

Explanatory report containing the information required in accordance with § 289 (4) and (5), § 315 (4) of the German Commercial Code (HGB).

1. Composition of capital stock:

As of December 31, 2009, the capital stock of Deutsche Telekom AG totaled EUR 11,164,979,182.08. The capital stock is divided into 4,361,319,993 registered no par value shares. Each share entitles the holder to one vote.

2. Restrictions on voting rights and transfer of shares:

1,881,508 treasury shares were held at December 31, 2009. The Corporation does not accrue any rights, especially any voting rights, arising out of these treasury shares. These treasury shares may be issued to grant shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies (employee shares).

The voting rights are also restricted with the so-called trust shares: 18,577,476 trust shares were held at December 31, 2009. As regards the shares issued to trusts, the trustees in question waived voting rights and subscription rights and, in general, dividend rights for the duration of the trusts' existence. The shares issued to the trusts can be sold on the stock exchange on the instruction of Deutsche Telekom if the beneficiaries do not exercise their options or conversion rights or if these expire. The proceeds from the sale accrue to Deutsche Telekom.

The trust shares are connected with the acquisition of VoiceStream and Powertel in 2001. As part of the acquisition of VoiceStream, Deutsche Telekom issued new shares from authorized capital to trusts, in favor of (i) holders of VoiceStream options entitling them to purchase VoiceStream shares, including employees of VoiceStream to whom options to purchase shares in Deutsche Telekom after the closing date may be granted under an agreement between Deutsche Telekom and VoiceStream as an incentive to remain with VoiceStream; (ii) holders of conversion rights on VoiceStream shares; and (iii) former holders of VoiceStream shares who exercised their right to a cash settlement as part of the takeover. Deutsche Telekom also issued around 10 million new shares to trusts in favor of holders of warrants, options and conversion rights entitling them to purchase Powertel shares.

The Corporation's Articles of Associations do not require the transfer of Deutsche Telekom AG shares to be subject to Corporation approval. The Board of Management is not aware of any other restrictions affecting the voting rights and the transfer of shares.

3. Direct or indirect equity interests exceeding 10 percent of voting rights:

Deutsche Telekom AG, Bonn, is the parent of the Deutsche Telekom Group and also its largest operating company. Its shares are traded on several stock exchanges, including Frankfurt, New York, and Tokyo. As of December 31, 2009, 68.3 percent of the shares were in free float (December 31, 2008: 68.3 percent), 14.8 percent were held by the Federal Republic of Germany (December 31, 2008: 14.8 percent), and 16.9 percent were held by KfW Bankengruppe (December 31, 2008: 16.9 percent). Accordingly, the shareholding attributable to the Federal Republic amounted to 31.7 percent (December 31, 2008: 31.7 percent). Deutsche Telekom AG is therefore deemed dependent pursuant to § 17 of the German Stock Corporation Act (Aktiengesetz – AktG), which means that the Board of Management must produce a dependent company report in accordance with § 312 AktG.

The Board of Management is not aware of any other direct or indirect equity interests exceeding 10 percent of the voting rights.

4. Owners of shares with special rights conferring powers of control:

There are no company shares with special rights conferring powers of control.

5. Type of voting control if employees hold an equity interest and do not directly exercise their voting rights:

There is no direct voting control in accordance with § 289 (4) No. 5 and § 315 (4) No. 5 HGB as a result of employees holding an equity interest.

6. Legal provisions and provisions in the Articles of Incorporation on the appointment and dismissal of members of the Board of Management and on amendments to the Articles of Incorporation:

The appointment and discharge of members of the Board of Management is in accordance with § 84 and § 85 AktG, and § 31 of the German Codetermination Act (Mitbestimmungsgesetz – MitbestG). Accordingly, members of the Board of Management are appointed by the Supervisory Board for a maximum of five years. Such appointment may be renewed, or the term of office may be extended, provided that the term of each such renewal or extension shall not exceed five years. A majority of two-thirds of the votes in the Supervisory Board is generally required to appoint members of the Board of Management. If an appointment cannot be made in this way, the special appointment process described in § 31 (3) and (4) MitbestG applies. These rules apply accordingly to the revocation of a Board of Management appointment. The appointment by the Supervisory Board may be revoked if good cause exists.

In accordance with § 6 (1) of the Articles of Incorporation, the Board of Management comprises at least two members. The Supervisory Board may decide freely, after a due assessment of the circumstances, whether additional members of the Board of Management are appointed. If a required member of the Board of Management is lacking, an appointment shall be made by order of court at the request of one of the people involved.

