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Speech: René Obermann

– The spoken word shall prevail –

**Speech for the shareholders' meeting
in Cologne on May 3, 2010**

**René Obermann
Chairman of the Board of Management
Deutsche Telekom AG**

Good morning ladies and gentlemen,
dear shareholders,

A warm welcome to our shareholders' meeting.

The very foundations of our industry are changing. The applications on our networks are becoming increasingly varied and complex and can be used on a growing number of different media. As a result, transmitted data volumes are exploding – in both mobile and fixed-network communications, in personal and business environments alike. We are on the way toward a gigabit society.

To give just one example: The Ice Hockey World Championships are starting this coming Friday in Germany, and the final match will be played in this hall. For us, the World Championships mark the beginning of a new era of television. We are broadcasting the opening match between Germany and the

United States live and in 3D. Until now, 3D has mainly been the preserve of hit movies such as "Avatar". Soon we will bring it straight to your living room through our Entertain service. This is the television of tomorrow – via the Internet. And we have the right technology in place.

These and other multimedia applications require ever-growing data volumes and ever-increasing network speeds. And 3D TV is just one example. Consider the mobile Internet. We expect that by 2015 mobile customers on average will be needing data volumes of around 14 gigabytes per month. Back in 2005, all they needed were a few megabytes. 14 gigabytes – that's the same as three full-length Hollywood movies or the entire Bible, 3,000 times over.

Already, around one billion cell phones worldwide are Internet-capable – and this figure is rising. People send e-mails or Twitter messages on the move and download music or videos from the Web. And that is only the beginning. The basis for all these applications and Internet products remains a powerful, state-of-the-art broadband infrastructure. Without modern networks, the digital economy would grind to a halt – there would be no Google and no Facebook.

We build these networks, we operate them, we earn good money with them, and will continue to do so. For this reason, we plan to invest substantially in the coming years: around EUR 10 billion by 2012 in Germany alone. We have the expertise, we have the financial capacity – and we have the right people.

Prof. Lehner has already welcomed our new Board of Management member, Edward Kozel. I am absolutely delighted to have Edward Kozel on board. He really is one of the industry heavyweights. He has driven forward the shift in our industry for more than 25 years. After studying engineering and information technology, Mr. Kozel contributed to the development of ARPANET, the forerunner of the Internet as we know it. Whilst at Cisco, where his positions included Board member responsible for business development and technology,

he turned the company throughout the 1990s into one of the leading players in our industry. Prior to joining Deutsche Telekom AG, he developed new Internet and media business both in Silicon Valley and in Europe. Mr. Kozel brings with him in-depth understanding of technology and Internet innovation, an entrepreneurial mentality, and a strong value orientation. Now he is part of our company and I look forward to working with him.

Ladies and gentlemen,

Over the past years, we have created the basis for a Telekom that is at the cutting edge, efficient and competitive. Exactly three years ago, we presented our “Focus, fix and grow” strategy to you. Since we started on our resolute course, we have reported on the implementation quarter by quarter.

I will outline very briefly what we have achieved since 2007.

First: It is clear that we have turned the trend around in Germany and substantially improved our competitiveness in all areas. And one million returning fixed-network customers are proof of this. We are once again the number one in new DSL business. We are once again the undisputed mobile market leader in terms of revenue, have made tangible and substantiated improvements to our customer service, and have become much leaner and more efficient at the same time. When we launched the Save for Service program, our plan was to save close to EUR five billion gross in four years. After just three years, we had already saved almost six billion.

Plus, we have integrated fixed-network and mobile operations in Germany, segments that have been separate for almost 20 years. One month ago – faster than expected – the new Telekom Deutschland GmbH commenced operation. We are finally able to offer our customers services from a single source. It sounds like this should be obvious, but many years of operating as

separate divisions with deep-rooted differences in their cultures, structures and, in particular, IT systems, made the change process difficult for us. I am convinced that this strategy will pay off. This is the right move if we are to meet customer demands and adjust to technological convergence.

