

Board of Management's report to the shareholders' meeting
on item 6 on the agenda for the shareholders' meeting of
Deutsche Telekom AG on May 15, 2008



**Board of Management's report on item 6 on the agenda:
Report on the exclusion of subscription rights in the event
of sale of treasury shares pursuant to § 71 (1) no. 8, § 186
(4) sentence 2 of AktG, as well as on exclusion of any right
to purchase.**

Item 6 on the agenda contains the proposal to authorize the Corporation to acquire up to 436,131,999 of its own no par value shares, with the amount of capital stock accounted for by these shares totaling up to EUR 1,116,497,917.44—which is just under 10% of the capital stock—by November 14, 2009, pursuant to § 71 (1) no. 8 AktG. The existing authorization to purchase treasury shares, which was granted by the shareholders' meeting on May 3, 2007, is due to expire on November 2, 2008, and therefore is to be replaced. The authorization granted to the Board of Management by the shareholders' meeting on May 3, 2007 to acquire treasury shares shall expire when this new authorization takes effect; the authorizations granted by the shareholders' meeting resolution of May 3, 2007 on the use of acquired treasury shares shall remain unaffected.

On the basis of the authorization proposed in item 6 on the agenda, the Corporation can acquire treasury shares either on the stock exchange or by means of a public offer to purchase shares that is sent to all shareholders.

Under the proposed authorization, if the Corporation purchases treasury shares by means of a public 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 6 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 ((e) of the authorization). In addition, Deutsche Telekom AG is to be able to use its own reacquired shares to list shares on foreign stock markets on which the Corporation's shares have not yet been listed ((f) of the authorization). Furthermore, the Corporation is to have the option of acquiring treasury shares so that it can offer and/or grant these to third parties in the context of mergers or of acquisitions of companies, business units, or interests in companies, including increasing existing investment holdings ((g) of the authorization). In addition, the Corporation is to have the possibility of using treasury shares to fulfill conversion and/or option rights and obligations from bonds issued by the Corporation, either directly or by a company in which the Corporation has a (direct or indirect) majority holding, on the basis of the authorization granted by the shareholders' meeting under item 9 on the agenda on April 26, 2005 ((h) of the authorization). 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). Finally, Deutsche Telekom AG is to be able to redeem treasury shares without a renewed resolution of the shareholders' meeting ((j) of the authorization).

The cases in which subscription rights can be excluded are listed in (k) of the proposed authorization. Accordingly, subscription rights of shareholders are excluded if the Board of Management uses shares of Deutsche Telekom AG in compliance with the authorizations under c), e), f), g), h), and i) above. Regarding specific aspects of the aforementioned 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 Corporation'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 is to be authorized, with the consent of the Supervisory Board, to sell the reacquired 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 if the Board of Management sells the reacquired shares of Deutsche Telekom AG 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 Corporation shares of equal ranking on the date of sale. The price at which the Corporation's own repurchased shares are sold to third parties must not be less than a price 5% below the market price determined by the opening auction in Xetra (or a subsequent system) trading of Deutsche Börse AG on the day of the binding agreement with the third party. That is a

consequence of (I) 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 auction-based Xetra (or a subsequent system) trading of Deutsche Börse AG shall be decisive instead. The final price at which Corporation shares are sold is set just before they are sold.

This option of selling reacquired treasury shares to the exclusion of subscription rights for cash payment serves the interests of the Corporation 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 Corporation 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 generally results in a considerably higher inflow of cash than would be the case if shareholders were able to exercise their subscription rights, and therefore brings about the largest possible addition of capital resources. Moreover, the elimination of the need to spend time and money processing subscription rights makes it possible for the Corporation to take advantage of short-term market opportunities to quickly raise shareholders' equity and also to attract new groups of shareholders in Germany and abroad.

Although § 186 (2) sentence 2 AktG permits 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 in line with those of the market. In addition, the Corporation, when granting subscription rights, is unable to respond quickly to favorable 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 Corporation 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 raise shareholders equity at short notice.

The proposed authorization is limited to a maximum of up to 10% of the capital stock of the Corporation. In principle, the capital stock of the Corporation on the date the resolution is adopted at the shareholders' meeting on May 15, 2008 is decisive. Should the capital stock be reduced, for example through the redemption of reacquired 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 conversion and/or option rights and obligations from bonds issued or sold since the shareholders' meeting on May 15, 2008 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 Corporation's shares to be granted has to be oriented to the market price, shareholders' financial interests, and

voting rights are suitably safeguarded when Corporation 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.

