

2011 shareholders' meeting

Deutsche Telekom AG

May 12, 2011

Not to be released before the beginning of

René Obermann's speech

Lanxess Arena, Cologne

René Obermann

Chairman of the Board of Management

Deutsche Telekom AG

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Speech: René Obermann

– The spoken word shall prevail –

One year of Fix – Transform – Innovate.

**Speech for the shareholders' meeting
in Cologne on May 12, 2011**

René Obermann

Chairman of the Board of Management

Deutsche Telekom AG

Good morning, Ladies and Gentlemen,
good morning, shareholders,

A warm welcome to our shareholders' meeting.

Overall, the past year was a successful one for Deutsche Telekom, but also a landmark year: Successful, because we reached and, in some cases, actually exceeded our financial targets. Our operating earnings – our adjusted EBITDA – of EUR 19.5 billion were precisely on target. With free cash flow of EUR 6.5 billion, we have clearly exceeded expectations. And have done so in what continues to be a harsh business environment – with tough competition, falling prices, a weak economy and unpredictable special taxes in several east European countries, and with regulatory measures that do not really help us. All these factors make life hard for us – but do not throw us off course.

It was also a landmark year: We finalized a new strategy and tackled the most urgent problems facing our company. They concerned our mobile subsidiaries in the U.K., Poland – and above all in the U.S. You will recall that for many years we had been, and still are, battling against a number of different problems in these countries. This made our life difficult and sometimes hampered our course of action. It is therefore all the more important that we found the right solutions in all cases.

The most significant step, of course, was the sale of T-Mobile USA. In the coming years, we would have had to invest many billions of dollars in network expansion and additional mobile communications licenses in that market. And that with a relatively low market share. At the same time, our Group will have to invest considerable sums in new broadband networks here in Europe, too. So we had to prioritize.

We have for a long time been reviewing all the options available to improve our profitability in the United States. We did not rule any of them out and we were open to partnerships. Our recent decision to get together with AT&T is the best solution for everyone: for our customers, for the entire U.S. market – and for you, our shareholders!

Most of you will be familiar with the details of the offer: AT&T will pay USD 39 billion for full acquisition of T-Mobile USA of which AT&T will pay USD 25 billion in cash and USD 14 billion in its own stock. This is a price that would barely have been possible only a short time ago, when capital markets were in crisis. Hence, it was the right decision and we took it at the right time. The U.S. anti-trust authorities have yet to approve the takeover, but we are confident that the transaction will be closed in the first half of 2012, as competition in the United States remains very intense. Customers can choose between five or more providers in most important markets.

To begin with, we intend to use some EUR 13 billion from the transaction to reduce debt, which will improve our balance sheet ratios significantly. Next, in the years following the transaction, we plan to buy back DT shares worth around EUR 5 billion – in addition to the share buy-back program you are already aware of. Ultimately, this will give us the flexibility and the balance-sheet strength to be able to push ahead quickly with the transformation of our company in the coming years. We intend to build new, high-performance networks and to be successful on an international scale, for example, with cloud services for business customers or with Internet services.

Once the agreement with AT&T has been approved, we will also have a presence in the U.S. as AT&T's largest single shareholder with a stake of up to 8 percent. This will allow us to benefit directly from the growth of the local mobile Internet market. We expect our shareholding to generate a dividend of around EUR 0.5 billion per year. Adding the savings resulting from the sale and our plans for using the proceeds increases this effect to as much as EUR 1.5 billion per year.

So we are creating direct value for our shareholders with the sale of T-Mobile USA and we are generating the flexibility we need to strengthen our activities in the German and European markets further.

The reactions of the capital market show that this deal was the right step to take: Our market capitalization has risen by more than EUR 7 billion since the sale of T-Mobile USA was announced. A total of 16 analysts have adjusted their recommendations for the T-Share – upwardly correcting the target share price by EUR 2. The total return – i.e., the development of the share price plus the dividend – of the T-Share from the start of 2011 to last Friday, May 6, was 15.6 percent compared with 7.2 percent for the DAX, 5.5 percent for the European market overall (Dow Jones STOXX) and 1.9 percent for the European telecommunications sector.

