 million, mainly related to the sale of local exchanges. Including these items, FON Group income from continuing operations was $1,675 million ($1.93 per pro forma diluted share) in 1998.

[3]Operating cash flows equals operating income (loss) plus depreciation and amortization, excluding nonrecurring items.

IN CONCLUSION

There is little question that we have entered a new age in telecommunications – one that places a premium on size, scope, and product reach. The race is on to create internationally competitive companies that can offer customers choice throughout the entire range of communications products – from local and long distance service to wireless to advanced data applications.

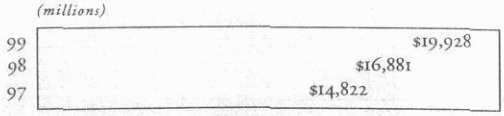
The merger of MCI WorldCom and Sprint fits squarely into that context. It is designed to promote competition and serve the communications needs of customers – whatever those needs are, wherever our customers want them.

The bottom line is that the merger of MCI WorldCom and Sprint represents the creation of a powerful new competitor in communications, one with the resources, scale, and determination to break the last-mile stranglehold once and for all.

Sprint has always thrived in the midst of change. Many of the most successful parts of our company were created as a result of change. And I have no doubt that the change we will experience this year and in the future will make us even better. It is truly a new beginning.

William T. Esrey
Chairman and
Chief Executive Officer
March 6, 2000

CONSOLIDATED REVENUES
(millions)



1997 consolidated revenues are pro forma and assume the PCS Restructuring and Recapitalization occurred at the beginning of 1997.

1999 ANNUAL RETURN

Helping you actively shape the world you want

Living without boundaries.
Extending your reach.
Enjoying individualized solutions.
Gaining valuable access.
Staying totally in touch.
Savoring simplicity and spontaneity.
Unleashing untold freedom.

EXPERIENCE

SPRINT

EXPERIENCE SPRINT ONLINE AT

WWW.SPRINT.COM/AR99

Vision without execution
is merely a dream.
Unrealized aspirations
are simply wishful fantasy.
Sprint delivers the experience.
As your essential ally,
we're proactively bringing you
the tools and choices you need
to shape your world.

EXPERIENCE

SPRINT

Delivering
the experience

READ ON ... LEARN MORE ▶

CUSTOMERS

Delivering applications that work

VOICE, DATA AND POWERFUL APPLICATIONS ARE BEING INTEGRATED INTO CUSTOMIZABLE, FEATURE-RICH SERVICES TAILORED TO EACH CUSTOMER'S INDIVIDUAL LIFESTYLE AND EACH BUSINESS'S NEEDS.

Taking control

The power of Sprint ION℠ comes to life with a few clicks of the mouse using the Sprint ION Control Center. It lets customers control the "what" and "when" of service – customizing their services, switching calling features like Call Waiting and Caller ID on or off, or accessing video phone software and other broadband services.

FOR MORE INFORMATION ON SPRINT ION, VISIT WWW.SPRINT.COM/AR99/ION

EXPERIENCE SPRINT ONLINE AT

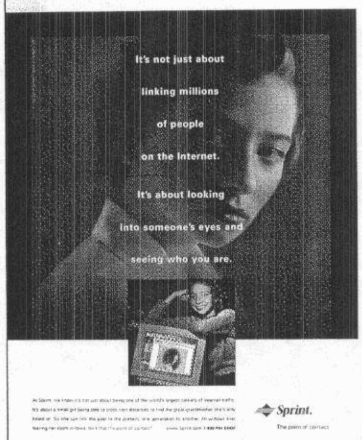
WWW.SPRINT.COM/AR99

Riding the e-commerce trail

Sprint Enterprise Network Services' development of Yeti Cycle's Web site was the comprehensive e-commerce solution Yeti needed to be more competitive in the bicycle industry. Sprint took the lead to create a business plan, a state-of-the-art integrated infrastructure and reliable Web hosting for the company – all of which have led to ramped-up online sales.

LEARN MORE ABOUT SPRINT ENTERPRISE NETWORK SERVICES AT **WWW.SPRINT.COM/AR99/SENS**

Sprint North Supply helps the Sprint ION℠ vision become reality at collocation sites such as this one in Stanley, Kan. By year-end 2000, more than 1,000 collocation sites in 30 major markets are expected to be operational, enabling high-speed Internet access and voice services to homes and businesses.



POINT OF CONTACT

In 1999, Sprint announced a new vision for its brand and a new advertising campaign to bring the vision to life. The campaign introduced the tag line, "The Point of Contact,℠" and, as shown by the ad at left, underscores Sprint's intent to be customers' "essential ally" to help them shape the world they want with customized communications solutions.

reach

integrated solutions

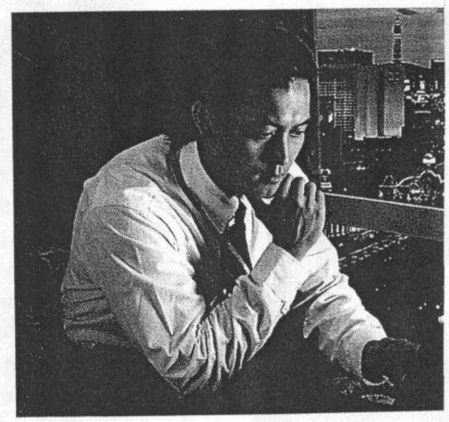
Here's the answer

When Software Spectrum vice presidents Bob Mercer and Roger King needed to squeeze more cost efficiencies out of their budget, they turned to Sprint. Sprint ION℠ was the ideal solution for integrating their fast-growing web of voice and data communications capabilities into a single network. With Sprint focusing on solutions, the company could focus on growing its share of the competitive software reselling business.

Free to be on-the-go

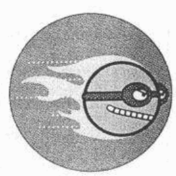
Staying connected while away from home or the office is no problem with the Sprint PCS Wireless Web.℠ Plug a laptop PC into a Sprint PCS phone, dial in and get real time access to information just as if the PC was plugged into a wall phone jack. All it takes is a computer, a wireless Internet-ready Sprint PCS phone and a Sprint PCS Wireless Web™ Connection Kit. Or use the wireless Internet-ready Sprint PCS phone to browse specially designed versions of popular Internet sites or receive updates on sports, stocks and more.

FOR DETAILS ON WHAT PCS WIRELESS WEB HAS TO OFFER, GO TO **WWW.SPRINT.COM/AR99/WIRELESSWEB**

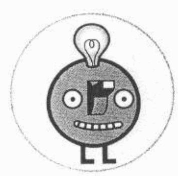


BUILD A PERSONAL NETWORK

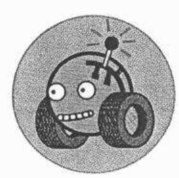
The communications experience is rapidly moving from mass customization to a unique, highly personalized set of services that each user can control. As shown by Sprint ION,℠ Sprint is responding with network innovations that integrate technology, service and applications.



The Need for Speed
High speed internet



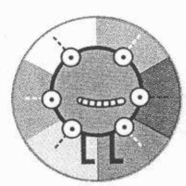
Be There or Be Square
Always on



I'll Drive
Control at your fingertips

It's All About Me
Personalized communications

Stand by Me
Reliable



Here, There, Anywhere
All market segments

EXPERIENCE SPRINT ONLINE AT

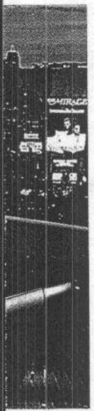
WWW.SPRINT.COM/AR99

< evolution >

Sony® GM-D600 | Qualcomm® QCP2700 | Sprint PCS Touchpoint | Sprint PCS NP1000 | Samsung® SCH-3500 | Motorola® Timeport P8167

The evolution of Sprint PCS phones

In a few short years, the wireless phone has evolved from luxury to necessity for people on the go. In the same time frame, wireless phones' features have gone from basic to sophisticated. Sprint PCS' phones unveiled this year illustrate what's next in the wireless world. To keep up with customer demand, Sprint PCS is offering phones with a robust range of features in smashing styles to fit a wide array of lifestyles.



Instant connections in Las Vegas

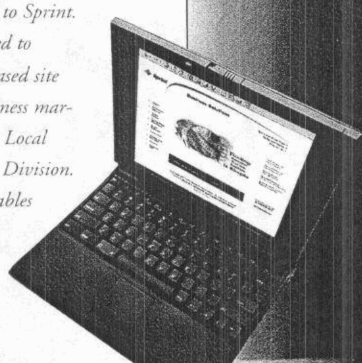
Treasure Island Hotel and Casino, a Mirage Resorts property in Las Vegas, hosts millions of guests every year. Communication by computer is the norm; fast, reliable connectivity is a must. Sprint installed Sprint Guest Online℠ – a robust high-speed, modem-based technology that uses Sprint phone lines at Treasure Island. Now, to connect to the Internet, guests will simply plug their laptop computer into an easy-to-access modem in their room. No special set-up, configuration or protocol changes are required.