Second: All things considered, we have achieved our goal of growing abroad, even if we are currently not fully satisfied with our U.S. operations. Since 2007, we have made targeted acquisitions to strengthen our business in the United States, the Netherlands, and Southern and Eastern Europe. Consequently, we have seen significant improvement in our mobile business, with growth in both revenue and in EBITDA. And we posted around 8 million new additions in the United States.

We have set our business in the difficult UK market on the right course: The joint venture with France Telecom's subsidiary Orange has now been given the go-ahead. Together, we are the number one in the market – a position that will allow us make better use of economies of scale.

Third: We were one of the first operators to recognize the potential of the mobile Internet and to leverage it for our own benefit. We now generate over EUR 1 billion per quarter in revenue from mobile data services. This success is attributable to high-speed networks, open operating systems, and a wide range of useful software services, as well as netbooks and smartphones. We are a much sought-after partner among the big names in our industry such as Google, Microsoft and Apple.

Apart from partner products, we have also launched a number of our own products centering around the concept of connected life and work – such as the Media Center, the mobile TV program manager, and the Web address book. Now, if you lose your cell phone, this doesn't mean your contact data is

also lost. You can conveniently manage your address book on your PC and synchronize it automatically with your mobile device at any time – or vice versa.

Fourth: In the systems solutions business, we have won a whole series of large-scale international contracts with companies including Shell, BP, and MAN. And the order books are full. At T-Systems, we are focusing squarely on network-centric IT services for the TOP 400 business customers. This is paying off: We have brought the negative trend in this segment to a halt. What is more, our cost management is much better than before. This is another reason why T-Systems was able to clearly increase its profit margin: In 2007, it was still negative, but it is now at plus 2.6 percent and rising further.

The last three years on the way towards a new, contemporary Telekom have been a success. I would like to take this opportunity to extend particularly warm thanks to our employees. It is their commitment and dedication that actually made it possible for us to improve our market position over the last three years.

Ladies and gentlemen,

Telekom has come through the crisis in good shape. And, thanks to the OTE group, which has now been fully consolidated for the first time, we have even increased our revenue in 2009 by almost EUR 3 billion, or 4.8 percent. Something that should not be taken for granted in what is widely known as a tough macroeconomic environment.

Net revenue totaled EUR 64.6 billion. Adjusted EBITDA – in other words, earnings before interest, taxes, depreciation and amortization – rose to EUR 20.7 billion from EUR 19.5 billion in 2008. Free cash flow remained stable at EUR 7 billion, as did adjusted net profit at EUR 3.4 billion.

On this basis, we can continue to pursue a business policy that meets the interests of all of the company's stakeholders: For example, our employees benefit from the fact that we have retained over 7,000 internal jobs since 2007 through consistent insourcing. Our creditors are satisfied, as our liquidity has not suffered in spite of the restructuring and the financial crisis. And it goes without saying that the other beneficiaries are our shareholders, because a strong free cash flow is the basis for an attractive dividend.

I think we would all agree that, on the whole, the past three years have not been easy for investors in any industry. But please don't let this be grounds for general criticism. If you look at the share price performance and the dividend over the past three years, we outperformed the sector, comfortably outperformed the Euro Stoxx 50 and developed roughly in line with the DAX. This means that, compared with a lot of other large enterprises, the T-Share wasn't such a bad investment. But we are, of course, aiming for a higher rating.

This is why we are now taking the next step. We are moving at a rapid pace into the world of Internet technology and high-bit-rate networks, and are expanding our portfolio to include Internet services. We are establishing the basis for new growth.

The focus is still on our networks. We know how to operate networks – it's in our company's DNA! And operating networks will remain a lucrative business in the gigabit society, as long as it's done efficiently. This is what we believe in, and this is what we are investing in: We are providing fiber-optic lines to up to four million households across Germany as early as 2012. At the same time, we will expedite the roll-out of high-speed mobile communications networks and push HSPA+ and LTE technology. Over the next three years, we are investing a total of around EUR 10 billion in broadband in Germany – and thus in the future of our national economy.

We are also modernizing our infrastructure. Over the next five years, we will migrate all networks in Germany to Internet technology. This enhances quality, flexibility and, above all, the speed of innovation – and is more efficient to operate.