We have, however, also been working on other problem areas during the past few months. One of our achievements was the long overdue clarification of PTC ownership in Poland in January, following around ten years of wearying legal dispute. We succeeded in finally securing full ownership of the company on favorable terms. Now that the legal battle is over, our Warsaw team is free to go ahead with its work, shaping PTC's future. Poland's mobile communications market is the biggest in Central and Eastern Europe – and is still growing.

Spring 2010 saw the launch of a mobile provider, Everything Everywhere, in the U.K. We joined forces with France Télécom on this venture through our T-Mobile UK subsidiary. We consider it better to be part of the No. 1 company than sole owner of the No. 4. Everything Everywhere paid out a dividend of EUR 380 million to us in 2010.

Ladies and Gentlemen,

In March 2010 I introduced you to our new strategy based on the focus areas: Fix – Transform – Innovate. After just over a year, key issues from the first part, Fix, have already been resolved.

But that is no reason for us to sit back and relax. We are already facing the next massive task of transforming and innovating our company. We are evolving the traditional Telekom – which is still heavily regulated and too immobile in structural terms – into what we call a “Telco plus”. That means we are building the networks of the future and are complementing our traditional line business with cloud and Internet-based services. We have presented several of them in recent months, such as our DeutschlandLAN for small and medium-sized companies and our media center – others must follow. And, above all, we must learn how to market these value-added services – and to do so profitably. This is no trivial matter in view of the culture of getting something for free, which is still very commonplace on the Internet.

Ladies and Gentlemen,

One aspect is crystal clear: The dynamism of the Internet world is increasing. New offers appear almost daily, enhancing or superseding existing ones. From video and download portals such as YouTube, Musicload, and Videoload to social networks like Foursquare, Xing – and, naturally, Facebook, which gains more than 500,000 new members each day. In total, the users of such networks spend several hundred billion minutes a month on cultivating their contacts and friendships.

In Germany last year, the consumption of every broadband Internet user had already reached an average of 10 gigabytes per month. And the lifelines of this networked world are state-of-the-art, ever more powerful networks and IT systems. More and more services are coming directly from the network, from the cloud. And they are increasingly being used on mobile devices such as the iPad, smartphones, or on-board computers in cars.

Operating networks and IT can therefore remain a profitable business – given the fact that data hunger is growing and network resources are in increasingly short supply. Imagine the volume of traffic on the freeways were to double every couple of months. Not a pleasant thought. But that is precisely what is happening in our mobile networks. In the fixed network, the dynamics are not quite so acute but here, too, we will hit the wall in the foreseeable future. We need greater capacity in the network and high speeds for network access.

Deutsche Telekom is building these modern networks with its technical expertise and with the best technicians in the industry. One thing is certain: We want to invest – but these investments must pay off. For this to happen, we require a modern regulatory approach that is confined to what is necessary. Regulation that is not constantly just cutting prices. Regulation that allows investing companies the chance to earn their money back.

At the same time, it is not acceptable that cable network operators exploit their monopolistic position in the TV market to transfer their supremacy to the broadband market and, in doing so, are not subject to regulation of any kind. In many cases, tenants have no escape from existing contracts with cable providers because the cable connection is included in the ancillary rental costs. How can they change the provider and come to us in that situation? We need the same rules to finally be imposed for all players.

Better framework conditions would undoubtedly greatly accelerate the expansion of fiber networks. I say accelerate because we've already started. Roll-out is up and running. In the first step, we intend to connect around 160,000 homes to our new fiber optic network this year. We intend to prepare around 10 percent of our lines for this network in the coming years. We are currently looking at rolling it out in over 100 towns and cities.

To do so, we are reliant on the support of municipal authorities and real estate owners in particular. We can realize our plans better if homeowners and housing associations let us do the work we need to do. Without their agreement, we cannot reach our customers, we won't be able to access the houses and flats. So whether we manage to make several hundred thousand connections in 2012 – or even more – depends very much on these kinds of questions.