Amendments to the Articles of Incorporation are made pursuant to §§ 179, 133 AktG, and § 18 of the Articles of Incorporation. In accordance with § 179 (1) sentence 1 AktG any amendment to the Articles of Incorporation requires a resolution of the shareholders' meeting. According to § 179 (1) sentence 2 AktG and § 21 of the Articles of Incorporation, the Supervisory Board is, however, authorized, without a resolution by the shareholders' meeting, to adjust the Articles of Incorporation to comply with new legal provisions that become binding for the Company and to amend the wording of the Articles of Incorporation. § 18 (2) of the Articles of Incorporation envisages in accordance with § 179 (2) sentence 2 AktG that – unless mandatory legal provisions exist to the contrary – a shareholders' meeting resolution that amends the Articles of Incorporation is generally adopted by means of a simple majority of the cast votes and a majority of the capital stock represented in the resolution. The law envisages in various circumstances a larger capital majority amounting to three-quarters of the capital stock represented in the resolution, for instance when amending the object of the enterprise (§ 179 (2) sentence 2 AktG), in the case of certain capital transactions and the exclusion of subscription rights.

7. Authority of the Board of Management to issue and buy back shares:

Authorized capital 2009/I. The shareholders' meeting on April 30, 2009 authorized the Board of Management to increase the capital stock with the approval of the Supervisory Board by up to EUR 2,176,000,000 by issuing up to 850,000,000 no par value registered shares against non-cash capital contributions in the period ending April 29, 2014. The authorization may be exercised as a whole or on one or more occasions in partial amounts. The Board of Management is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' preemptive rights when issuing new shares for business combinations or acquisitions of companies, parts thereof or interests in companies, including increasing existing investment

holdings, or other assets eligible for contribution for such acquisitions, including receivables from the Company. The Board of Management is further authorized, with the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares.

2009 Authorized capital II. The shareholders' meeting on April 30, 2009 authorized the Board of Management to increase the capital stock with the approval of the Supervisory Board by up to EUR 38,400,000 by issuing up to 15,000,000 no par value registered shares against cash and/or non-cash contributions in the period ending April 29, 2014. The authorization may be exercised as a whole or on one or more occasions in partial amounts. Shareholders' preemptive rights are disappplied. The new shares may only be issued to grant shares to employees of Deutsche Telekom AG and of lower-tier companies (employee shares). The new shares can also be issued to a bank or another company meeting the requirements of § 186 (5), sentence 1 AktG that assumes the obligation to use these shares for the sole purpose of granting employee shares. Where permitted by law, the employee shares may also be issued in such a way that the contribution to be paid in return is taken from the part of the income after taxes that the Board of Management and the Supervisory Board may transfer to other retained earnings in accordance with § 58 (2) AktG. The shares to be issued as employee shares can also be acquired in the form of a securities loan from a bank or some other company meeting the requirements of § 186 (5), sentence 1 AktG and the new shares used to repay this securities loan. The Board of Management is authorized, with the approval of the Supervisory Board, to determine the rights accruing to the shares in the future and the conditions for issuing shares.

Contingent capital II. The capital stock has been contingently increased by up to EUR 31,813,089.28 as of December 31, 2009, composed of up to 12,426,988 new no par value registered shares. The contingent capital increase is exclusively intended for the purpose of meeting preemptive rights to shares from stock options granted in the period until December 31, 2003 on the basis of the authorization for a 2001 Stock Option Plan granted by resolution of the shareholders' meeting on May 29, 2001. No stock options granted under the 2001 Stock Option Plan were exercised in the 2009 financial year. As a result, there was no change in the contingent capital II of EUR 31,813,089.28 during this period.

Contingent capital IV. The capital stock has been contingently increased by EUR 600,000,000, composed of 234,375,000 no par value registered shares as of December 31, 2009. The contingent capital increase will only be implemented to the extent that it is needed to service convertible bonds or bonds with warrants issued or guaranteed on or before April 25, 2010.

Pursuant to § 201 AktG, the Board of Management has to report within a month after at the end of each financial year details to be entered in the commercial register regarding the extent to which the shares offered under subscription options were issued from the contingent capital in the preceding financial year. In the 2009 financial year, no shares issued under subscription options were issued from the contingent capital.

Authorization of the Corporation to purchase and use treasury shares. The shareholders' meeting on April 30, 2009 authorized the Board of Management to purchase up to 436,131,999 no par value shares in the Company by October 29, 2010, with the amount of capital stock accounted for by these shares totaling up to EUR 1,116,497,917.44, provided the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company which the Company has already purchased and still possesses or are to be assigned to it under § 71 d and § 71 e AktG do not at any time account for more than 10 percent of the Company's capital stock.

