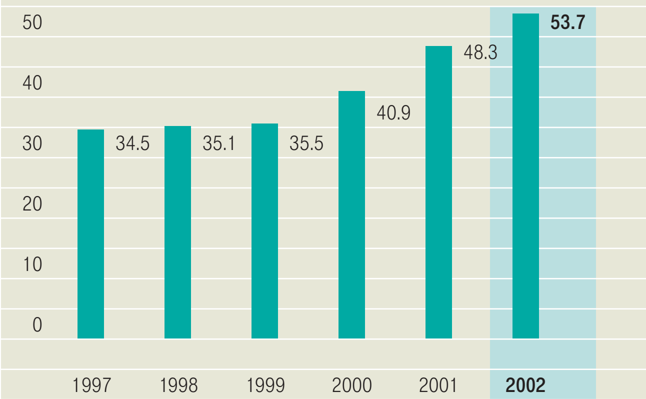
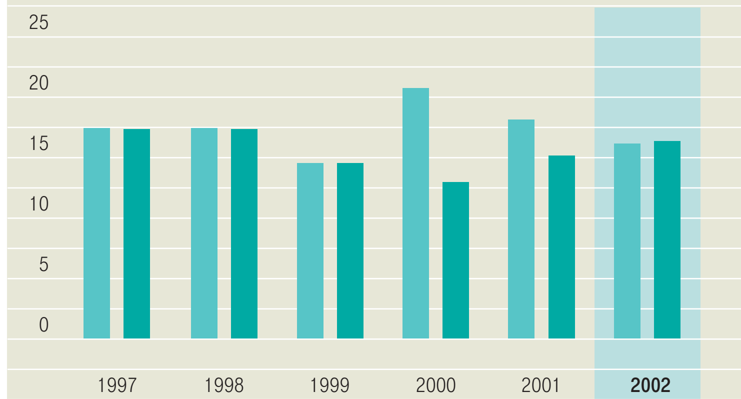

Focused.
The 2002 financial year.
Deutsche
Telekom

Deutsche Telekom at a glance.

Net revenue
(billions of €)



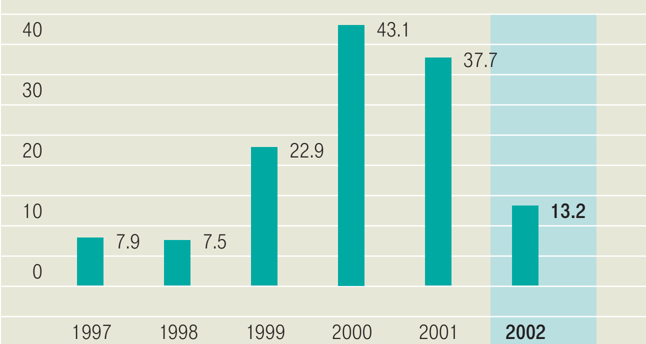
EBITDA*
(billions of €)



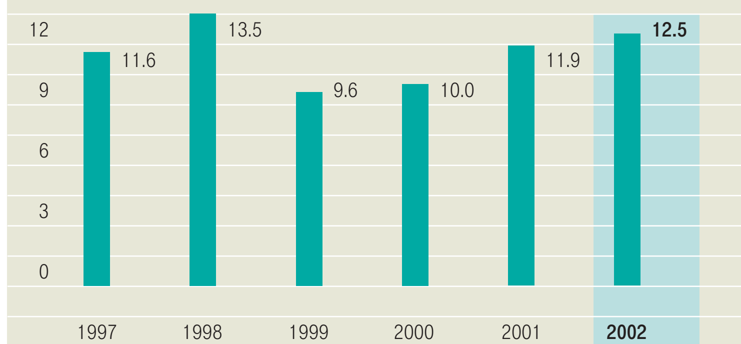
	1997	1998	1999	2000	2001	2002
EBITDA (including special influences)	17.2	17.4	14.5	20.7	18.1	**16.1**
EBITDA (adjusted to exclude special influences)	17.0	17.3	14.5	12.9	15.1	**16.3**

* Calculated and rounded off on the basis of millions for the sake of greater precision.

