

Board of Management's report to the Shareholders' meeting on item 8 on the agenda of Deutsche Telekom AG Shareholders' meeting on May 3, 2010

Board of Management's report on item 8 on the agenda: Report on the exclusion of subscription rights in the event of sale of treasury shares pursuant to § 71 (1) no. 8 and § 186 (4) sentence 2 AktG, as well as on exclusion of any right to purchase.

Item 8 on the agenda contains the proposal to authorize the Company to acquire treasury shares, with the amount of capital stock accounted for by these shares totaling up to EUR 1,116,497,918.20 – which is 10% of the capital stock – by November 2, 2011, pursuant to § 71 (1) no. 8 AktG. The existing authorization to purchase treasury shares, which was granted by the shareholders' meeting on April 30, 2009, is due to expire on October 29, 2010 and therefore is to be replaced. The authorization granted to the Board of Management by the shareholders' meeting on April 30, 2009 to purchase treasury shares shall expire when this new authorization takes effect; the authorizations granted by the shareholders' meeting resolution of April 30, 2009 on the use of purchased treasury shares shall remain unaffected.

On the basis of the new authorization proposed in item 8 on the agenda of this year's shareholders' meeting, the

Company can purchase treasury shares either on the stock exchange or by means of a public offer to purchase or swap shares that is sent to all shareholders.

Under the proposed authorization, if the Company purchases treasury shares by means of a public purchase offer sent to all shareholders or a public share swap offer sent to all shareholders, the shares can be purchased on the basis of the ratio of shares offered (offer quotas), providing the total number of shares offered exceeds a volume specified by the Board of Management. Only if the purchase is essentially made based on offer quotas rather than shareholding quotas will the purchase process be economically viable. Furthermore, the possibility is to be provided for preferential acceptance of small quantities of up to 100 shares offered per shareholder. This option is designed on the one hand to avoid having a small remainder of shares, which tends to be uneconomical, as well as potentially discriminating against small shareholders. It also helps simplify the technical aspects of the purchase process. Finally, provision can be made in all instances to round off in accordance with proven commercial practice to avoid arithmetic fractional shares. In this respect, the purchase quota and/or

the number of shares to be purchased by the individual shareholder using the offer can be rounded off, in accordance with commercial practice, as necessary to represent the purchase of whole shares in the processing system. In the aforementioned cases, it is necessary to exclude any further right to purchase, and the Board of Management and the Supervisory Board are convinced that such exclusion is justified, and reasonable vis-à-vis shareholders, for the reasons specified above.

The treasury shares can be purchased in accordance with the proposed authorization of Deutsche Telekom AG directly or indirectly through dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties for the account of Deutsche Telekom AG or for the account of the dependent Group companies of Deutsche Telekom AG pursuant to § 17 AktG.

The authorization in item 8 on the agenda provides for the possibility of resale of acquired treasury shares, either through the stock exchange (in (c) of the authorization) or via an offer sent to all shareholders (in (d) of the authorization). At the same time, Deutsche Telekom AG is also to have the possibility of selling treasury shares by means other than through the stock exchange or through an offer to all shareholders, and to sell shares for cash payment at a price which is not significantly lower than the market price (in (e) of the authorization). In addition, Deutsche Telekom AG is to be able to use repurchased treasury shares to list shares on foreign stock markets on which the Company's shares have not yet been listed ((f) of the authorization). Furthermore, the Company is to have the option of purchasing treasury shares so that it can offer and/or grant these to third parties in the context of mergers or acquisitions of companies, business

units or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution for such acquisitions, including receivables from the Company ((g) of the authorization). In addition, the Company shall have the option of using treasury shares to fulfill option and/or conversion rights and obligations from bonds issued by the Company, either directly or by a company in which the Company has a (direct or indirect) majority holding ((h) of the authorization) under item 13 on the agenda. Furthermore, the authorization provides for the possibility of offering and/or granting acquired shares, as employee shares, to employees of Deutsche Telekom AG, and of lower-tier affiliated companies ((i) of the authorization). However, Deutsche Telekom AG will also have the option of redeeming treasury shares without a renewed resolution of the shareholders' meeting ((j) of the authorization). Finally, the Supervisory Board will be able to use Deutsche Telekom AG shares to fulfill rights of Board of Management members to transfer Deutsche Telekom AG shares, which the Supervisory Board has granted to these members as part of the arrangements governing Board of Management remuneration (under (k) of the authorization).