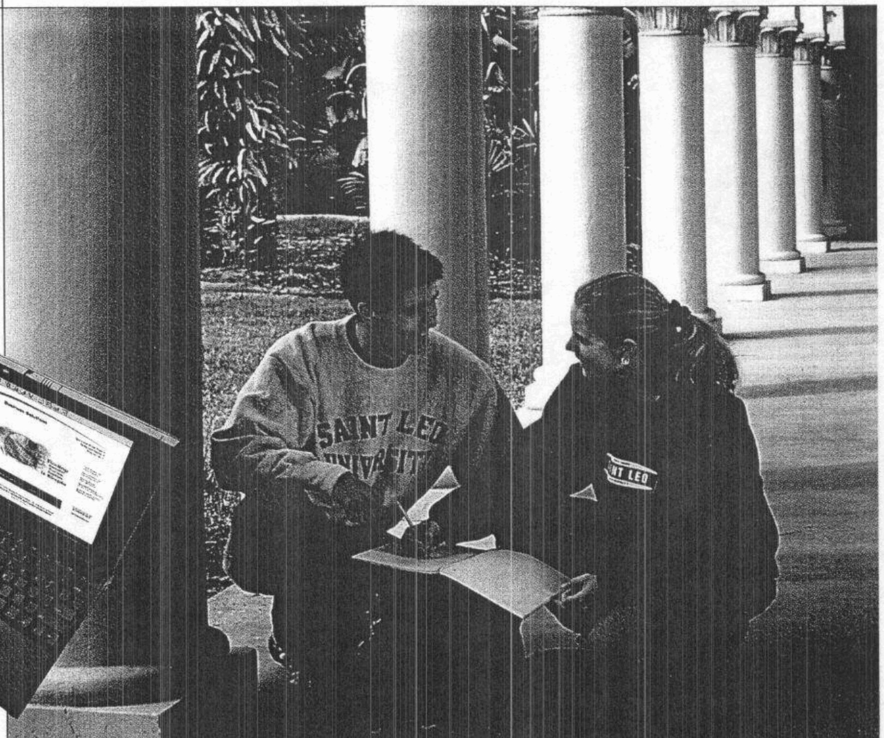
GET THE BEST SITES HERE

Sprint PCS customers can now browse the best of the wireless Internet and make purchases on their Internet-ready Sprint PCS phones. Sprint PCS Wireless Web℠ content and e-commerce partners include: Yahoo!, Amazon.com, Ameritrade, The Weather Channel, GETTHERE.COM, FOX Sports, InfoSpace, MapQuest, CNN and Bloomberg – with more coming every month.

E-business on campus

At Saint Leo University in St. Leo, Fla., the school can issue and monitor trouble tickets related to its phone service, review its Sprint bill, and even purchase Sprint equipment without making a phone call to Sprint. Saint Leo is connected to E-Business, a Web-based site launched by the business markets group of Sprint's Local Telecommunications Division. The new venture enables customers to do business with Sprint easily and conveniently.





SHAREHOLDERS

Building sustainable growth and value

LONG DISTANCE GROWS AT DOUBLE-DIGIT RATES ... LOCAL "LEAN MEAN SALES MACHINE" ... SPRINT PCS: THE BEGINNING OF THE BEGINNING... SPRINT NORTH SUPPLY AND SPRINT PUBLISHING & ADVERTISING CONTINUE TO ADD TO THE BOTTOM LINE.

▼ Award-winning innovations

In 1999 Sprint Publishing & Advertising rolled out new systems for sales, production and receivables management, which will improve customer satisfaction in the credit and collection processes. The conversion of the sales and production systems required thousands of person-hours and was led by (left to right) Diane McElyea, Debbie Cox, Kathy Barker and Manny Mueller (not pictured). The team won a coveted Sprint Values Excellence annual award for its hard work and dedication to making the conversion a success.

LEARN ABOUT SPRINT PUBLISHING & ADVERTISING AT **WWW.SPRINT.COM/AR99/SPA**

"All the News That's Fit to Print"

The New York Times

Late Edition
New York: Today, a cloudy morning, then brighter by afternoon. High 60. Tonight, cool, low 50. Tomorrow, sunny, high 66. Yesterday, high 70, low 61. Weather map appears on page C27.

VOL. CXLIX ... No. 51,666 — NEW YORK, TUESDAY, OCTOBER 5, 1999 — 75 CENTS

"One reason the Sprint corporate identity is perceived as so strong is because the brand's variegated advertising and marketing campaigns have resonated deeply with the consumers. The image perhaps most familiar is the 'pin drop,' initially included in commercials to convey that a Sprint long distance call was quiet and thus high quality."

The New York Times: Oct. 5, 1999

Instant access at FSU

Florida State University in Tallahassee is recognized as one of the most technologically advanced campuses in the United States. With the help of high-speed data service from Sprint's Local Telecommunications Division,

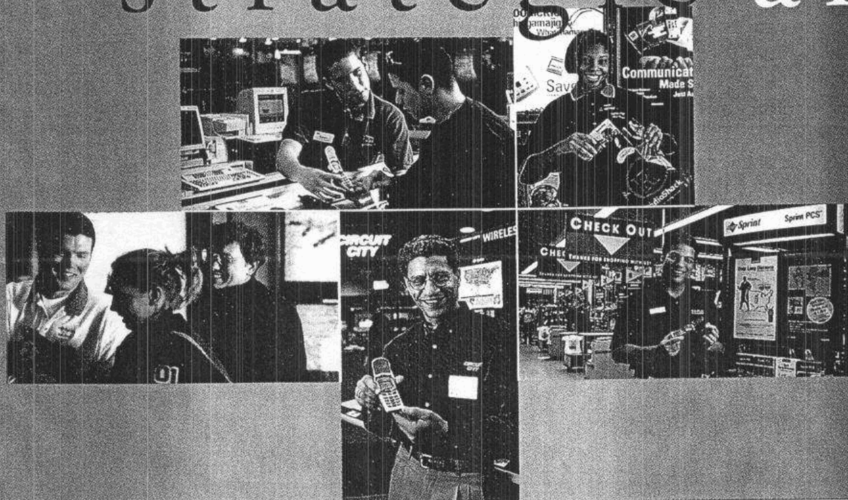
high-speed data

and working in cooperation with FSU, the university's 30,000 students, faculty and staff living off campus can instantly access the university's state-of-the-art intranet. Students use the service to register for classes, for e-mail and videoconferencing, and for Internet-based research.

FIND OUT MORE ABOUT SPRINT'S LOCAL TELECOMMUNICATIONS DIVISION AT **WWW.SPRINT.COM/AR99/LOCAL**

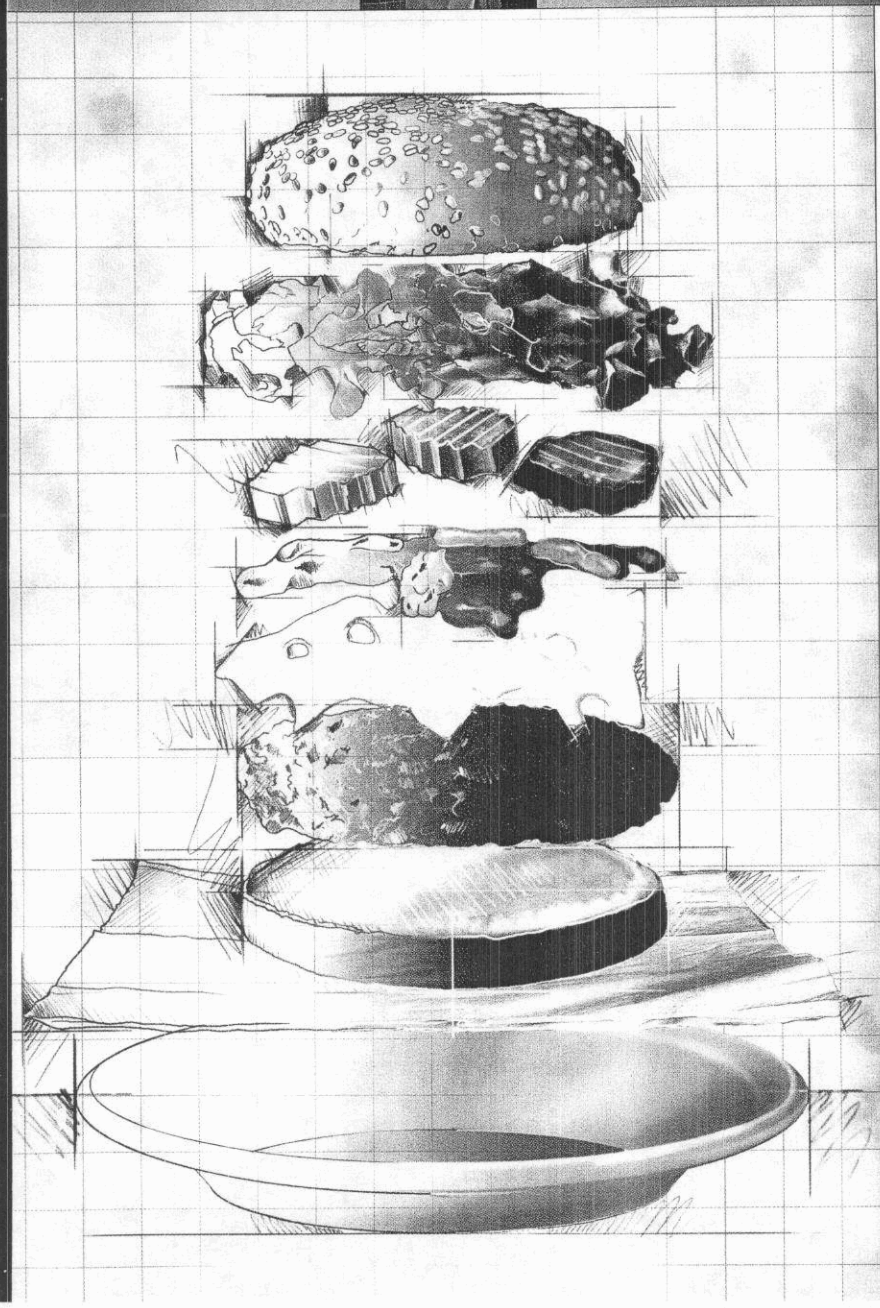
FOR MORE INFORMATION ON SPRINT PCS DISTRIBUTION CHANNELS, VISIT WWW.SPRINT.COM/AR99/PCSALLIANCE