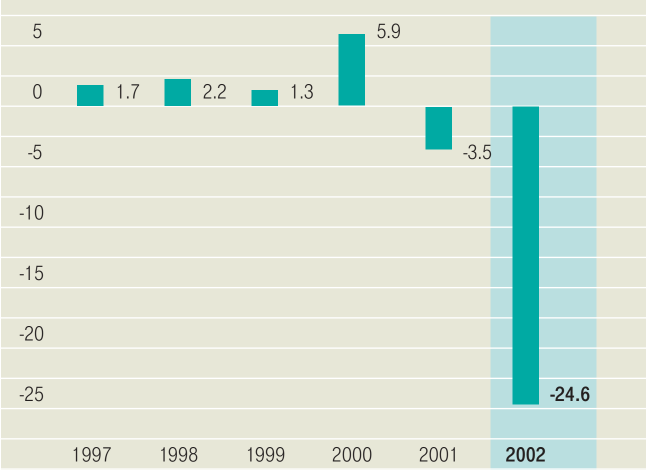
Investments (in accordance with consolidated noncurrent assets)
(billions of €)



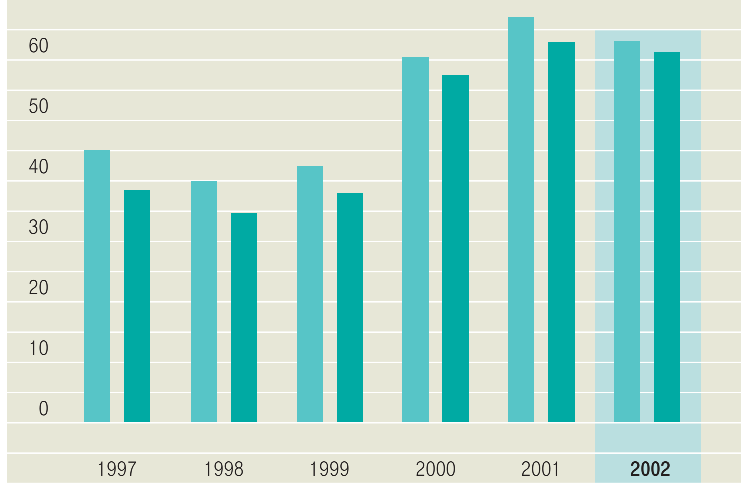
Net cash privided by operating activities
(billions of €)



Net income/loss
(billions of €)



Debt
(billions of €)



	1997	1998	1999	2000	2001	2002
Debt (in accordance with consolidated balance sheet)	44.9	39.9	42.3	60.4	67.0	**63.0**
Net debt	38.3	32.9	37.9	57.4	62.8	**61.1**

Four divisions for growth.

Deutsche Telekom

T-Com

Focused on key growth areas.

– Confirmed status as mainstay of the Group with over 57 million subscriber lines – including ISDN channels – and revenue of EUR 30.2 billion

– Revenue increase despite stiff competition and challenging economic times

– Success story on broadband market continues with new T-DSL solutions

– Strong position in the Central European telecommunications market

T-Systems

Customer-focused IT and telecom solutions for named accounts.

– One of Europe's leading providers of one-stop IT and telecommunications services

– Positive development of adjusted EBITDA*, focus on improved earnings

– Industry solutions meet customer-specific needs

– Innovative major projects for global customers

T-Mobile

Clear goals for the international mobile communications market.

– Successful introduction of the T-Mobile brand in four key European markets and USA

– Significant increase in revenue and EBITDA*, high nonscheduled write-downs resulting in lower income before taxes

– Positive development of mobile data communications

– Building of UMTS network started

T-Online

On target for an Internet media network.

– Position in the European Internet market strengthened

– Positive EBITDA* as early as first half of 2002

– Solid foundation for pan-European broadband services with almost 2.8 million T-Online DSL subscribers

– Successful launch of T-Online Vision, introduction of a broad range of attractive paid-content services

* EBITDA and EBITDA adjusted for special influences are pro forma figures that are not part of German or U.S. GAAP. They should not be viewed in isolation or as an alternative to net income/ (loss), income/(loss) before taxes, operating income, net cash provided by operating activities or other Deutsche Telekom financial measures recorded in accordance with German or U.S. GAAP. For important information about adjusted EBITDA please refer to the chapter on "Reconciliation to pro forma figures" starting on page 110.

Selected financial data of the Deutsche Telekom Group.