We are combining broadband services on this new network with T-Systems' IT solutions. That is something virtually no other competitor internationally can provide. This will not just help us in T-Systems' core business, it will also make us an attractive partner for the Internet sector. We will help others to ensure that the services they offer, such as movies or software from the net, are brought to the customers in superb quality. We will provide the upstream products this requires, such as context information or cost-effective billing methods, and guarantee the security of customer data. In doing so, we will deliver genuine added value for our partners – and thus for our customers, who will experience the Internet better than ever and, most importantly, wherever they want.

But if we want to grow in future, it is not enough to rely on the two traditional revenue drivers – network lines and communication services. We have to spread our business around additional mainstays. We have defined five growth areas which we believe offer the best opportunities. We hope to almost double our revenue in these growth areas by 2015 – from EUR 15 billion today to around EUR 29 billion.

First of all, the mobile Internet: We turned our focus to this area at an early stage – today, it's a billion-euro market and a genuine growth story. And it will continue. Of all our segments, we expect this one to see the fastest growth. We now generate around EUR 4 billion per year in revenue from mobile data and we intend to more than double this figure by 2015 to around EUR 10 billion.

But there is one thing, ladies and gentlemen, that frustrates me just as much as you. I'm talking about surfing the Internet outside of Germany, which customers should be able to do without worrying about the cost. We have to cut data roaming prices. Telecommunications groups all need once and for all to come to an agreement on reducing their charges, in the interests of the customer! I am committed to making this happen, as it is unreasonable to expect customers to pay a three-digit figure just for a couple of hours surfing in a foreign network!

We also see the mobile Internet as one of the keys to improve our position in the United States. We know that we are having problems there. But we believe in this market – after all, it is making us a great deal of money: According to current figures from the German-American Chamber of Commerce, T-Mobile USA has for the first time moved into the top spot among the highest earning German companies in the U.S., beating even international heavyweights such as Siemens, BMW and BASF!

The New World is not an adventure playground for Telekom. We intend to seize the opportunities offered by mobile data in North America. We expect the market to more than triple in size, from almost EUR 13 billion in 2009 to over EUR 40 billion in 2014. This is why we have expanded the 3G network massively in the U.S. since 2008. This expansion program is ongoing, and by the end of the year we aim to supply 185 million Americans in over 100 U.S. cities and their surrounding areas with HSPA+, the super-fast mobile network access technology.

Our network will become the fastest mobile network in key U.S. markets within the next two years. This will finally enable us to compete with AT&T and Verizon which was not possible in the past. By combining a modern network with good quality devices and attractive prices, we will be more successful on the U.S. market.

We have named the second growth area "connected home," which includes the broadband Internet connection. Increasing numbers of people are now also getting their TV connection from us. We want to win around 5 million Internet TV customers by 2015 with our Entertain product and position ourselves as the pay-TV market leader even earlier.

However, the connected home goes beyond the Internet and TV. Our customers will also have online access to their home systems and installations. They will be able to monitor and regulate their heating, lighting, blinds or even their alarm system while out of the house, for example on vacation. Overall, we intend to increase connected home revenue from EUR 5 billion at present to around EUR 7 billion by 2015.

The third growth area relates to our own Internet services. We already have a strong foothold in this segment – with the Scout24 Group, for example.

AutoScout24 alone is used by more than 11 million people across Germany.

Today, AutoScout is available in 13 European countries, with more due to be added. We will soon be announcing entry onto a big market.

ImmobilienScout24 is also a leading, highly innovative portal worldwide.

Another example is the 'Load' family, featuring Musicload, Gamesload and Softwareload. We will also do more with these services at an international level. Such Internet services already account for several hundred million euros of our revenue. We want to increase this figure substantially by 2015 to between EUR 2 and EUR 3 billion!

To do this, we will not only rely on our own existing resources, but also build up our strengths in this segment through acquisitions. One example here is "ClickandBuy": More than 13 million people around the world already use this service for secure online payment. We will continue to search for similar opportunities.