strategic alliances



Location, location, location

In the high-growth wireless business, the war to win new customers is won or lost in the distribution channel. Moving products out of as many doors as possible is the battle plan. Sprint PCS has staked a leadership position with Sprint PCS phones and accessories sold in more than 12,000 commercial outlets. Those outlets include 236 Sprint PCS Centers and thousands of retail stores across the country – including RadioShack, Circuit City, Best Buy and Staples.®



◄ One-stop shopping

Just as our recent advertising campaign illustrates, fast-food customers don't want to buy a bun at one place, the hamburger patty at another, and pickles at yet another. They want one-stop shopping – and so do telecommunications buyers. Why chase around for the right mix of communications services for home or business – when it's available at one place at one flat price? The answer for communications is Sprint Solutions,℠ the family of bundled services available in Sprint's local territories. For a flat rate, Sprint Solutions offers unlimited local calling, blocks of "any distance" minutes to be used for long distance and local toll calls anywhere in the United States and calling features like Call Waiting and Caller ID. The bundled offering hasn't served "billions" yet, but sales ramped up dramatically in 1999, due mainly to the simplicity and convenience of one-stop shopping.

EXPERIENCE SPRINT ONLINE AT

WWW.SPRINT.COM/AR99

{experience

▼ Experience Sprint ION℠

Experience the future of home communications at a Sprint ION demonstration kiosk. The kiosks, located in select Sprint PCS Centers and other retail outlets in Sprint ION residential markets, enable customers to interactively learn about the service. Sprint ION customers are able to conduct multiple phone calls, receive faxes and use the Internet at speeds up to 100 times faster than today's modems – all simultaneously through one connection.

FOR DETAILS ABOUT SPRINT ION, GO TO **WWW.SPRINT.COM/AR99/ION**

EXPERIENCE SPRINT ONLINE AT
WWW.SPRINT.COM/AR99

E-BUSINESS ALLIANCE

Sprint and Deloitte Consulting formed an Application Service Provider (ASP) alliance to provide integrated, global e-business outsourcing solutions. The alliance is one of the first to offer clients a seamless global integration of end-to-end, world-class network and systems management capabilities.

◀ *John Donovan, Deloitte Consulting partner, and Ann Morris, assistant vice president, Sprint Business Development, work together to deliver the mission-critical applications that companies are demanding.*

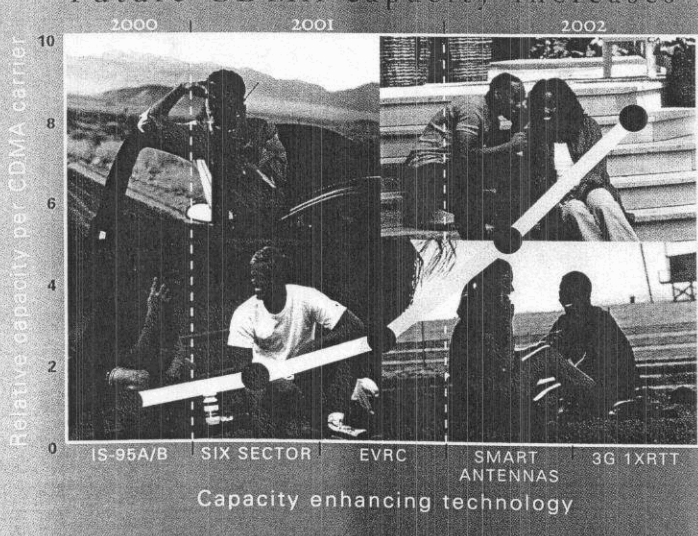
▶ New York service launch

Customers in New York can now choose Sprint for local, long distance and regional toll service, integrated in a unique package that includes unlimited local calls for one monthly rate on one bill. To mark its introduction in the New York marketplace, Sprint was a principal sponsor of the prestigious New York City Marathon® in 1999.

new york

LEARN MORE ABOUT SPRINT'S INCREASED PCS CAPACITY AT **WWW.SPRINT.COM/AR99/PCSTECH**

Future CDMA capacity increases



MORE SPEED, MORE DATA

Sprint continues to lead the industry in deploying cutting-edge technology innovations. EVRC (Enhanced Variable Rate Coding) will significantly boost network capacity in 2000. Beginning in 2001, 3G – the third generation of wireless technology – will be introduced and is expected to nearly double network capacity and increase data transmission speeds by 10-fold.

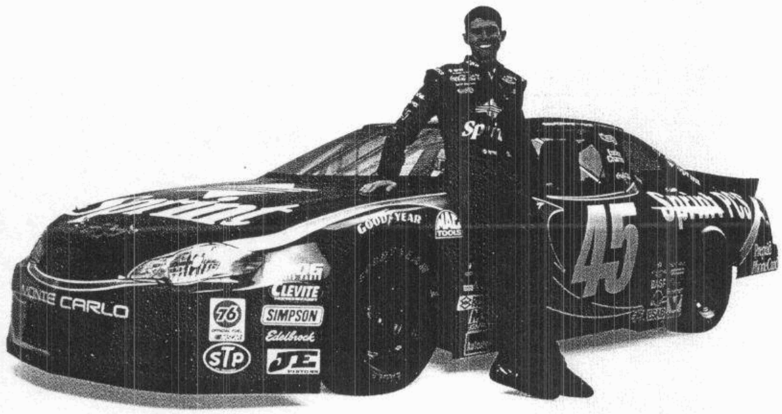
EMPLOYEES

Working for a winner

SPRINT HAS BEEN RECOGNIZED AS THE LEADER TIME AND AGAIN IN DELIVERING PIONEERING TECHNOLOGY AND SERVICES TO CUSTOMERS. OUR EMPLOYEES ARE KEY TO SPRINT'S ABILITY TO EXECUTE OUR VISION.

▼ Speaking from experience

Brandi Rarus, national sales manager for Sprint Relay Services, knows first-hand the value of the Telephone Relay Services (TRS) Sprint provides to the deaf and hard-of-hearing. Profoundly deaf herself, Rarus says Sprint strives to provide deaf people with "the same telephone service that hearing people enjoy." Sprint is the country's No. 1 TRS provider and has been a driving force in the relay industry, setting several industry standards with the Federal Communications Commission.



Racing into history

Adam Petty, the first fourth-generation athlete in sports, is ready to drive his high-powered No. 45 Sprint Chevrolet Monte Carlo into racing history – in keeping with family tradition. Adam's father is Kyle Petty; his grandfather is Richard "the King" Petty. Sprint will serve as Adam's primary sponsor as he races full-time in the Busch Grand National Series and makes his Winston Cup debut in 2000. Sprint is the Official Telecommunications Provider to Petty Enterprises, the winningest organization in NASCAR history.