Mobile communications is another area in which we are driving network expansion at a considerable pace. Last year, we rolled out some 3,200 new UMTS base stations, providing a major improvement in network coverage and network quality. At the frequency auction held in spring 2010, we gained the spectrum we need to meet future demands for bandwidth and speed.

The next generation of mobile communications – the LTE network – will help to fill the gaps in rural areas, where people have had to make do without high-speed Internet to date. Here, we benefit from our position as an integrated

provider whose customers procure their mobile and fixed-line services from a single source. A product bundle consisting of mobile and fixed-network communications has been available to customers in these areas for the last few weeks. We are currently connecting around a thousand homes per week. Incidentally, Cologne is the first of Germany's big cities that we will be providing with virtually full LTE coverage this year. Other cities will follow.

One more point on the subject of mobile communications which annoys me as well as many of our customers. I'm talking about telephony and mobile Internet access abroad, known as roaming. If we can't make attractively priced, simple offers, we will annoy our customers. And annoyed customers won't use our products. That's why our roaming partners would be well advised to cut their wholesale prices so that tourists and business travelers can communicate and use the Internet simply when they are abroad, too.

Either way, we are forging ahead with roaming and will launch an attractively priced Internet rate throughout the EU at the beginning of July, in time for the summer vacation. One component will be a flat rate that enables unlimited Internet use for EUR 15 a week. We also plan to send our customers text messages on a regular basis, informing them of current costs. This means nasty surprises when customers get home and find their mobile phone bill will finally be a thing of the past. Our customers will appreciate this service. And I am certain we will not be the only ones in the market to offer it.

Ladies and Gentlemen,

Networks and traditional communication services will continue to be a key element of our future business. At the same time, our industry is undergoing a fundamental change. Up to now, the Internet mainly revolutionized the way we obtain information, how we maintain our social networks, how we buy and sell, and how we communicate. But the revolution continues. Ever more business processes in virtually all sectors increasingly take place on the Internet. In

order to profit from this, companies must risk taking the step toward digital transformation.

We are putting our strengths forward for partnerships with these companies. By this I mean particularly our high-performance network infrastructure and IT platforms, for example, for cloud services that work reliably and securely. "Cloud made in Germany" – that could be a seal of quality and a sales argument, particularly as the level of uncertainty among customers about shifting data and software to the network rather than to their own data centers and expensive hardware is still too high.

On top of that is our strong brand that people trust. Only a few days ago Deutsche Telekom came 19th in a list of the most valuable brands in the world – the highest position of any German company.

We support entire industries in their transformation – for example in the promising fields of energy, healthcare, and mobility. At the same time, we are driving ahead the development of our own services. This transformation from a telco – a classic telephone company – into a 'Telco plus' is a major challenge. After all, in a few years' time, we intend to more than compensate for the revenue losses in our traditional network business, which is still subject to heavy regulation.

We described how we intend to achieve that with our strategy. We defined five growth areas: 1. the mobile Internet, 2. the connected home, 3. ICT solutions for corporate customers, 4. our own Internet services – such as Scout24 or STRATO – and 5. intelligent network solutions for other industries. I would just like to look at a few examples in greater detail.

Demand for our Entertain TV service is growing. Up to the end of March, 1.3 million customers had opted for this innovative and convenient TV service,

which comes with a time-shift function for starting programs, an integrated media center, a video shop on the Net and a hard disk recorder that can be programmed conveniently by users away from home. A growing number of programs are shown in high definition. Movies and sports events are broadcast regularly in 3D, i.e., with a three-dimensional image. We also offer interactive elements: For example, our customers can assume the role of a program director during their personal Bundesliga conference connection and decide themselves which matches will be shown.

From summer on, we will also be offering Entertain via satellite. Our offer will then reach more than 75 percent of all households virtually all over the country. The TV business is also a growth driver for our European subsidiaries. They already have a total of 2.4 million TV customers and the figure is growing fast.