Our fourth growth area is the systems solutions business, especially with corporate customers: T-Systems plans to increase its external revenue by EUR 2 billion to EUR 8 billion by 2015. Dynamic cloud computing in particular will open up major opportunities for us. We are not building castles in the air, but are focusing on the "cloud" – shifting computing power and intelligence into the net. Our customers will purchase and pay for their IT services on an as-needed basis. Incidentally, this service will be used not just by large corporations, but also by smaller companies and consumers in the long term.

In Europe alone, the cloud computing market is growing by almost 30 percent per annum. Our high-speed networks and T-Systems' IT expertise are an ideal combination. The latest big deal from South Africa shows how our international expansion in systems solutions business is working: By winning Arivia as a customer, we have joined the ranks of the top 3 companies on the rapidly growing South African outsourcing market. We are continuing to pursue this strategy and are in negotiations on very specific projects, including with potential corporate customers in Brazil and Turkey.

If we could now turn to Germany: With "Deutschland LAN" we are also providing a new solution specially designed for medium-sized business customers: an Internet-based end-to-end solution with a broadband line for communication and IT services that integrates the PABX and mobile devices. What is special about this is that with "Deutschland LAN" we are also bringing the high-speed Internet to regions that so far have had no DSL coverage. The demand is high: 50 companies have already ordered the product prior to its official market launch.

The fifth growth area is a very long-term growth area and an extremely important one: It involves intelligent networks for the energy, healthcare, media and automotive sectors. We will support these industries with the digital transformation. In total, we expect around EUR 1 billion of additional revenue

by 2015 from the development and operation of specific networking solutions, such as smart grids – or intelligent power networks – and Internet solutions for vehicles. Seen over the long term, this opportunity is of course much bigger.

Another example is our partnerships with the media industry. By supplying high-performance distribution platforms, we help our partners broadcast their high-quality content to as many customers as possible and thus earn money. Or, for example, using secure, convenient payment services. We launched these offerings at CeBIT together with the German Bild tabloid and Spiegel magazine.

Ladies and gentlemen,

The growth areas mentioned will account for a much larger share of our total revenue in 2015 than today. We will supplement our core business with many new Internet-based products. In this way, we are turning the conventional telco into a “telco plus,” which means we will transform from a traditional telecommunications corporation into a multi-product Internet company. Given the strong erosion of Telekom as a former monopolist, this is a very ambitious transformation, but it must and will take place.

Ultimately, we want to bring Deutsche Telekom AG's growth back up to the level of GDP in the medium term. And, thanks to the modernization of networks and IT, we will improve our efficiency and, consequently, our return on equity at the same time. We will save another EUR 4.2 billion or so by 2012.

In short: "Fix – Transform – Innovate" is our program for the next five years.

Under this program, we will be retaining our stakeholder-oriented policy over the coming years. This includes first of all our employees. They have achieved a great deal and supported many changes. At the same time, we must continue

with staff restructuring. Some areas will have fewer staff in the future. Nonetheless, we also need other skills in the company to be able to exploit our opportunities in new business areas. That's why we are recruiting up to 9,000 new staff over the next three years. More than half of these will come from our own junior staff. It is important to me that we remain Germany's largest provider of vocational training – with more than 10,000 young people! It's no use just talking about training – we are investing a great deal of money and energy in this area – including via the Telekom Foundation.

Ladies and gentlemen, we organized this restructuring in recent years in close cooperation with the unions. Both sides, I find, have taken a very fair and responsible stance. And if we are to find the best solution, that's how it should stay – even if it means some tough discussions.

I also believe that a modern human resources strategy means we should no longer have to forgo well educated, highly motivated women in leading positions. This is simply a social and economic necessity. The last few years have shown that, in large corporate groups such as ours, something like this does not happen automatically. Women who want to make it to the top always come up against the glass ceiling. The structures are too rigid and the male-dominated management culture is not changing fast enough. And it is why we are saying that at least one in three management positions worldwide will be filled by women in 2015 in our company.

The fact that our efforts are attracting some criticism and have triggered social discussion in Germany simply goes to show how relevant the topic is. But I am confident that we are doing the right thing. Our approach is not about the enforcement of misconstrued egalitarianism. Quite the opposite in fact: It is a targeted move from an entrepreneurial perspective. Having a greater number of women at the top will quite simply enable us to operate better.