Sprint
honored

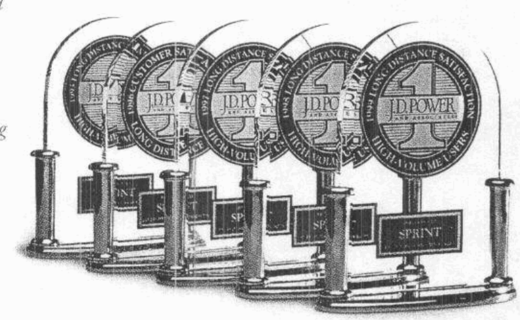
Hurricane Floyd bore down on the U.S. coast, leaving a path of devastation and destruction that left thousands, including 70 Sprint employees, homeless. The deadliest storm ever to hit North Carolina included several Local Telecommunications Division communities. Sprint employees responded in full force, donating more than $177,000 to the Sprint Employees Hurricane Floyd Disaster Relief Fund, while working around the clock to restore essential telecommunication services to their neighbors.

(achieve)

FIND OUT MORE ABOUT SPRINT'S J.D. POWER AWARDS AT **WWW.SPRINT.COM/AR99/JDPOWER**

▶ J.D. Power awards – five in a row!

For an unprecedented fifth consecutive year, Sprint received the J.D. Power and Associates top ranking in the annual Residential Long Distance Customer Satisfaction Study.℠ The award recognizes overall customer satisfaction among high-volume long distance customers.



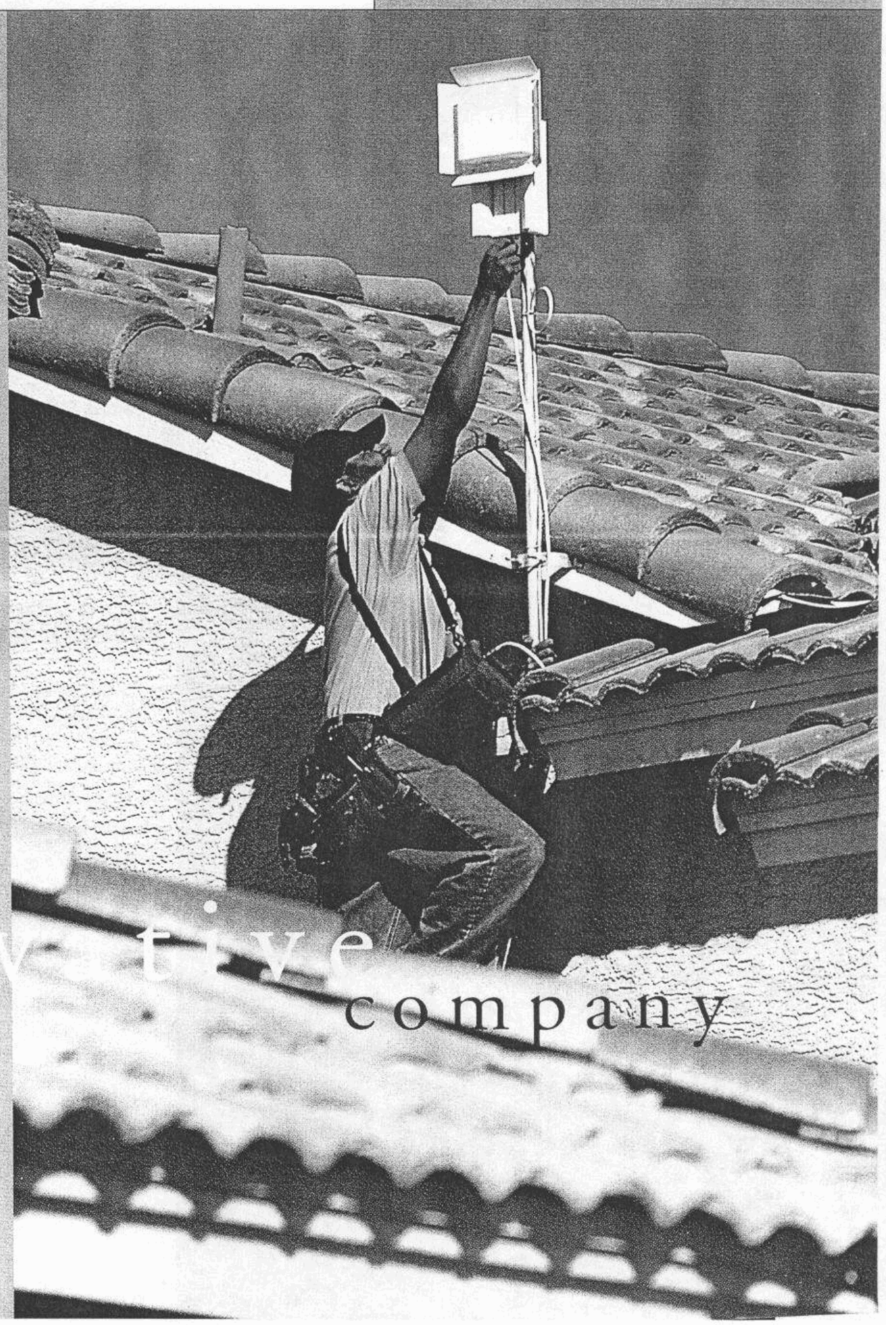
EXPERIENCE SPRINT ONLINE AT

WWW.SPRINT.COM/AR99

Faster – times 50

Imagine downloading Web pages as fast as typing in a Web address or clicking on a Web page link. All it takes is Sprint's broadband wireless service, a transmission device such as this rooftop antennae, and a wireless modem. Surfin' the 'Net will never be the same. Trade stock, play games and dig for research online – all at the same time – with download speeds 50 times faster than a dialup modem. During the first quarter of 2000, Sprint is expanding its broadband wireless systems in Detroit, Phoenix, and the San Francisco Bay area, and the company expects to serve 10 to 20 markets by the end of the year.

LEARN MORE ABOUT SPRINT'S BROADBAND WIRELESS SERVICE
AT **WWW.SPRINT.COM/AR99/BROADBAND**



innovative company

EXPERIENCE SPRINT ONLINE AT
WWW.SPRINT.COM/AR99

FIND OUT MORE ABOUT SPRINT'S SPONSORSHIPS AT WWW.SPRINT.COM/AR99/SPONSORSHIPS

In the top 50

Rapid expansion of the wireless network and record-setting subscriber growth were two trademarks for 1999 at Sprint PCS. In February, the company achieved a major milestone – service availability in all of the top 50 U.S. markets – when it launched service in the Hampton Roads/Richmond, Va., market. Sprint PCS today has licensed PCS coverage of nearly 270 million people in all 50 states, Puerto Rico and the U.S. Virgin Islands. In each of the four quarters of 1999, Sprint PCS added a record-breaking number of wireless subscribers for the industry, capping the year with 1.04 million new subscribers in the fourth quarter alone.

From left to right, U.S. Ski Team members Brian Currutt and Joe Pack, and students Eric Helal, Emmie Bucholz and Jonathan Tambaoan.

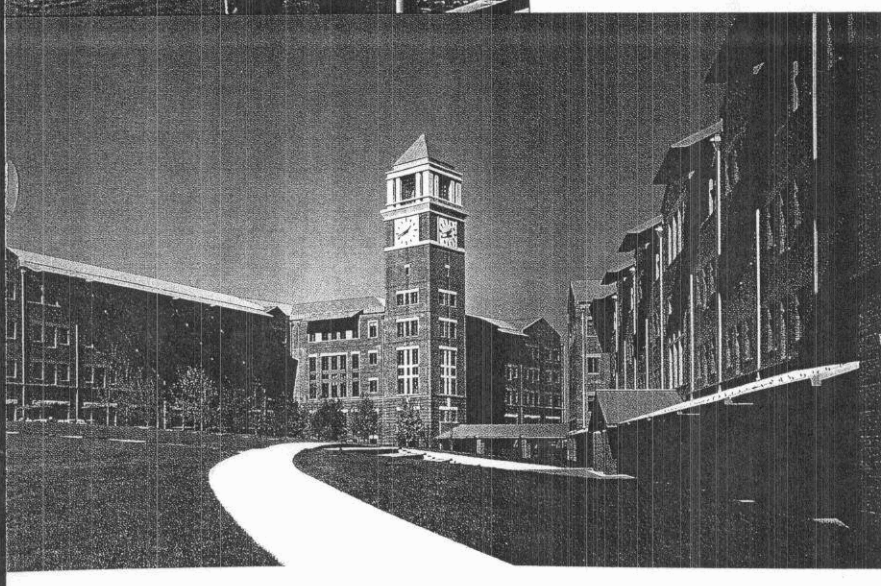
GOOD SPORTS

Emmie Bucholz of Dallas, Jonathan Tambaoan of San Francisco, and Eric Helal of Kansas City hit the slopes with the U.S. Ski Team at the Sprint U.S. Freestyle Grand National, a World Cup event in Heavenly, Calif. The eighth-graders were the essay winners in Sprint's Sportsmanship For Life, a nationwide educational program focused on good sportsmanship. Sprint is the Official Telecommunications Provider to the U.S. Ski Team.