This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares. The purchase takes place without prejudice to the principle of equal treatment through the stock exchange or a public purchase offer addressed to all shareholders.

By resolution of the shareholders' meeting of April 30, 2009, the Board of Management is authorized to redeem Deutsche Telekom AG's shares purchased on the basis of the aforementioned authorization, without such redemption or its implementation requiring a further resolution of the shareholders' meeting.

8. Main agreements of the Corporation subject to a change of control as a result of a takeover bid:

The main agreements entered into by Deutsche Telekom AG, which include a clause in the event of a change of control, principally relate to bilateral credit lines and several loan agreements. In the event of a takeover, the individual lenders have the right to terminate the credit line and, if necessary, serve notice or demand repayment of the loans. A takeover is assumed when a third party, which can also be a group acting jointly, acquires control over Deutsche Telekom AG.

In addition, the other members of the Toll Collect consortium (Daimler Financial Services AG and Cofiroute SA) have a call option in the event that the ownership structure of Deutsche Telekom AG changes such that over 50 percent of its capital stock or voting rights are held by a new shareholder and this change was not approved by the other members of the consortium. § 22 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) similarly applies to the allocation of voting rights.

Should Deutsche Telekom AG be taken over by another company that is not a telecommunications company based in the European Union or the United States of a similar size and stature to Deutsche Telekom AG, the Hellenic Republic shall have the right to purchase from Deutsche Telekom AG all the shares Deutsche Telekom AG owns in the Greek company Hellenic Telecommunications Organization SA (OTE). For this purpose, Deutsche Telekom shall be deemed to have been taken over if one or several entities, with the exception of the Federal Republic of Germany, directly or indirectly acquires 35 percent of the voting rights in Deutsche Telekom AG.

9. Compensation agreements of the Corporation made with the members of the Board of Management or employees as a result of a takeover bid:

There are no compensation agreements in accordance with § 289 (4) No. 9 and § 315 (4) No. 9 of the German Commercial Code (HGB) in the event of a takeover bid.

10. Main features of the internal control system with respect to the financial reporting process

Accounting-related internal control system.

Deutsche Telekom AG's internal control system (ICS) is based on the internationally recognized COSO framework (The Committee of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework. The effectiveness of the ICS is monitored by the Audit Committee of Deutsche Telekom AG in accordance with the provisions of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz - BilMoG), which entered into force in May 2009. The Board of Management determines and assumes responsibility for the scope and form of the specific requirements for Deutsche Telekom. Internal Audit is responsible for independently reviewing the effectiveness of the ICS at Deutsche Telekom and its subsidiaries, and to this end has comprehensive information, audit and access rights. It is generally true of any ICS that regardless of its specific structure there can be no absolute guarantee that it will achieve its objectives. Regarding the accounting-related ICS, there can only ever be relative certainty, rather than absolute certainty, that material accounting misstatements can be prevented or detected.

The accounting-related ICS, which is continuously refined, comprises the principles, methods, and measures used to ensure compliant (Group) accounting.

At Deutsche Telekom AG, the Group Accounting department is responsible for managing the processes of (Group) accounting and the preparation of the management report. Laws, accounting standards, and other pronouncements are continuously analyzed for their relevance to and impact on the consolidated financial statements and the annual financial statements. The relevant requirements are defined in the Group Accounting Manual, for example, communicated to the relevant units and, together with the financial reporting calendar that is binding throughout the Group, forms the basis of the financial reporting process. In addition, supplementary process directives, standardized reporting formats, IT systems, as well as IT-based reporting and consolidation processes support the process of uniform and compliant (Group) accounting. Deutsche Telekom AG draws on the services of external service providers as needed, e.g., for measuring pension obligations. Group Accounting establishes appropriate processes to ensure that these requirements are implemented uniformly in all areas of the Group. The staff involved in the (Group) accounting process receive regular training. Deutsche Telekom and its subsidiaries are responsible for complying with the Group policies and procedures and for the compliant, timely execution of their accounting-related processes and systems, and are supported and monitored in these activities by Group Accounting.

Internal controls are embedded in the accounting process depending on risk levels. The accounting-related ICS comprises both preventive and detective controls, which include IT-based and manual agreements, the segregation of functions, double-checking, general IT controls such as access regulations in IT systems or change management, and the monitoring of such controls.