At CeBIT we presented the PagePlace Internet kiosk. We are the first provider in Germany to offer an open, publisher and vendor-independent platform that allows users to conveniently purchase books, newspapers, and magazines over the Internet. PagePlace is still running as a test. In just a few days, we will be launching the full version. Then we will expand our service and extend the software so that it can be installed on various other smartphones and tablet computers.

A growing number of people use such mobile devices to surf the Internet. In 2011, worldwide sales of smartphones and tablets will outstrip those of PCs and notebooks for the first time. In the first quarter of 2011, almost 60 percent of all cell phones we sold in Germany were smartphones. In total, we sold more than 800,000 smartphones – 300,000 of them iPhones. Accordingly, revenue in the growth area of mobile Internet is growing. In the first quarter, by 32 percent to EUR 384 million in Germany, worldwide an increase of 28 percent to EUR 1.2 billion.

Another important element of our strategy consists of offers for connected work. Last year, T-Systems maintained the existing positive trend. Sales generated with customers outside our own Group again rose by more than 5 percent. The sound figures from the first quarter of 2011 and a number of big deals – for example with E.ON, Fraport and Everything Everywhere – confirm that our course is the right one.

In this context, cloud services are steadily gaining importance. As I already mentioned, they involve shifting computing capacity and intelligence onto the Internet, with customers procuring and paying for their IT service on demand. One example is a cloud solution we are building for Shell which its employees will use to communicate worldwide in future. The market for such services is growing apace, in Europe by around 30 percent per year. We want to take a disproportionate share of this trend.

And cloud computing is also one driver of our intelligent network solutions in the areas of healthcare, mobility, and energy. Here, in particular, we need flexible and secure systems that are able to process large volumes of data at a central point and make them available at distributed locations.

Ladies and Gentlemen,

It is not easy to keep a cool head these days when energy is on the agenda. We are all too preoccupied with the horrific catastrophe in Japan – with consequences that are still almost impossible to predict.

We can only guess what it will actually mean for our energy policy in the long term. But one thing is clear – in the future we will have to use energy more economically and more efficiently. The telecommunications and IT industries can play an important role here. Simply consider the fact that the power grids we use today have hardly changed for many, many years.

Today, for example, a power utility has no exact knowledge of how much electricity individual customers consume at what time. Incidentally, neither do most consumers. They get a bill once a year and think no longer of it. In the future, smart meters will be able to show customers almost in real time how much energy they are using and where. At the same time, power utilities obtain a precise overview of the actual volume of electricity that is being used. This would make it possible to base energy costs on actual demand – and to avoid peak loads. Power-intensive devices such as dish washers, for example, could run when demand is low and electricity is at its cheapest.

Telecommunications and IT can also help to generate and distribute power. Plans envisage that 20 percent of the total energy consumed in the EU will come from renewable sources by the year 2020. Simply building more solar plants and wind parks is not enough. We also need a smart grid that combines the often fluctuating levels of power generation from these sources with energy from conventional power stations and brings it in line with demand.

This market offers vast opportunities. A total of 40 million households in Germany would produce around 1.4 trillion meter data records each year. This means an increase in the data volume by a factor of one hundred! An immense task for the power utilities. And an undertaking we want to support them in. We are already cooperating with some of them.

Energy is undoubtedly a major issue. On top of this, there are other future concerns that affect us. Just think of the healthcare sector: Western society is aging; at the same time the number of chronic illnesses is increasing. Our products and services can help reduce the costs of healthcare to ensure that we can still afford to provide everyone with the best possible medical care in the future.

The telemedicine market will grow rapidly in the coming years. We intend to benefit from this growth. That is why we have taken a stake in the telemedicine specialist BodyTel, for example. Soon our shops will also be offering plug-in modules for cell phones and tablet computers which measure blood sugar levels or blood pressure. The data can be analyzed, stored or sent straight to the patient's doctor.