Sprint Quality wins

It was an award-winning year for Sprint's Long Distance Billing Services, led by the group's vice president, Donna Morrison. Billing Services was awarded the prestigious Missouri Quality Award, the official state recognition for excellence in quality leadership. Morrison's organization also won a Bronze Sprint Chairman's Quality Award for demonstrating exceptional business unit performance. Both awards are modeled after the Malcolm Baldrige National Quality Award.

award winning



NEW CAMPUS DEDICATED

Sprint marked the beginning of a new era on Oct. 1 when its new World Headquarters in Overland Park, Kan., was officially dedicated. The new campus will feature 17 low-rise office buildings and four service buildings situated among innovative landscaping that includes a courtyard, lakes and wetlands, waterfalls and recreational areas. The gradual transition of more than 14,500 employees to the Sprint campus will continue through 2002.

FOR DETAILS ABOUT SPRINT'S NEW WORLD HEADQUARTERS CAMPUS, GO TO WWW.SPRINT.COM/AR99/HQ

Merger q+a

MCI WorldCom and Sprint announced on Oct. 5 a definitive merger agreement creating the pre-eminent global communications company for the 21st century. The combined company, to be called WorldCom, will provide a full range of services to residential and business customers on its owned, end-to-end, state-of-the-art network infrastructure. WorldCom will be a leader in the fastest-growing areas of global communications services, offering innovative broadband, "all distance" services to businesses and homes, and nationwide digital wireless voice and data services.

The merger is subject to the approval of MCI WorldCom and Sprint stockholders, as well as approvals from the Federal Communications Commission, the Department of Justice, various state government bodies and foreign antitrust authorities. The companies anticipate that the merger will close in the second half of 2000.

The following are some of the most frequently asked questions about the merger.

WHAT DID SPRINT ANNOUNCE ON OCT. 5, 1999?

We announced that Sprint has agreed to a merger with MCI WorldCom in a $129 billion transaction that will create a new communications company capable of competing globally in the 21st century.

WHAT IS THE EXPECTED TIME FRAME FOR COMPLETING THE MERGER?

The merger is expected to be completed in the second half of 2000, with approvals from appropriate regulatory entities and shareholders of MCI WorldCom and Sprint.

HOW LARGE WILL THE NEW COMPANY BE?

The combined company will have revenues of more than $50 billion, assets of $123 billion and approximately 145,000 employees. The combined company will serve 38 million wire line customers, 6 million PCS customers and 1.7 million paging and advanced messaging customers. Together, MCI WorldCom and Sprint will have 8 million local access lines and incumbent local operations in 18 states. The company will have operations in more than 65 countries.

SPRINT ALWAYS HAS SAID IT HAS THE ASSETS TO GO IT ALONE. WHY MERGE NOW?

The combined company will have tremendous growth potential and that will produce economic value for our shareholders, career growth opportunities for our employees and world-class services for our customers. This merger ensures that Sprint has the best combination of assets together with related efficiencies to compete in the rapidly expanding worldwide marketplace.

Second, this merger will enable us to develop and deploy Sprint ION℠ and Sprint PCS faster and further than we had anticipated. And, the synergies we will realize will lower our unit cost, expand our capabilities and extend our reach – while simultaneously offering our customers more options and increased savings.

EXPAND UPON THE EXPECTED "SYNERGIES" THAT THE MERGER WILL CREATE

Synergies result when two companies together can produce economic performance that the individual firms could not produce on their own. At the time that the merger was negotiated, synergies between MCI WorldCom and Sprint were estimated to be a total of approximately $1.9 billion in 2001. In the case of this merger, the big categories of synergies are as follows:

- **25% Cost of Goods Sold (COGS)** – *access, back haul, collocations, product cost*
- **60% Sales, General and Administrative (SG&A)** – *sales, marketing, finance, public relations, human resources, etc.*
- **15% Other** – *financing costs and minor investments.*

In the Cost of Goods Sold area, we estimated synergies by seeing what costs could be saved if the two firms leveraged each other's network infrastructure, both local and international.

In terms of Sales, General and Administrative costs, we estimated synergies by examining the functions that exist in each organization with an eye toward eliminating duplication. In assessing synergies, it is important to recognize that we look to the fixed cost components of each potentially duplicative function. As transition teams are established, functional experts from each organization will be able to select the "best in class" business processes for the merged company, thereby eliminating the need for one of the functional "systems" or processes. The synergy estimates reflect the fact that each function where fixed costs can be eliminated will take time to implement. The savings are phased in over time.

WHY IS SPRINT MERGING WITH MCI WORLDCOM?

The MCI WorldCom/Sprint merger produces a combination of assets that will uniquely position the combined entity to compete successfully in a rapidly expanding global communications market. The combination of the two companies allows both to fill gaps in their respective portfolios of services and capabilities.

Sprint gains the access efficiencies that are needed to succeed in today's competitive world, a broad international presence, and high-speed local networks and broadband wireless licenses that will speed our entry into local markets.

MCI WorldCom gains a national wireless footprint, the revolutionary Sprint ION℠ suite of capabilities and local telecommunications operations in 18 states.

Sprint FON Group

CORE BUSINESSES

Long distance division
The long distance division is the nation's third-largest provider of long distance phone services. It operates a nationwide, all-digital long distance telecommunications network that uses state-of-the-art fiber-optic and electronic technology. The division provides domestic and international voice, video and data communications services.

Local division
The local division consists of regulated local phone companies serving more than 8 million access lines in 18 states. It provides local phone services, access by phone customers and other carriers to its local network, sales of telecommunications equipment, and long distance services within certain regional calling areas.

Product distribution and directory publishing
These businesses provide wholesale distribution services of telecommunications products, and publish and market white and yellow page telephone directories.

SPRINT ION,℠ INTEGRATED ON-DEMAND NETWORK

Sprint ION enables Sprint to provide the network infrastructure to meet customers' demands for data, Internet and video, and will also be the foundation for Sprint to provide competitive local service.

OTHER VENTURES

The "other ventures" segment includes the cable TV service operations of the broadband fixed wireless companies acquired in 1999. It also includes the FON Group's investment in EarthLink Network, Inc., an Internet service provider, and the FON Group's other telecommunications investments and ventures.

Condensed Combined Statements of Operations

SPRINT CORPORATION – FON GROUP				
(millions, except per share data)	For the years ended December 31,	**1999**	1998	1997
Net Operating Revenues	Net operating revenues	**$ 17,016**	$ 15,764	$ 14,564
	Operating expenses	**14,086**	13,004	12,094
Operating Income	Operating income	**2,930**	2,760	2,470
	Interest expense	**(182)**	(243)	(208)
	Other income, net	**49**	153	165
	Income from continuing operations before income taxes	**2,797**	2,670	2,427
	Income tax expense	**(1,061)**	(995)	(914)
Income from Continuing Operations	Income from continuing operations	**1,736**	1,675	1,513
	Discontinued operation, net	**(130)**	(135)	(142)
	Extraordinary items, net	**(39)**	(5)	-
Net Income		**$ 1,567**	$ 1,535	$1,371
Diluted Earnings per Common Share From Continuing Operations		**$ 1.97**	$ 1.93	$ 1.73

These condensed combined financial statements should be read in connection with the full financial statements presented in Sprint's Form 10-K.

In November 1998, Sprint completed the restructuring of Sprint PCS and recapitalized its common stock into two separate classes – FON Stock and PCS Stock. The FON Stock is intended to reflect the performance of the FON Group. The 1998 and 1997 FON Group earnings per share amounts are pro forma, unaudited and assume the FON shares existed for all periods presented.

In the 1999 second quarter, Sprint effected a two-for-one split of its FON Stock. FON Group earnings per share for prior periods have been restated to reflect this stock split.

REPORT OF INDEPENDENT AUDITORS ON CONDENSED COMBINED FINANCIAL STATEMENTS – SPRINT FON GROUP

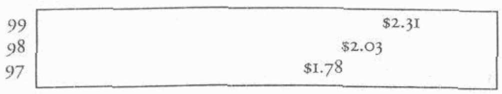
The Board of Directors and Shareholders
Sprint Corporation

We have audited, in accordance with auditing standards generally accepted in the United States, the combined balance sheets of the Sprint FON Group at December 31, 1999 and 1998, and the related combined statements of operations, cash flows and comprehensive income for each of the three years in the period ended December 31, 1999 (not presented separately herein), and in our report dated February 1, 2000, we expressed an unqualified opinion on those combined financial statements. In our opinion, the information set forth in the accompanying condensed combined statements of operations, balance sheets and statements of cash flows is fairly stated in all material respects in relation to the combined financial statements from which it has been derived.