The cases in which subscription rights can be excluded are listed in (l) of the proposed authorization. Under (l) the subscription rights of shareholders can be excluded if the Board of Management uses Deutsche Telekom AG shares in accordance with the authorizations under c), e), f), g), h) and i), and if the Supervisory Board uses Deutsche Telekom AG shares in accordance with the authorization under k). Regarding specific aspects of the aforementioned mentioned cases of exclusion of subscription rights:

Re. (c) of the authorization:

If the Board of Management sells treasury shares on the stock exchange, shareholders do not have any subscription rights. Under § 71 (1) no. 8 sentence 4 AktG, the disposal of the Company's treasury shares through the stock exchange – as well as the acquisition of these shares through the stock exchange – is sufficient for the purposes of complying with the principle of equal treatment pursuant to § 53a AktG.

Re. (e) of the authorization:

Pursuant to § 71 (1) no. 8 sentence 5 AktG in conjunction with § 186 (3) sentence 4 AktG, the Board of Management shall be authorized, with the approval of the Supervisory Board, to sell the repurchased shares of Deutsche Telekom AG, excluding the subscription rights of the shareholders, with this part of the capital stock representing no more than 10% of the capital stock other than through the stock exchange or an offer to all shareholders for a cash payment at a price that is not significantly lower than the market price of Company shares of equal ranking on the date of sale. The price at which repurchased treasury shares are sold to third parties must not be less than a price 5% below the market price determined by the opening auction in the Xetra trading system (or a subsequent system) of Deutsche Börse AG on the day of the binding agreement with the third party. That is a consequence of (m) of the authorization. If on the day concerned no such market price is determined or is not determined by the time of the binding agreement with the third party, then the last closing price of the Deutsche Telekom AG share determined in the Xetra trading system (or a subsequent system) of Deutsche Börse AG shall be decisive instead. The final price at which Company shares are sold is set just before they are sold.

This option of selling repurchased treasury shares to the exclusion of subscription rights for cash payment serves the interests of the Company to attain the best possible price when selling treasury shares. The option of excluding subscription rights in accordance with § 186 (3) sentence 4 AktG enables the Company to take advantage of opportunities arising from any given situation on the stock market to place shares quickly, flexibly and cost-effectively. The amount realized by setting a price close to market levels tends to result in a considerably higher inflow of cash than would be the case if the stock placement included shareholders' subscription rights. By dispensing with the processing of subscription rights, which is a time-consuming, expensive process, the equity required can also be furnished in a timely manner through market opportunities that arise at short notice. Although § 186 (2) sentence 2 AktG permits when granting subscription rights the announcement of the subscription price no later than three days before the expiry of the subscription period, this also entails a risk given the volatility of the stock markets, i.e., a risk of a price change over several days, which can lead to safety margins being deducted when fixing the sales price and thus to conditions which are not optimal. In addition, the Company, when granting subscription rights, is unable to respond quickly to favorable or unfavorable market conditions due to the length of the subscription period.

This option of selling treasury shares under the best possible conditions and without a significant subscription rights markdown is especially important for the Company because it must be able to swiftly and flexibly exploit market opportunities that change rapidly and arise in new markets. In view of this, it can be necessary, or at least useful, to borrow funds at short notice.

The proposed authorization is limited to a maximum of up to 10% of the Company's capital stock. In principle, the Company's capital stock on the date the resolution is adopted at the shareholders' meeting on May 3, 2010 is decisive. Should the capital stock be reduced, for example through the redemption of repurchased treasury shares, the amount of capital stock on the date of the sale of the shares is decisive. The authorized volume should be decreased by the proportion of capital stock that is accounted for by the shares or that relates to option and/or conversion rights and obligations from bonds issued or sold since the shareholders' meeting on May 3, 2010 adopted the resolution directly pursuant to, in accordance with or analogous to § 186 (3) sentence 4 AktG. This should ensure that the 10% limit provided for in § 186 (3) sentence 4 AktG is observed taking into account all authorizations with the option of excluding subscription rights in accordance with § 186 (3) sentence 4 AktG. Due to the fact that the authorization is limited to this level and the sales price for the Company's shares to be granted has to be oriented to the market price, shareholders' financial interests and voting rights are suitably safeguarded when treasury shares are sold to third parties and shareholders' subscription rights excluded on the basis of the provision in § 71 (1) no. 8 sentence 5 in conjunction with § 186 (3) sentence 4 AktG. As things currently stand, shareholders who wish to receive their relative interest and relative share of voting rights have the opportunity to purchase the number of shares required for this through the stock exchange. Around 68.3% of the shares of Deutsche Telekom AG are in free float. The total trading volume in the 2009 calendar year corresponded to over 122% of the Company's capital stock.

