

Board of Management's report to the shareholders' meeting
on item 11 on the agenda for the shareholders' meeting of
Deutsche Telekom AG on April 30, 2009

Life is for sharing.



Report on item 11 on the agenda: Report on the authorization regarding the exclusion of subscription rights in the case of authorized capital 2009/I pursuant to § 186 (4) sentence 2 and § 203 (2) sentence 2 AktG.

Authorized capital 2004 in § 5 (2) of the Articles of Incorporation is due to expire on May 17, 2009. For this reason it will – to the extent that it still exists – be cancelled and new authorized capital, authorized capital 2009/I, will be created with which new shares can be issued against non-cash contributions. The Company will thus continue to have the flexibility it needs for mergers and acquisitions.

The Articles of Incorporation currently include two authorized capitals: As already mentioned, § 5 (2) of the Articles of Incorporation includes authorized capital 2004, which provides the authorization to increase the share capital against non-cash contributions with the possibility of excluding subscription rights to use the new shares for certain merger or acquisition purposes. The Board of Management exercised this authority from authorized capital 2004 originally amounting to EUR 2,560,000,000 with the approval of the Supervisory Board in August 2005 and resolved to increase the capital stock in the amount of EUR 160,589,265.92 for the purpose of the merger of T-Online International AG into Deutsche Telekom AG. The implementation of this capital increase was entered in the commercial register on September 12, 2005; it took effect together with the entry of the merger in the commercial register on June 6, 2006. Authorized capital 2004 currently still extends up to EUR 2,399,410,734.08. In addition, § 5 (3) of the Articles of Incorporation contains authorized capital 2006, which provides the authority to issue employee shares against cash and/or non-cash contributions with the exclusion of shareholders' subscription rights. Authorized capital 2006 currently extends up to EUR 38,400,000.00 and runs until May 2, 2011. Under item 12 on the agenda the Board of Management and the Supervisory Board propose to replace authorized capital 2006 with a new authorized capital to be used for the granting of employee shares, authorized capital 2009/II.

The new authorized capital 2009/I requested amounting to EUR 2,176,000,000 constitutes approx. 19.49% of the capital stock currently amounting to EUR 11,164,979,182.08. Authorized capital 2009/I will give the Board of Management the authority 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 registered no par value shares against non-cash contributions in the period up to April 29, 2014. The authorization will be exercised as a whole or on one or more occasions in partial amounts.

In the event of capital increases against non-cash contributions, the Board of Management will be authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights when issuing new shares for 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.

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 can be seen that, in the case of mergers and acquisitions of companies, business units, or interests in such companies, large units are often involved, requiring the provision of substantial considerations in many cases. Often these considerations cannot or should not be paid in cash. In fact, to ensure that the liquidity of the Company is not endangered, it may be more beneficial if the consideration that the Company is required to provide for a merger or the acquisition of a company, a business unit, or an interest in another company can be provided wholly or partially in new shares of the acquirer. 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 be able to offer new shares as consideration for mergers or acquisitions of companies, business units, or interests in companies. To this extent, non-cash contributions include companies, business units, or interests in companies.

The motion for resolution makes express provisions for the exclusion of shareholders' subscription rights in order to issue new 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 – whether as liquidity protection or if required by the seller – to offer shares as a consideration for this, assuming the relevant assets are eligible for contribution. Deutsche Telekom AG should therefore also have the option of increasing its capital stock against non-cash contributions while excluding shareholders' subscription rights. In such cases, non-cash contributions involve the asset related to the acquisition plan.

The Board of Management will, in particular, also be entitled when using authorized capital 2009/I 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. Non-cash contributions are considered in such cases to be receivables against Deutsche Telekom AG when using authorized capital 2009/I.

While the granting of 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, serves the authorization for use provided in g) of the resolution proposed in item 7 of the agenda for the shareholders' meeting on April 30, 2009, the use of treasury shares as acquisition currency ultimately precludes the possibility of purchasing them beforehand. The use of treasury shares as acquisition currency may therefore prove disadvantageous for the use of authorized capital in some circumstances, mainly because of the liquidity needed to buy back the shares. The purchase authorization is also limited to 10% of the capital stock. Deutsche Telekom AG shares can be offered as consideration using authorized capital, independently of a repurchase of treasury shares. 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 to acquire other assets eligible for contribution for such acquisitions. The authorization will enable Deutsche Telekom AG to use the authorized capital to grant new shares as consideration in the context of mergers and acquisitions of companies, business units, and interests in companies, or to acquire other assets eligible for contribution for such acquisitions, where this is appropriate.

In order to perform such transactions swiftly and with the necessary flexibility, Deutsche Telekom AG must have the option of increasing its capital stock against non-cash contributions while excluding shareholders' subscription rights. This is why it is imperative that the Board of Management be authorized to exclude shareholders' subscription rights when issuing new shares. 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 issue of new shares, are not possible and the Company and its shareholders cannot benefit from the associated advantages.

Authorized capital 2009/I serves to ensure that authorized capital providing the opportunity for a non-cash capital increase, including the option of excluding shareholders' subscription rights in the process, is still available. Authorized capital 2004 will no longer be used.

At present, the Company does not have any concrete merger or acquisition plans using authorized capital 2009/I and the opportunity of a non-cash capital increase with the exclusion of shareholders' subscription rights that such capital entails. 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 will examine each case to decide whether to use the option of increasing capital against non-cash contributions while excluding subscription rights. The Board of Management shall only use the authorization if it is convinced that issuing Deutsche Telekom AG shares to make an 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.

Considering all the above-mentioned facts and circumstances, the Board of Management and the Supervisory Board regard the authorization to exclude subscription rights, 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 for the reasons given. The Board of Management shall report to the shareholders' meeting on each use of authorized capital 2009/I.

Bonn, February 2009

Deutsche Telekom AG

Board of Management

Rene Obermann

Dr. Karl-Gerhard Eick

Hamid Akhavan

Dr. Manfred Balz

Reinhard Clemens

Timotheus Höttges

Thomas Sattelberger