Ernst + Young LLP

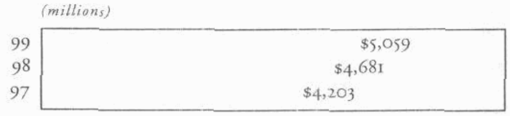
Kansas City, Missouri
February 1, 2000

CORE DILUTED EARNINGS PER SHARE



Assumes the FON Stock created in the Recapitalization existed for all periods presented and excludes nonrecurring items. The 1998 and 1997 amounts have been restated to reflect the 1999 two-for-one stock split.

OPERATING CASH FLOWS
(millions)



Operating cash flows equals operating income plus depreciation and amortization, excluding nonrecurring items.

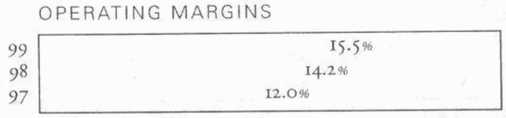
Segmental Financial Highlights

SPRINT CORPORATION – FON GROUP				
(millions)	For the years ended December 31,	**1999**	1998	% Change
Net Operating Revenues	Long distance division	**$10,567**	$9,658	9.4%
	Local division[1]	**5,650**	5,330	6.0%
	Product distribution and directory publishing businesses	**1,731**	1,683	2.9%
	Other ventures	**20**	-	NM
Operating Income (Loss)	Long distance division	**1,634**	1,367	19.5%
	Local division[1]	**1,500**	1,384	8.4%
	Product distribution and directory publishing businesses	**242**	231	4.8%
	Sprint ION℠	**(358)**	(143)	NM
	Other ventures	**(48)**	(40)	20.0%

[1] *These amounts assume the sale of local exchanges in 1998 occurred at the beginning of 1998.*

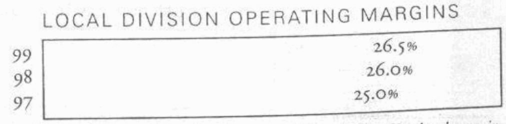
NM = Not meaningful

LONG DISTANCE DIVISION OPERATING MARGINS



Excludes nonrecurring litigation charges in 1997.

LOCAL DIVISION OPERATING MARGINS



Adjusted for transfer pricing changes in 1997 and sales of local exchanges in 1997 and 1998.

Sprint PCS Group

The PCS Group includes Sprint's domestic wireless phone services. The PCS Group, which markets its products and services under the Sprint and Sprint PCS brand names, operates the largest all-digital, all-PCS nationwide wireless network in the United States, already serving the majority of the nation's metropolitan areas including more than 4,000 cities and communities across the country. Sprint PCS has licensed coverage of nearly 270 million people in all 50 states, Puerto Rico and the U.S. Virgin Islands.

Condensed Combined Balance Sheets

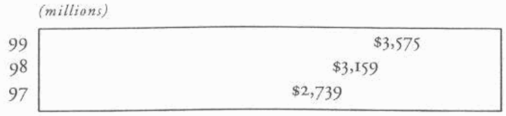
SPRINT CORPORATION – FON GROUP			
(millions)	December 31,	**1999**	1998
Assets	Current assets	**$ 4,282**	$ 3,769
	Property, plant and equipment, net	**14,002**	12,464
	Other	**3,519**	2,768
	Total	**$ 21,803**	$ 19,001
Liabilities and Group Equity	Current liabilities	**$ 4,301**	$ 3,273
	Long-term debt	**4,531**	4,409
	Other	**2,457**	2,295
	Group equity	**10,514**	9,024
	Total	**$ 21,803**	$ 19,001

Condensed Combined Statements of Cash Flows

SPRINT CORPORATION – FON GROUP				
(millions)	For the years ended December 31,	**1999**	1998	1997
Operating Activities	Net income	**$ 1,567**	$ 1,535	$ 1,371
	Adjustments to reconcile net income to net cash provided by operating activities	**2,146**	2,380	1,528
	Net cash provided by operating activities	**3,713**	3,915	2,899
	Net cash used by investing activities	**(4,349)**	(3,366)	(4,027)
	Net cash provided (used) by financing activities	**308**	(219)	79
Increase (Decrease) in Cash and Equivalents		**(328)**	330	(1,049)
Cash and Equivalents at Beginning of Year		**432**	102	1,151
Cash and Equivalents at End of Year		**$ 104**	$ 432	$ 102

These condensed combined financial statements should be read in connection with the full financial statements presented in Sprint's Form 10-K.

CAPITAL EXPENDITURES
(millions)



Condensed Combined Statements of Operations

SPRINT CORPORATION – PCS GROUP				
(millions, except per share data)	For the years ended December 31,	1999	1998	1997
Net Operating Revenues	Net operating revenues	**$ 3,180**	$ 1,225	$ -
	Operating expenses	**6,417**	3,795	19
Operating Loss	Operating loss	**(3,237)**	(2,570)	(19)
	Interest expense	**(698)**	(491)	-
	Other partners' loss in Sprint PCS	**-**	1,251	-
	Equity in loss of Sprint PCS	**-**	-	(660)
	Minority interest and other, net	**66**	179	-
	Loss before income taxes	**(3,869)**	(1,631)	(679)
	Income tax benefit	**1,388**	541	260
Loss before Extraordinary Items	Loss before extraordinary items	**(2,481)**	(1,090)	(419)
	Extraordinary items, net	**(21)**	(31)	-
Net Loss		**$ (2,502)**	$ (1,121)	$ (419)
Diluted Loss per Common Share Before Extraordinary Items		**$ (2.71)**	$ (2.21)	$ (1.98)

These condensed combined financial statements should be read in connection with the full financial statements presented in Sprint's Form 10-K.

The 1998 amounts include Sprint PCS' operating results on a consolidated basis for the entire year. The Cable Partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS." Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method.

In November 1998, Sprint completed the restructuring of Sprint PCS and recapitalized its common shares into two separate classes – FON Stock and PCS Stock. The PCS Stock is intended to reflect the performance of Sprint's wireless PCS operations. The 1998 and 1997 PCS Group loss per share amounts are pro forma, unaudited and assume the PCS Restructuring and Recapitalization occurred at the beginning of 1997.

In February 2000, Sprint effected a two-for-one stock split of its PCS Stock. PCS Group loss per share for all periods presented reflects this stock split.

REPORT OF INDEPENDENT AUDITORS ON CONDENSED COMBINED FINANCIAL STATEMENTS – SPRINT PCS GROUP

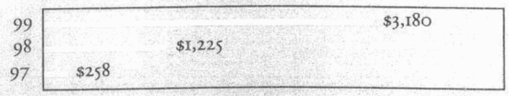
The Board of Directors and Shareholders
Sprint Corporation

We have audited, in accordance with auditing standards generally accepted in the United States, the combined balance sheets of the Sprint PCS Group at December 31, 1999 and 1998, and the related combined statements of operations, cash flows and comprehensive loss for each of the three years in the period ended December 31, 1999 (not presented separately herein), and in our report dated February 1, 2000, we expressed an unqualified opinion on those combined financial statements based on our audits and based on the report of other auditors for 1998 and 1997. In our opinion, the information set forth in the accompanying condensed combined statements of operations, balance sheets and statements of cash flows is fairly stated in all material respects in relation to the combined financial statements from which it has been derived.

Ernst + Young LLP

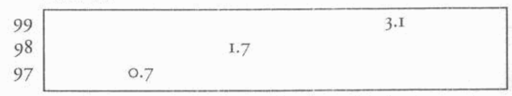
Kansas City, Missouri
February 1, 2000

REVENUES
(millions)



The 1997 revenues are pro forma and assume the PCS Restructuring occurred at the beginning of 1997.

NET CUSTOMER ADDITIONS
(millions)



Includes Cox PCS and APC customers for the periods before these entities were wholly owned by Sprint PCS.

Condensed Combined Balance Sheets

SPRINT CORPORATION – PCS GROUP			
(millions)	December 31,	**1999**	1998
Assets	Current assets	**$ 1,315**	$ 882
	Property, plant and equipment, net	**7,996**	6,535
	Goodwill and other intangibles, net	**8,188**	7,338
	Other	**425**	410
	Total	**$ 17,924**	$ 15,165
Liabilities and Group Equity	Current liabilities	**$ 2,578**	$ 2,426
	Long-term debt	**11,304**	7,847
	Other	**722**	1,137
	Group equity	**3,320**	3,755
	Total	**$ 17,924**	$ 15,165

These condensed combined financial statements should be read in connection with the full financial statements presented in Sprint's Form 10-K.

CAPITAL EXPENDITURES
(millions)

Includes capital expenditures for all PCS Group entities for the years presented.