Re. (f) of the authorization:

The subscription rights of the shareholders are also to be excluded

if the Board of Management uses the repurchased shares of Deutsche Telekom AG, with the approval of the Supervisory Board, to list the Company's shares on foreign stock exchanges on which the shares have not yet been listed. Deutsche Telekom AG is engaged in fierce competition on the international capital markets. For its future business development, it is of crucial importance that the Company be appropriately endowed with equity capital and have the opportunity to obtain equity capital on the market at all times and under appropriate conditions. For this reason, Deutsche Telekom AG is endeavoring to broaden its base of shareholders in other countries as well and to make investment in the Company's shares an attractive proposition. Deutsche Telekom AG needs to be able to tap into the world's major capital markets. The price at which the repurchased treasury shares are listed on foreign stock exchanges may not be more than 5% below the market price established by the opening auction in the Xetra trading system (or a subsequent system) of Deutsche Börse AG on the first day of listing. That is a consequence of (m) of the authorization. If on the day concerned no such market price is determined, or is not determined by the time of the initial public offering, then the last closing price of the Deutsche Telekom AG share determined in the Xetra trading system (or a subsequent system) of Deutsche Börse AG shall be decisive instead.

Re. (g) of the authorization:

The subscription rights of shareholders should also be excluded if the Board of Management, with the approval of the Supervisory Board, offers and/or grants the repurchased Deutsche Telekom AG shares to third parties in the context of mergers or acquisitions of companies, business units or interests in companies, including increases of existing investment holdings, or other assets

eligible for contribution for such acquisitions, including receivables from the Company.

Deutsche Telekom AG is engaged in national and global competition. It must therefore always be in a position to act swiftly and flexibly on national and international markets. This includes the opportunity to improve its competitive position through mergers with other companies or the acquisition of companies, business units and interests in companies. This also includes increasing investments in Group companies.

The optimal use of this opportunity in the interest of shareholders and the Company involves, in individual cases, carrying out the merger or the acquisition of companies, business units or interests in companies by offering the shares of the acquiring company. It has been seen in practice both on international and national markets that the acquirer's shares are often requested as the consideration for attractive acquisitions. For this reason, Deutsche Telekom AG must be given the opportunity to offer and/or grant shares as consideration for mergers or acquisitions of companies, business units or interests in companies.

In addition, the motion for resolution makes express provisions for the exclusion of shareholders' subscription rights in order to offer and/or grant repurchased shares to acquire assets eligible for contribution in connection with the acquisition of companies, business units or interests in companies. In the case of an acquisition, it can make economic sense to acquire other assets in addition to the actual object acquired, for example those which serve the economic purposes of the acquired object. This applies in particular if a company that is being acquired does not own the industrial or intangible property rights relating to its operations. In such and comparable cases, Deutsche Telekom AG must be

in a position to acquire assets related to the acquisition plan and to offer shares as a consideration for this – because the seller requests it, for example. A prerequisite in this respect is that the assets concerned be eligible for contribution in the event of a non-cash capital increase.

The Board of Management will, in particular, also be entitled to exclude shareholders' subscription rights in order to grant the owners of receivables from Deutsche Telekom AG – whether securitized or unsecuritized – arising in connection with the sale of companies, business units or interests in companies to Deutsche Telekom AG shares in Deutsche Telekom AG wholly or partially in lieu of the cash payments. In cases where, for example, the Company has initially agreed to pay in cash for the acquisition of a company or an interest in a company, this may give the Company the added flexibility of subsequently offering shares in lieu of cash, thus protecting its liquidity. In individual cases, this procedure may be more beneficial than financing the purchase price through prior disposal of any repurchased shares over the stock exchange, where negative price effects are conceivable.