In 2006 Deutsche Telekom introduced a standardized process across the Group for monitoring the effectiveness of the accounting-related ICS. The process systematically addresses the risks of possible misstatements in the consolidated financial statements and annual financial statements, and meets the strict capital market requirements of Section 404 of the Sarbanes-Oxley Act in the United States. In order to ensure a high-quality accounting-related ICS, Internal Audit is closely involved in all stages of the process. The effectiveness of the accounting-related ICS is measured by analyzing selected high-risk elements in cascaded self-assessments that are performed by all parties involved in the process, including those with lead responsibility for the accounting process through to the Board of Management. Internal Audit performs independent spot-checks on the self-assessments.

Risk management system.

In accordance with the provisions of § 91 (2) of the German Stock Corporation Act (Aktengesetz – AktG), the Board of Management of Deutsche Telekom AG has set up a risk early warning system; the Company's subsidiaries are integrated into the risk management of Deutsche Telekom AG. This risk management system is described in more detail below.

Deutsche Telekom's operating environment is characterized by rapid technological progress, increasingly intense competition, and regulatory decisions in mobile and fixed-network communications. Deutsche Telekom is mastering these challenges by systematically managing risks and opportunities using a holistic risk early warning system.

The Group-wide risk management system covers all strategic and organizational control and monitoring measures for managing risks and seeks to identify and assess risks and opportunities early on. This enables Deutsche Telekom and its subsidiaries to initiate appropriate measures in good time to prevent or manage risks. Comprehensive market analyses, part of the Group's strategy and innovation development, help to identify segment and market potential.

Deutsche Telekom and its subsidiaries regularly analyze risks and opportunities, both centrally and in the operating segments. The early warning systems used in this process are based on prescribed Group-wide methods and are tailored to specific requirements. Risks are identified in the form of scenarios, for example, and assessed on the basis of their size and probability of occurrence. The reference variables for the potential scope are the Group's target values (including EBITDA).

Deutsche Telekom's risk management system aggregates essential EBITDA-assessed individual risks using combination and simulation processes and taking probabilities of occurrence and correlations into account. In addition, it analyzes incidents

and situations that could adversely affect the Company's reputation and image. These components are factored into the assessment of the aggregate risk position, using a system of indicators that covers all material risk areas.

Deutsche Telekom's risk management unit regularly reports to the Board of Management on risks and their development. The Board of Management in turn informs the Supervisory Board. The Audit Committee of the Supervisory Board examines the quarterly risk report at its meetings.

Principal opportunities and risks are reported quarterly, with additional ad hoc reports generated in the event of unexpected risks. Materiality thresholds for risks are defined for each reporting level. Group Risk Management/Insurance is in charge of the methods and systems used for this Group-wide, standardized risk reporting system and also ensures that the risk early warning system works effectively and efficiently.

To reduce risks relating to criminal behavior (fraud) Deutsche Telekom's Board of Management has set up a standardized Group-wide anti-fraud management system with the aim of creating structures for the prevention, detection, and penalization of fraud in the Company.

Deutsche Telekom attaches particular importance to managing risks arising from financial positions. All treasury activities, in particular the use of derivatives, are subject to the principle of risk minimization. For this purpose, the Group manages all financial transactions and risk positions in a central treasury system. Group management is informed of these positions on a regular basis. Deutsche Telekom uses derivatives to hedge interest rate and currency exposures that could have an effect on cash flow as well as other price risks.

Certain financial transactions require the prior approval of the Board of Management, which is also regularly briefed on the scope of the current risk exposure. Deutsche Telekom simulates various market and worst-case scenarios to estimate the effects of different conditions on the market. It uses selected derivative and non-derivative hedging instruments to hedge market risk. However, Deutsche Telekom only hedges risks that affect cash flows. Deutsche Telekom uses derivatives exclusively as hedging instruments, not for trading or other speculative purposes.

As part of the internal control system, Deutsche Telekom's risk management system for the internal accounting process comprises accounting control and monitoring systems that record the Company's risk hedging. Clear internal Group regulations and guidelines in connection with the internal control system ensure that the consolidated and annual financial statements are compliant. The Group's risk management unit ensures that risks that could present an obstacle to compliance with regulations are identified at an early stage, assessed, and promptly communicated and minimized.

The effectiveness and efficiency of risk management processes and compliance with the regulations and guidelines in Deutsche Telekom's Risk Management Manual are subject to regular reviews by Internal Audit. The external auditors mandated by law to audit the Company's annual financial statements examine whether the risk management system is able to identify at an early stage risks and developments that could jeopardize the Company's future.

Deutsche Telekom's risk management system ensures that business risks and opportunities are identified early on and that the Company is in a position to deal with them actively and effectively. This system thus complies with the statutory requirements for risk early warning systems and conforms to German corporate governance principles.

Bonn, March 1, 2010

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