Condensed Combined Statements of Cash Flows

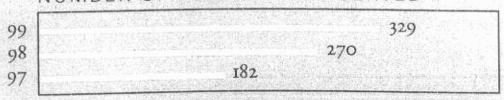
SPRINT CORPORATION – PCS GROUP

(millions)	For the years ended December 31,	**1999**	1998	1997
Operating Activities	Net loss	**$ (2,502)**	$ (1,121)	$ (419)
	Adjustments to reconcile net loss to net cash provided (used) by operating activities	**810**	962	457
	Net cash provided (used) by operating activities	**(1,692)**	(159)	38
	Net cash used by investing activities	**(2,509)**	(861)	(1,020)
	Net cash provided by financing activities	**4,044**	1,193	982
Increase (Decrease) in Cash and Equivalents		**(157)**	173	-
Cash and Equivalents at Beginning of Year		**173**	-	-
Cash and Equivalents at End of Year		**$ 16**	$ 173	$ -

These condensed combined financial statements should be read in connection with the full financial statements presented in Sprint's Form 10-K.

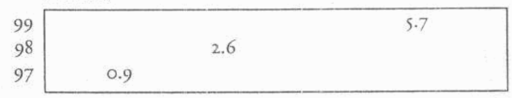
The 1998 amounts reflect Sprint PCS' cash flows after the PCS Restructuring.

NUMBER OF PCS MARKETS SERVED



NUMBER OF CUSTOMERS

(millions)



Includes Cox PCS and APC customers for the periods before these entities were wholly owned by Sprint PCS.

Sprint Corporation

Sprint Corporation is a diversified telecommunications service provider. Its principal activities are conducted through the FON Group and the PCS Group.

Condensed Consolidated Statements of Operations

SPRINT CORPORATION				
(millions)	For the years ended December 31,	**1999**	1998	1997
Net Operating Revenues	Net operating revenues	**$19,928**	$16,881	$14,564
	Operating expenses	**20,235**	16,691	12,113
Operating Income (Loss)	Operating income (loss)	**(307)**	190	2,451
	Interest expense	**(860)**	(718)	(184)
	Other partners' loss in Sprint PCS	**-**	1,251	-
	Equity in loss of Sprint PCS	**-**	-	(660)
	Minority interest and other, net	**95**	316	141
	Income (Loss) from continuing operations before income taxes	**(1,072)**	1,039	1,748
	Income tax (expense) benefit	**327**	(454)	(654)
Income (Loss) from Continuing Operations	Income (Loss) from continuing operations	**(745)**	585	1,094
	Discontinued operation, net	**(130)**	(135)	(142)
	Extraordinary items, net	**(60)**	(36)	-
Net Income (Loss)		**$ (935)**	$ 414	$ 952

These condensed consolidated financial statements should be read in connection with the full financial statements presented in Sprint's Form 10-K.

The 1998 amounts include Sprint PCS' operating results on a consolidated basis for the entire year. The Cable Partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS." Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method.

REPORT OF INDEPENDENT AUDITORS ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

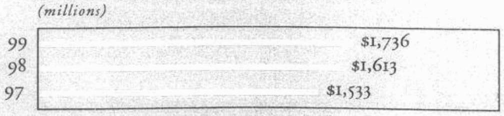
The Board of Directors and Shareholders
Sprint Corporation

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheets of Sprint Corporation at December 31, 1999 and 1998, and the related consolidated statements of operations, cash flows, comprehensive income (loss) and shareholders' equity for each of the three years in the period ended December 31, 1999 (not presented separately herein), and in our report dated February 1, 2000, we expressed an unqualified opinion on those consolidated financial statements based on our audits and based on the report of other auditors for 1998 and 1997. In our opinion, the information set forth in the accompanying condensed consolidated statements of operations, balance sheets and statements of cash flows is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

Ernst & Young LLP

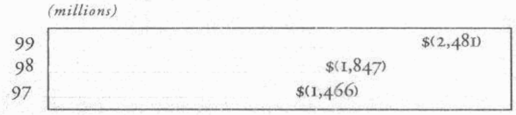
Kansas City, Missouri
February 1, 2000

SPRINT FON GROUP INCOME FROM CONTINUING OPERATIONS
(millions)



Excludes nonrecurring items.

SPRINT PCS GROUP LOSS FROM CONTINUING OPERATIONS
(millions)



The 1998 and 1997 amounts are pro forma and assume the PCS Restructuring occurred at the beginning of 1997 and exclude nonrecurring items.

Condensed Consolidated Balance Sheets

SPRINT CORPORATION			
(millions)	December 31,	**1999**	1998
Assets	Current assets	**$ 5,580**	$ 4,414
	Property, plant and equipment, net	**21,969**	18,983
	Goodwill and other intangibles, net	**9,567**	7,693
	Other	**2,134**	2,167
	Total	**$ 39,250**	$ 33,257
Liabilities and Shareholders' Equity	Current liabilities	**$ 6,832**	$ 5,446
	Long-term debt	**15,685**	11,942
	Other	**3,173**	3,421
	Shareholders' equity	**13,560**	12,448
	Total	**$ 39,250**	$ 33,257

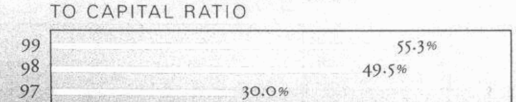
Condensed Consolidated Statements of Cash Flows

SPRINT CORPORATION				
(millions)	For the years ended December 31,	**1999**	1998	1997
Operating Activities	Net income (loss)	**$ (935)**	$ 414	$ 952
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	**2,887**	3,785	2,420
	Net cash provided by operating activities	**1,952**	4,199	3,372
	Net cash used by investing activities	**(7,157)**	(4,486)	(4,500)
	Net cash provided by financing activities	**4,720**	790	79
Increase (Decrease) in Cash and Equivalents		**(485)**	503	(1,049)
Cash and Equivalents at Beginning of Year		**605**	102	1,151
Cash and Equivalents at End of Year		**$ 120**	$ 605	$ 102

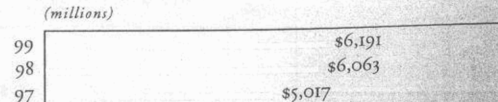
These condensed consolidated financial statements should be read in connection with the full financial statements presented in Sprint's Form 10-K.

The 1998 amounts reflect Sprint PCS' cash flows after the PCS Restructuring.

SPRINT CORPORATION DEBT TO CAPITAL RATIO



SPRINT CORPORATION CAPITAL EXPENDITURES
(millions)



Includes capital expenditures for all Sprint entities for the years presented.

MANAGEMENT REPORT

The condensed financial statements in this summary annual report were derived from the financial statements that appear in Sprint's 1999 Form 10-K. Management of Sprint has the responsibility for the integrity and objectivity of the financial statements contained in this document. Management is also responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the United States are used.

In discharging this responsibility, management maintains a comprehensive system of internal controls and supports an extensive program of internal audits, has made organizational arrangements providing appropriate divisions of responsibility and has established communication programs aimed at assuring that its policies, procedures and codes of conduct are understood and practiced by its employees.

The financial statements of Sprint have been audited by Ernst & Young LLP, independent auditors, who have also issued reports on the condensed financial statements. Their audits were conducted using auditing standards generally accepted in the United States.

The Board of Directors' responsibility for these financial statements is pursued mainly through its Audit Committee. The Audit Committee, composed entirely of directors who are not officers or employees of Sprint, meets periodically with the internal auditors and independent auditors, both with and without management present, to assure that their respective responsibilities are being fulfilled. The internal and independent auditors have full access to the Audit Committee to discuss auditing and financial reporting matters.

William T. Esrey
Chairman and Chief Executive Officer

Arthur B. Krause
Executive Vice President and Chief Financial Officer

BOARD OF DIRECTORS

DuBose Ausley is chairman of Ausley & McMullen, a law firm in Tallahassee, Florida. He is also chairman of the Capital City Bank Group, Inc. He has been a Sprint director since 1993. Ausley is a member of the organization, compensation and nominating committee.

Warren L. Batts is the retired chairman and chief executive officer of Tupperware Corporation in Orlando, Florida. He is also the retired chairman of Premark International, Inc. He has been a Sprint director since 1982. Batts is chairman of the audit committee and a member of the executive committee.

Michel Bon is chairman of France Telecom. From 1993 to September 1995, he was head of France's national job placement agency. Prior to that he was chairman and chief executive officer of Carrefour, the largest retailer in France. He has been a Sprint director since 1996. Bon is a member of the executive committee.

William T. Esrey is chairman and chief executive officer of Sprint. He joined Sprint in 1980 as executive vice president-corporate planning, was named president and chief executive officer in 1985 and became chairman and chief executive officer in 1990. He has been a Sprint director since 1985. Esrey is chairman of the Board's executive committee.

Irvine O. Hockaday Jr. is president and chief executive officer of Hallmark Cards, Inc., in Kansas City, Missouri. He became a Sprint director in 1997. Hockaday is a member of the audit committee and chairman of the capital stock committee.

