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 3, 2007

Deutsche Telekom

Board of Management's report on item 6 on the agenda: Report on the exclusion of subscription rights in the event of the sale of the Corporation's own shares pursuant to § 71 (1) No. 8, § 186 (4) sentence 2 of AktG.

Item 6 on the agenda contains the proposal to authorize the Corporation to acquire up to 436,117,555 of its own no par value shares, with the amount of capital stock accounted for by these shares totaling up to EUR 1,116,460,940.80—which is just under 10% of the capital stock—by November 2, 2008, pursuant to § 71 (1) No. 8 AktG. The existing authorization granted by the shareholders' meeting on May 3, 2006, is due to expire on November 2, 2007, and is therefore to be replaced.

On the basis of the authorization proposed in item 6 on the agenda, the Corporation can acquire its own 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 its own shares by means of a public offer, 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, provision can be made for the 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 in fact be rounded off in accordance with commercial practice, as necessary to represent the purchase of whole shares in the processing system. To this extent, the Board of Management and Supervisory Board are convinced that the exclusion of any further right to purchase is necessary, justified, and reasonable vis-à-vis shareholders.

The Corporation's own 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 Corporation's own shares purchased to be resold either through the stock exchange or by means of an offer sent to all shareholders. Moreover, Deutsche Telekom AG is to be able to sell its own shares, other than through the stock exchange or an offer to all shareholders to sell them for a cash payment, at a price which is not significantly lower than the market price. In addition, Deutsche Telekom AG is to be able to use its own reacquired shares to list these shares on foreign stock markets on which the Corporation's shares have not yet been listed. Furthermore, the Corporation is to have the option of acquiring its own shares so that it can offer 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. In addition, it is also to be possible to use the Corporation's own shares to fulfill conversion and/or option rights and obligations from bonds issued by the Corporation on the basis of the authorization granted by the shareholders' meeting under item 9 on the agenda on April 26, 2005. Deutsche Telekom AG is to be able to redeem its own shares without a renewed resolution of the shareholders' meeting.

If the Board of Management sells its own 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 own shares through the stock exchange—as well as the acquisition of its shares through the stock exchange—is sufficient for the purposes of complying with the principle of equal treatment pursuant to § 53a AktG.

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 more than 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. 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 Corporation shares to the exclusion of subscription rights for a cash payment serves the interests of the Corporation to attain the best possible price when selling its own 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 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 is unable to respond quickly to favorable market conditions if a subscription right is granted due to the length of the subscription period.

This option of selling Corporation 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.

The proposed authorization is limited to a maximum of up to 10% of the capital stock of the Corporation. The capital stock of the Corporation on the date the resolution is adopted at the shareholders' meeting on May 3, 2007, is decisive. Should the capital stock be reduced, for example through the redemption of reacquired Corporation 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 3, 2007 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.

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. 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.

The subscription rights of shareholders should also be excluded if the Board of Management offers or grants the 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 increasing existing investment holdings, with the approval of the Supervisory Board. 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 exploitation 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 its own 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 its own 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 its own 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 the Corporation's own 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.

In addition, it is also to be possible to use the Corporation's own shares to fulfill conversion and/or option rights and obligations from bonds issued by the Corporation 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 own shares entirely or partially to fulfill subscription rights to Corporation shares arising from these bonds; in this respect it is a suitable way of counteracting the dilution of capital stock and the voting rights of shareholders, which may occur to some extent if these rights are fulfilled by creating new shares. The authorization therefore provides for the Corporation's own shares to be used in such a way. In this respect, the subscription rights of shareholders are also to 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 on the business premises 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 website:

http://www.telekom.de

Upon request, it will be sent to every shareholder without delay and free of charge.

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 the subscription right 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.

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, March 2007

Deutsche Telekom AG
The Board of Management

René Obermann　　Dr. Karl-Gerhard Eick

Hamid Akhavan　　Timotheus Höttges　　Lothar Pauly