We will see more women in top management and in the Telekom Board of Management, as a result – but it won't happen overnight. We first of all need to establish a broader basis among management. The most important thing for us now is to implement the quota systematically in our trainee and development programs. We must embed this in the middle management levels.

Our responsibility does not just extend to our own employees, however. We are also involved in social projects outside the company. One example is the Telekom Foundation, which supports scientific education from playschool through to university, focusing on mathematics and technology – subjects that are often neglected in our schools.

Another central topic for us is what Telekom can do to effectively reduce harmful greenhouse gas emissions. I mentioned earlier how we can help to reduce overall energy consumption with intelligent IT systems. Since 2008, Telekom itself has met all its own energy requirements in Germany with renewable energy.

Now we are going one step further – with a new policy for our vehicle fleet: We have made a commitment to limit the average CO₂ emissions of our new cars to 110 grams per kilometer up to 2015. This is 10 grams less than the target set by the EU for the automotive industry as a whole.

Let me emphasize once again that ecologically responsible business practice and actions, and better energy efficiency are also important areas of future business for us. And we ourselves need to be credible in these areas. Just a few days ago, we signed something known as the Change-maker Manifesto; a declaration in which we have made an extremely specific and verifiable commitment to the principles of sustainability.

Sustainability, whether economic, ecological or social, is not an add-on. It is becoming increasingly significant for many investors and for you as shareholders. Already, over five percent of our shares are held by shareholders for whom sustainability is particularly important. I would like to increase this proportion considerably by 2012. We are regularly among the top performers in sustainability rankings. Recently, a group of sustainability-oriented investors under the umbrella of the UN Global Compact expressly praised the high quality and transparency of our sustainability work. I was delighted by this.

It is an example of how we intend to strike a balance between responsibility for our employees and society, and business objectives and your interests as shareholders. We want to take responsibility and achieve economic success. We have thus set ourselves clear business objectives: We aim to increase return on capital by at least 1.5 percentage points by 2012. We also intend to increase our revenue in the medium term.

This is not least of benefit to our investors. By doing this we can give you, the shareholders of Deutsche Telekom AG, a solid basis for planning how much interest will be paid on your capital in the coming years. This is the reason why we, together with the Supervisory Board, are proposing a dividend of 78 euro cents per share to you today. As last year, this dividend is tax-free for our shareholders in Germany.

We are going one step further, though. We are the first DAX company to provide an outlook for our dividend payments in the next three years. We also intend to pay you around EUR 3.4 billion per year in dividends. This will work out as an annual dividend of at least 70 euro cents per share. And this also includes the option to buy back shares to the value of EUR 1.2 billion. We will, of course, present our proposals for the appropriation of the net income firstly to the Supervisory Board and then finally to our shareholders for approval, at the end of each financial year.

We have considered this step very carefully and I wish to stress that this dividend policy will not jeopardize the Group's reserves. The key indicator used to calculate the dividend payment is free cash flow – in other words, the cash left over after deduction of all expenses and investments. On the basis of our forecast for 2010, we expect our free cash flow in the next few years to increase slightly. And, of course, we will make sure our balance-sheet structures remain healthy with a good equity base. This will give us enough leverage for the planned payouts.

Ladies and gentlemen,

We are now strong enough to consistently further develop our business. And this is the case even though we have not yet seen the back of the financial crisis, something that is more than evident from the current events in Greece. I would like to reaffirm at this point that we stand by our commitment in Greece – no ifs or buts. The entire region remains an attractive market for us, including over the long term.

Looking at all the information available to us, there has been no clear indication to date that the current situation is having an impact on the business development of OTE. Our results are in line with our expectations – and are better than those of our competitors.

I would like to thank you for the trust that you have placed in my team and me in recent years and would ask you to continue to support us on this path. We have set ourselves an ambitious program with "Fix – Transform – Innovate". We want to build a strong, modern Telekom. A new Telekom that continues to offer you a good share return, but that is also a company in which its employees can take pride.

Thank you.