Earnings position (billions of €)	Change compared to prior year[a]	2002	2001	2000	1999	1998	1997	1996
Net revenue	11.1 %	53.7	48.3	40.9	35.5	35.1	34.5	32.3
Changes in inventories and other other own capitalized costs	-39.2 %	0.5	0.9	0.9	0.9	1.0	1.6	1.7
Other operating income	-41.1 %	3.9	6.6	11.0	1.9	2.1	1.9	2.0[b]
Goods and services purchased	7.0 %	14.4	13.5	12.0	7.7[c]	5.5[c]	6.2	5.2
Personnel costs	11.3 %	13.5	12.1	9.7	9.2	9.2	9.4	9.6
Depreciation and amortization	142.3 %	36.9	15.2	13.0	8.4[d]	9.0[d]	9.5[d]	9.0[d]
Other operating expenses	16.1 %	14.1	12.2	10.4	6.9[c]	6.1[c]	5.2	4.9
Financial income/expense, net	-12.6 %	-6.0	-5.3	-1.2	-2.9	-3.3	-4.0	-3.9
of which: net interest expense	1.3 %	-4.0	-4.1	-3.1	-2.5	-3.0	-3.3	-3.7
Results from ordinary business activities	n.a.	-26.8	-2.5	6.5	3.2	5.1	3.7	3.4
Extraordinary income/loss	n.a.	–	–	-0.2	-0.2	–	–	-1.3
Taxes	n.a.	2.5	0.8	0.3	1.4	2.7	1.9	1.1
Net income/loss	n.a.	-24.6	-3.5	5.9	1.3	2.2	1.7	0.9
EBITDA[a, e, f]	-10.8 %	16.1	18.1	20.7	14.5	17.4	17.2	16.3
EBITDA (adjusted to exclude special influences)[a, e, f]	7.8 %	16.3	15.1	12.9	14.5	17.3	17.0	16.0
Asset structure (billions of €)								
Noncurrent assets	-24.0 %	111.5	146.7	106.6	82.0	66.5	70.0	73.8
Current assets, prepaid expenses, deferred charges	-19.9 %	14.3	17.8	17.6	12.6	12.8	13.2	15.3
Liability structure (billions of €)								
Shareholders' equity	-46.6 %	35.4	66.3	42.7	35.7	25.1	24.6	23.8
Accruals	-12.6 %	16.1	18.4	11.4	9.3	8.3	7.7	7.6
Debt (in accordance with the consolidated balance sheet)	-5.9 %	63.0	67.0	60.4	42.3	39.9	44.9	51.1
Other liabilities and deferred income	-12.0 %	11.3	12.8	9.7	7.3	6.0	6.0	6.6
Balance sheet total	**-23.5%**	**125.8**	**164.5**	**124.2**	**94.6**	**79.3**	**83.2**	**89.1**
Cash flows (billions of €)								
Net cash provided by operating activities	4.4 %	12.5	11.9	10.0	9.6	13.5	11.6	11.4
Net cash used for investing activities	-88.3 %	-10.0	-5.4	-27.7	-18.7	-7.5	-5.4	-13.0
Net cash provided by/used for financing activities	28.6 %	-3.4	-4.8	17.9	8.0	-6.8	-7.0	3.5
Investments in intangible assets and property, plant and equipment[g]	-29.8 %	7.6	10.9	23.5	6.0	4.8	6.8	8.6
Debt (billions of €)								
Debt (in accordance with the consolidated balance sheet)	-5.9 %	63.0	67.0	60.4	42.3	39.9	44.9	51.1
Net debt[a, f]	-2.7 %	61.1	62.8	57.4	37.9	32.9	38.3	41.6
Items in accordance with U.S. GAAP (billions of €)								
Net income/loss	n.a.	-22.0	0.5	9.3	1.5	2.2	1.3	1.3
Shareholders' equity	-38.4 %	45.4	73.7	46.1	37.6	26.9	26.1	25.9
Earnings per share/ADS (€)[h]	n.a.	-5.30	0.14	3.06	0.53	0.81	0.46	0.62
Other key figures								
Employees at balance sheet date (full-time employees, without trainees/student interns) (thousands)	-0.4 %	256	257	227	196	196	210	221
Revenue per employee (thousands of €)[i]	5.5 %	210	199	201	183	173	159	152
Earnings per share/ADS under German GAAP (€)[h]	n.a.	-5.86	-0.93	1.96	0.43	0.82	0.62	0.43
Weighted average of outstanding shares (millions of shares)	12.9 %	4,195	3,715	3,030	2,884	2,743	2,743	2,110
Dividend per share/ADS (€)	-100.0 %	0,00[j]	0.37	0.62	0.62	0.61	0.61	0.31
Equity ratio (%)[k]	-28.7 %	28	39	33	36	30	28	26