The authorized capital 2009/I pursuant to § 5 (2) of the Articles of Incorporation can also be used to grant shares in the context of mergers or acquisitions of companies, business units or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution for such acquisitions, including receivables from the Company. However, it should also be possible to use repurchased treasury shares as an acquisition currency. The proposed authorization is designed to give Deutsche Telekom AG the leeway it requires to flexibly exploit opportunities for mergers or the acquisition of companies, business units or interests in companies or other assets eligible for contribution for such acquisitions and

in doing so to also provide shares as a consideration without increasing capital – something which is more time-consuming given the need for entry in the commercial register – where this is appropriate.

To be able to carry out such transactions swiftly and with the necessary flexibility, the Board of Management needs to be authorized to grant treasury shares excluding shareholders' subscription rights. Such a decision will be contingent on the Supervisory Board's approval, however. When subscription rights are being granted, mergers and the acquisition of companies, business units or interests in companies or other assets eligible for contribution for such acquisitions in exchange for the granting of repurchased shares are not possible, and the Company and its shareholders cannot benefit from the associated advantages.

There are currently no concrete plans to make use of this authorization. When specific opportunities arise for mergers or acquisition of companies, business units or interests in companies, or there is an opportunity to acquire other assets eligible for contribution for such acquisitions, the Board of Management shall examine each case to decide whether to use treasury shares for this, excluding shareholders' subscription rights. The Board of Management shall only use the authorization if it is convinced that issuing Deutsche Telekom AG shares for a merger or acquisition is in the best interests of the Company. In such cases, the Board of Management will also carefully review and ascertain that the value of the non-cash contribution is commensurate with the value of the shares.

Re. (h) of the authorization:

In addition, the Company will have the option of using repurchased shares to fulfill option and/or conversion rights and obligations from bonds issued by the Company, either directly or by a company in which the Company has a

(direct or indirect) majority holding, on the basis of the authorization under item 13 on the agenda. Instead of increasing capital, it may be appropriate at times to use the Company's shares entirely or partially to fulfill subscription rights to treasury shares arising from such bonds, since such action is a suitable way of counteracting the dilution of capital stock, and of the voting rights of shareholders, that can occur to some extent if such rights are fulfilled by creating new shares. The authorization therefore provides for treasury shares to be used in such a way. In such cases, shareholders' subscription rights shall also be excluded.

Re. (i) of the authorization:

The Board of Management shall also be authorized to offer and/or grant repurchased shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies (employee shares). Repurchased shares can also be transferred to a bank, or to some other company meeting the requirements of § 186 (5) sentence 1 AktG, that assumes the obligation to use the shares exclusively for the purpose of granting employee shares. The Board of Management may also acquire shares that are to be granted as employee shares via a securities loan from a bank, or from some other company meeting the requirements of § 186 (5) sentence 1 AktG, and then use repurchased shares to repay this securities loan. In such cases, shareholders' subscription rights shall be excluded.

Deutsche Telekom AG is to be put in a position to promote employee ownership of company stock by granting employee shares. Granting employee shares serves the purpose of integrating employees, increasing their willingness to help shoulder responsibility and enhancing their loyalty to the company. Granting employee shares is thus in the interest of the Company and its shareholders.

It is in keeping with the intent of the law, and it is facilitated by law in many ways. When treasury shares are being granted as employee shares, special terms and conditions may be conceded that are in line with the provisions on the granting of tax privileges set out in the MKBG (Mitarbeiterkapitalbeteiligungsgesetz - Employee Share Ownership Act) dated March 7, 2009. The granting of treasury shares on grounds of membership of a management or supervisory body at Deutsche Telekom AG or one of its lower-tier affiliated companies must and can be excluded on the basis of the proposed authorization for use.

In addition to granting shares directly to employees, it will also be possible for shares to be taken over by a bank, or by some other company meeting the requirements of § 186 (5) sentence 1 AktG with the obligation to use the shares exclusively for the purpose of granting employee shares. Shares will then be granted to employees through the company that has taken over the shares and is acting as an intermediary. With this possibility, therefore, offering employee shares can be facilitated, for example, by having a bank largely carrying out the procedure.