Re. (f) of the authorization:

The subscription rights of the shareholders are also to be excluded if the Board of Management uses the reacquired shares of Deutsche Telekom AG, with the consent of the Supervisory Board, to list the Corporation'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 Corporation 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 Corporation'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 Corporation's own reacquired shares are listed on foreign stock exchanges may not be more than 5% below the market price established by the opening auction in Xetra (or a subsequent system) trading of Deutsche Börse AG on the first day of listing. That is a consequence of (I) 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 auction-based Xetra (or a subsequent system) trading 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 issues reacquired Deutsche Telekom AG shares to third parties, in the context of mergers or acquisitions of companies, business units, or interests in other companies, including increases of existing investment holdings. 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 Corporation 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 shares of the acquiring company are often demanded as the consideration for attractive acquisitions. For this reason, Deutsche Telekom AG must be given the opportunity of having treasury shares at its disposal so that it can offer and grant these as a consideration in the context of mergers or acquisitions of companies, business units, or interests in companies. While, on the one hand, the authorized capital in 2004 serves this purpose pursuant to § 5 (2) of the Articles of Incorporation of Deutsche Telekom AG, there is also to be the option of using the Corporation's own reacquired 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 other companies and in doing so to also provide treasury shares as a consideration without increasing capital—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 the subscription rights of shareholders, with the consent of the Supervisory Board.

There are currently no specific plans to make use of this authorization. The Board of Management shall examine each case to decide whether to apply this authorization to use treasury shares, to the exclusion of subscription rights, if specific opportunities for mergers or to acquire companies, business units, or interests in companies arise. 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 Corporation.

Re. (h) of the authorization:

In addition, the Corporation is to have the possibility of also using reacquired shares to fulfill conversion and/or option rights and obligations from bonds issued by the Corporation, either directly or by a company in which the Corporation has a (direct or indirect) majority holding, on the basis of the authorization granted by the shareholders' meeting under item 9 on the agenda on April 26, 2005. Instead of increasing capital, it may be appropriate at times to use the Corporation'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.

The authorization granted under item 9 on the agenda by resolution of the shareholders' meeting on April 26, 2005, is available for inspection at the commercial register in Bonn as part of the notarized minutes of this shareholders' meeting. The resolution can also be found in the invitation to the shareholders' meeting on April 26, 2005, which has been published in the electronic Federal Gazette dated March 15, 2005. The wording of the authorization resolution has been available for inspection by shareholders in the business offices of Deutsche Telekom AG at the Corporation's registered office, Friedrich-Ebert-Allee 140, 53113 Bonn, Germany, ever since this year's shareholders' meeting was called, and will be available during the shareholders' meeting. It may also be viewed at Deutsche Telekom AG's Web site:

<http://www.telekom.com>

Re. (i) of the authorization:

The Board of Management shall also be authorized to offer and/or grant reacquired shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies (employee shares). Reacquired shares can also be issued 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 reacquired 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 Corporation and its shareholders. It is in keeping with the intent of the law, and it is facilitated by law in many ways. When such shares are granted, special discounts customary for employee shares may be granted.

Reacquired shares may be granted as employee shares for cash payment and for non-cash payments, such as transfer of monetary claims to which employees are entitled under a profit-sharing plan (cf. § 205 (5) AktG).

In addition to granting shares directly to employees, it is also to 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 are then 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 a securities loan from a bank, or some other company meeting the requirements of § 186 (5) sentence 1 AktG, and reacquired shares may be used to repay this securities loan. 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. In addition to being granted to employees, therefore, shares acquired in the framework of the aforementioned authorization can also be used to meet lenders' claims to repayment of loans. In terms of the economic effect, the new 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 2006 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 is also to be possible to reacquire shares on the basis of § 71 (1) no. 8 AktG and to offer and/or grant such reacquired shares to employees. In cases in which only small numbers of shares are required, or additionally required, for an employee shares program, such a procedure can be more cost-effective than would a capital increase which involves certain expenditures and admission of shares from the authorized capital 2006.

Apart from the authorization pursuant to (i), it is possible, without the authorization of the shareholders' meeting, to reacquire shares on the basis of § 71 (1) no. 2 AktG and to offer such reacquired shares to employees. 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.

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

Finally, the Board of Management is to be entitled to exclude shareholder subscription rights for fractional amounts with the consent of the Supervisory Board when offering the Corporation shares for sale to the shareholders of the Corporation. The possibility of excluding subscription rights for fractional

amounts serves the purpose of practically implementing the subscription ratio. The Corporation shares excluded from the 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 Corporation. Due to the limitation to fractional amounts the potential dilution effect is low.

Considering all the above-mentioned facts and circumstances, the Board of Management and the Supervisory Board regard the exclusion of subscription rights in the cases specified as justified and reasonable for the 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 reacquire Corporation shares.

Bonn, April 2008

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