Finally, in the field of transportation, networking vehicles and exchanging and analyzing mobility data can help motorists avoid jams and thus reduce the costs of mobility.

Ladies and Gentlemen,

As you can see, we made good progress with our Fix – Transform – Innovate strategy last year, and that includes the specific targets we set ourselves. What we said at the time was: We plan to virtually double our revenues from the new growth areas by 2015. Of this, we achieved over EUR 1.5 billion in 2010 – and, in the first three months of 2011, revenues grew again by another EUR 400 million.

Since T-Mobile USA will cease to play a role in our mobile Internet activities in the future, we will have to adjust our targets accordingly. I am, however, optimistic at this point. We are right at the very beginning of the mobile Internet – and we can grow by several billion in this market, even without the United States. At any rate, we still aim to achieve a major increase in revenue from our growth areas – and thus to return to the growth rate of the national economy again over the long term.

This is an ambitious target if you analyze the framework conditions, the competitive environment, and the industry trends objectively. Revenues are currently still falling and the decreases are still too high, particularly in our traditional fixed-network business, but also as a result of direct intervention

in prices by the regulator. That affects all our peers in the same way, as you have seen and heard from current media reports.

Our transformation certainly won't just happen by itself. We need to accelerate the speed of innovation within the Group. It still takes far too long to turn good ideas into marketable products. But even if we improve considerably on that front, we won't be able to do it on our own. We need partnerships and one or two specific additions to our portfolio. And I'm not talking about take-overs worth billions upon billions – we're not planning any of those at the moment.

In parallel with all these initiatives, we also have to reduce the costs within our company further. This is indispensable. The first quarter has again shown continuing high pressure on prices in our business. We are therefore extending our successful efficiency program. The cooperative venture with France Télécom, which we presented a few weeks back, will help us with this: we are bundling our procurement activities and expect this step to generate savings of around EUR 400 million per year as of 2014.

The approach of our strategy fulfills the needs of all our stakeholders – inside as well as outside of the Group. I'm talking first of our highly motivated employees, without whom we would not be able to transform our Group and to whom I would like to express particular thanks today for all their work. I am aware that enormous demands have been made on them for many years. And that, even though we are doing everything we can to make our staff restructuring fair and balanced.

There can be no question: If we are to make our company fit for the future, the restructuring has to continue in the coming years. But that also means that we are hiring new employees. We plan around 18,000 new hires throughout Europe in 2011 and 2012, more than 10,000 of them in Germany alone – and around half from the ranks of our internally-trained junior staff.

And we stand by our social responsibility. It is almost taken for granted that this shareholders' meeting is climate-neutral – as it was in previous years. This is just one example of how we aspire to use fewer resources and cause less harm to the climate in our business activities. The high ecological, social, and ethical standards that determine our actions are also acknowledged on the capital market: Sustainability-minded investors already hold 9 percent of all T-Shares.

Besides this, we are aware that long-term stability and reliable dividends are more important for many of our shareholders than short-term profit maximization. For this very reason, we adopted a dividend payout policy a year ago that specifies a fixed volume of EUR 3.4 billion for each financial year between 2010 and 2012. In the year 2010, we re-purchased shares worth EUR 400 million. This brings us to a dividend of 70 eurocents per share which we and the Supervisory Board will be proposing to the shareholders' meeting today.

Ladies and Gentlemen, shareholders,

With our long-term dividend payout policy – and with our Fix – Transform – Innovate strategy, we paint a clear and reliable picture that shows you how we plan to further develop Telekom. We have a fixed plan which we will be working off item by item. Our work is now also being rewarded by the capital market.

I would like to take this opportunity to thank you, our shareholders, for the trust you have placed in me and my team in recent years. I am convinced that Deutsche Telekom's transformation will be successful. We have a clearly defined objective: We want to be a business enterprise that delights its customers, creates value for its investors, and in which employees enjoy their work.

This was my aim when I assumed this post over four years ago – and I will continue to do everything in my power to make it happen in the years to come.

Thank you!