In addition, employee shares may be acquired via securities loans from a bank, or some other company meeting the requirements of § 186 (5) sentence 1 AktG, and repurchased shares may be used to repay these securities loans. Using a securities loan to acquire shares to be granted to employees also facilitates the process of offering employee shares. In particular, it makes it possible to reacquire precisely the volume of shares needed for granting employee shares at a given time. The shares acquired in the context of the proposed purchase authorization will thus not only be used for granting shares to the employees themselves, but can also be used to meet lenders' claims to repayment of loans. In terms

of the economic effect, the shares would also be used to grant them to employees.

It is true that, pursuant to § 5 (3) of the Articles of Incorporation, authorized capital 2009/II may be issued to grant shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies and to repay securities loans. In the interest of maximum flexibility and cost-effectiveness, however, it will also be possible to repurchase shares on the basis of § 71 (1) no. 8 AktG and to offer and/or grant such repurchased shares to employees. In cases in which only small numbers of shares are required, or additionally required, for an employee share program, such a procedure may be more cost-effective than a capital increase, which involves certain expenditure for implementation, and the admission of shares from authorized capital 2009/II to trading.

Apart from the authorization pursuant to (i), it is possible, without the authorization of the shareholders' meeting, to repurchase shares on the basis of § 71 (1) no. 2 AktG and to offer the repurchased shares to employees for subscription. Reacquisition on the basis of § 71 (1) no. 2 AktG does not fall within the category of "safe harbor" privileges, however, in which insider dealing and market manipulation are prohibited by law pursuant to provisions of Commission Regulation (EC) no. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programs and stabilization of financial instruments (OJ L 336 p. 33). For this reason, a pertinent authorization of the shareholders' meeting would be required if safe harbor privileges were to be claimed for acquisition and granting of shares to be admitted as employee shares.

Re. (k) of the authorization:

Furthermore, the Supervisory Board shall be authorized to use the repurchased shares to fulfill the rights of Board of Management members to the transfer of Deutsche Telekom AG shares which the Supervisory Board has granted to these members as part of the arrangements governing Board of Management remuneration.

Issuing shares to Board of Management members may increase their loyalty to the Company. At the same time it is possible to create variable remuneration components, with management bonuses not being paid out in cash but in shares, which are then, however, subject to a lock-up (pursuant to § 193 (2) no. 4 AktG at least four years) during which time the Board of Management member concerned cannot sell the shares. Consequently, the aim of the VorstAG dated July 31, 2009 as well as the redrafting of item 4.2.3 of the German Corporate Governance Code can be taken into account, which call for not only positive but also negative developments regarding Board of Management remuneration to be considered. The granting of shares with a lock-up on selling them over several years can, in particular, create not just a bonus but also a genuine penalty effect in the event of negative developments. This tool therefore brings about greater financial co-responsibility of the Board of Management members, in the interests of the Company and its shareholders.

Specifically, the Supervisory Board has put in place provisions that oblige the Board of Management members to invest one third of the short-term variable performance-related remuneration stipulated by the Supervisory Board in the form of personal investment in Deutsche Telekom AG shares. For each share purchased in this way, Deutsche Telekom AG will provide the Board of Management member with another

share. These shares are locked up for a period of 4 years so that Board of Management members cannot access the shares furnished by the company before the 4 years have expired. This is part of the new remuneration system for Board of Management members adopted by the Supervisory Board on February 24, 2010, details of which are available on the Internet at

<http://www.telekom.com/hauptversammlung>

and will also be available for inspection during the shareholders' meeting.

Regarding exclusion of subscription rights for fractional amounts pursuant to (l) of the authorization:

Finally, the Board of Management is to be entitled to exclude shareholder subscription rights for fractional amounts with the approval of the Supervisory Board when offering treasury shares for sale to the Company's shareholders. The possibility of excluding subscription rights for fractional amounts serves the purpose of practically implementing the subscription ratio. The treasury shares excluded from shareholders' subscription rights as free fractional shares are realized by selling them on the stock exchange or in some other way at the best price available for the Company. Due to the limitation to fractional amounts the potential dilution effect is low.

Considering all the aforementioned facts and circumstances, the Board of Management and the Supervisory Board regard the exclusion of subscription rights in the aforementioned cases, also making allowance for the dilution effect arising from the exercise of the authorizations in question to the disadvantage of the shareholders, as justified and reasonable vis-à-vis shareholders for the reasons given. The Board of Management shall report to the

shareholders' meeting on the details of any plans to make use of the authorization to buy back treasury shares.

Bonn, February 2010

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