Harold S. Hook is the retired chairman and chief executive officer of American General Corporation, in Houston, Texas. He has been a Sprint director since 1982. Hook is a member of the audit and the capital stock committees.

Ronald T. LeMay is president and chief operating officer of Sprint, a position held since February 1996, except for the period of July to October 1997, when he served as chairman and chief executive officer of Waste Management, Inc. Prior to that, he was vice chairman of Sprint, and chief executive officer of Sprint PCS. From 1989 to 1995, he was president and chief operating officer of the Long Distance Division of Sprint. LeMay served as a Sprint director from 1993 until July 1997. He was re-elected as a Sprint director in 1997.

Linda Koch Lorimer is vice president and secretary of Yale University, in New Haven, Connecticut. She has been a director of Sprint since 1993. She is a member of the capital stock and the organization, compensation and nominating committees.

Charles E. Rice is vice chairman-corporate development of Bank of America Corporation. He has been a Sprint director since 1975. Rice is a member of the executive and the organization, compensation and nominating committees.

Louis W. Smith is president and chief executive officer of the Ewing Marion Kauffman Foundation in Kansas City, Missouri. He has been a Sprint director since June 1999. Smith is a member of the audit committee.

Ron Sommer is vice chairman of the board of management of Deutsche Telekom A.G. From 1989 until May 1995, he worked for the German subsidiary of the Sony Group, where he was last responsible for the 22 European subsidiaries as the head of Sony Europe. He has been a Sprint director since 1996. Sommer is a member of the capital stock and the organization, compensation and nominating committees.

Stewart Turley is the retired chairman of Eckerd Corporation, in Clearwater, Florida. He has been a Sprint director since 1980. Turley is chairman of the organization, compensation and nominating committee, and a member of the executive committee.

PRINCIPAL CORPORATE OFFICERS

William T. Esrey
Chairman and Chief Executive Officer

Ronald T. LeMay
President and Chief Operating Officer

J. Richard Devlin
Executive Vice President
General Counsel
and External Affairs

Arthur B. Krause
Executive Vice President
Chief Financial Officer

Kevin E. Brauer
President
National Integrated Services
and Sprint Business

Michael B. Fuller
President
Local Telecommunications Division

Andrew J. Sukawaty
President
Sprint PCS

John E. Berndt
President
Sprint International

Gene M. Betts
Senior Vice President
Treasurer

Arthur A. Kurtze
Senior Vice President
One Sprint
Strategic Development

John P. Meyer
Senior Vice President
Controller

Theodore H. Schell
Senior Vice President
Strategic Planning
and Corporate Development

I. Benjamin Watson
Senior Vice President
Human Resources

Thomas E. Weigman
Senior Vice President
Consumer Market Strategy
and Communications

Don A. Jensen
Vice President
Secretary

SHAREHOLDER INFORMATION AND COMMON STOCK DATA

Common Stock Dividends

Dividends on the FON Stock, declared by the Board of Directors, are usually paid quarterly at the end of March, June, September and December. The exact record dates and payment dates are set by the Board of Directors. The last quarterly dividend payment in the fourth quarter 1999 was 12.5 cents per FON share, or an indicated annual dividend of 50 cents per FON share. The common share dividend reflects the effect of a two-for-one split of the Sprint FON Stock in June 1999.

Sprint does not expect to pay dividends on the PCS Stock for the foreseeable future.

Investor Information Line

Requests for the information shown below may be made in writing or by calling the Sprint Investor Information Line at **(800) 259-3755.**

Automatic Dividend Reinvestment Plan

Sprint offers a dividend reinvestment and stock purchase plan to registered FON common stock shareholders at no commission or handling charge for purchases made with reinvested dividends and/or optional cash payments. Shareholders may obtain information about the plan by writing to Shareholder Relations at the corporate headquarters or by calling the above 800 number.

Common Stock Data*

	MARKET PRICE			
	FON		PCS	
	High	Low	High	Low
1999				
First quarter	$50.34	$36.88	$24.16	$10.44
Second quarter	57.47	48.63	30.38	20.75
Third quarter	55.69	42.63	39.13	26.47
Fourth quarter	75.94	54.00	57.22	33.41
1998(1)				
First quarter	33.77	24.66	-	-
Second quarter	33.77	29.02	-	-
Third quarter	35.77	27.45	-	-
Fourth quarter	42.66	30.83	11.69	7.03
1997(1)				
First quarter	21.42	17.13	-	-
Second quarter	23.55	18.23	-	-
Third quarter	23.48	19.64	-	-
Fourth quarter	27.06	21.77	-	-

**The market prices of PCS Stock have been restated to reflect Sprint's two-for-one stock split of its Sprint PCS Stock on February 4, 2000, to its PCS stockholders of record on January 14, 2000. The market prices of FON Stock have been restated to reflect Sprint's two-for-one stock split of its Sprint FON Common Stock in the second quarter of 1999.*

(1) The 1998 and 1997 market prices of FON Stock represent the market value of Sprint Stock adjusted to reflect the November 1998 recapitalization.

Form 10-K

Copies of Sprint's Annual Report on Form 10-K to the Securities and Exchange Commission may be obtained by shareholders without charge by writing to Investor Relations at the corporate headquarters or by calling the 800 number.

Investor Inquiries

Security analysts, shareholders and investment professionals should direct inquiries regarding Sprint and its business in writing to Investor Relations at the corporate headquarters or by calling the 800 number. Copies of the investor supplement to the Annual Report are available upon request.

Shareholder Inquiries

Inquiries regarding stock transfer, lost certificates, direct deposit of dividends or address change should be directed to the stock transfer agent, UMB Bank, n.a., in writing at the address shown below or by calling **(800) 259-3755** and connecting with the transfer agent.

Quarterly Financial Information

Shareholders can receive a faxed or mailed copy of the quarterly financial results upon request through Sprint's toll-free Shareholder Information Line. Shareholders can dial **(800) 284-6977** to hear a recorded report on Sprint's financial performance and request a copy of printed quarterly results.

Sprint on the Internet

Sprint's World Wide Web site – **www.sprint.com** – is continuously updated and includes an electronic version of this annual report. Shareholders are also invited to visit Sprint's home page at this Internet address for quarterly financial data, important news releases and current information about products and services.

Corporate Headquarters Mailing Address

Sprint
Post Office Box 11315
Kansas City, Missouri 64112

Shareholder Relations

(913) 624-2541

Auditors

Ernst & Young LLP, Kansas City, Missouri

Stock Transfer Agent, Registrar and Dividend Paying Agent

UMB Bank, n.a.
Post Office Box 410064
Kansas City, Missouri 64141-0064
(816) 860-7786

Dividend Reinvestment Agent

UMB Bank, n.a.
Kansas City, Missouri

New York Stock Exchange Listings

FON Common Stock
PCS Common Stock
Convertible Preferred Stock

Stock Symbols: FON
PCS

Design: Falk Harrison Creative, St. Louis

Sprint, the diamond logo and Sprint PCS are registered trademarks of Sprint Communications Company L.P. All other trademarks referenced herein are the property of their respective owners.

The beginning continues...

The communications marketplace is changing at breakneck speed. The best place to witness this transformation, the best place to seek an ally to help you shape your world, is at our Web site:

www.sprint.com/ar99

Sprint World Headquarters

2330 Shawnee Mission Parkway
Westwood, KS 66205
(913) 624-3000

FON GROUP

Sprint's Long Distance Division

Headquarters
8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Sprint Business
(Businesses, state and local governments, universities and pay phone markets)

Business Marketing
5420 LBJ Freeway
Dallas, TX 75240
(972) 405-5000

Consumer Services Group
(Residential customers)

8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Government Services Division
(Federal government)

13221 Woodland Park Drive
Herndon, VA 20171
(703) 904-2000

Sprint Enterprise Network Services
(Sprint Paranet)

11700 Old Katy Road
Suite 1300
Houston, TX 77079
(281) 966-2501

Wholesale Services Group
(Wholesale solutions)

8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Sprint's Local Telecommunications Division

Headquarters
5454 W. 110th Street
Overland Park, KS 66211
(913) 345-7600

Sprint North Supply
600 New Century Parkway
New Century, KS 66031
(913) 791-7000

Sprint Publishing & Advertising
7015 College Boulevard
Suite 400
Overland Park, KS 66211
(913) 491-7000

Sprint ION℠

National Integrated Services
7301 College Boulevard
Overland Park, KS 66210
(913) 624-6000

Ventures

Broadband Wireless Group
6450 Sprint Parkway
Overland Park, KS 66251
(913) 890-7437

EarthLink Sprint
3100 New York Drive
Pasadena, CA 91107
(626) 296-2400

Sprint International
2330 Shawnee Mission Parkway
Westwood, KS 66205
(913) 624-3000

PCS GROUP

Wireless

Sprint PCS
4900 Main Street
Kansas City, MO 64112
(816) 559-1000

Sprint

The point of contact℠