[a] Calculated and rounded off on the basis of millions for the sake of greater precision.
[b] Including one-time value-added tax refund amounting to EUR 338 million.
[c] Since the beginning of the 2000 financial year, certain expenses have been shown as other operating expenses, rather than goods and services purchased. EUR 737 million was reclassified for the 1999 financial year and EUR 683 million for 1998.
[d] Including depreciation of value-added tax capitalized prior to January 1, 1996.
[e] Results from ordinary business activities plus financial income (expense), net and amortization of intangible assets and depreciation of property, plant and equipment.
[f] EBITDA and EBITDA adjusted for special influences are pro forma figures that are not part of German or U.S. GAAP. They should not be viewed in isolation or as an alternative to net income/loss, income/loss before taxes, operating income, net cash provided by operating activities, debt or other Deutsche Telekom financial measures recorded in accordance with German or U.S. GAAP. For important information about adjusted EBITDA please refer to the chapter on "Reconciliation to pro forma figures" starting on page 110.
[g] In accordance with the statement of cash flows.
[h] Net income/loss based on the weighted average of outstanding shares. The share/ADS ratio is 1:1. In 1996 with retroactive consideration of ten-for-one stock split and new shares issued by way of a capital increase from retained earnings at July 31, 1996.
[i] Average annual number of employees excluding trainees/student interns.
[j] For more details please refer to the chapter "Development of business in 2002" of the Management report that is published herein.
[k] Without amounts earmarked for dividend payment, which are treated as short-term debt.

Right from the start.

We're positioned for success.

Deutsche Telekom is Europe's largest telecommunications company in terms of revenue. We are one of the world's leading providers of integrated telecommunications services.

Our goal is clear:
To win the future for our company through consistent debt reduction and earnings-focused growth.

We have set the course:
With our four divisions, T-Com, T-Mobile, T-Systems and T-Online, we are positioning Deutsche Telekom as a leader in broadband and innovation in the convergence market of information technology and telecommunications.

Team spirit.

We’re all fighting for the same goal.

Dear shareholders,

The 2002 financial year has so far been the most challenging year ever for Deutsche Telekom. We closed the year with a loss of approximately EUR 24.6 billion and are aware of the scale of this figure. The result also gives a clear indication of the grave situation that Deutsche Telekom faced during the 2002 financial year.

However, the loss is accompanied by a positive operational development of the Deutsche Telekom Group in 2002 which is reflected in a revenue increase of over 11 percent and a clear rise in adjusted EBITDA[1] of 7.8 percent. The loss at the Group level results from measures taken to better balance our accounts, in particular nonscheduled write-downs and valuation adjustments charged in the third quarter of 2002 as part of our strategic review. The write-downs mirror changes in the assessment of the Group's development prospects. As these write-downs are non-cash charges, as such they do not impact the Group's financial strength.

The 2002 financial year placed considerable strain on all of us – shareholders, employees and management. The economic downturn in the USA, the German Federal Cartel Office's decision to block the sale of cable network operations to Liberty Media and mid-year discussions surrounding Deutsche Telekom's debt situation and the reorganization of the management all took their toll on our share price. Public and capital market attention did not refocus on Deutsche Telekom's business developments and policies until the end of November 2002.

We took the challenges we faced in 2002 very seriously and carefully scrutinized our entire strategy as a result. In light of our assessment, we defined our goals. We are now concentrating on gradually and systematically achieving these objectives: rigorous reduction of debt, accelerated cost reductions and earnings-focused growth, improved efficiency, job cuts and reorganization of the Board of Management.

Given the difficult situation, the Board of Management will suggest foregoing dividend payments for 2002. The Board of Management is submitting this suggestion to the Supervisory Board and a resolution to this effect will be put forward at the 2003 shareholders' meeting. This move would make a valuable contribution to consolidation efforts.

During 2003, we will concentrate predominantly on reducing our debt and, at the same time, on earnings-focused growth. This dual strategy is the only way forward. It is a better path than a pure rationalization strategy. In setting the course for our future success, this comprehensive strategy differentiates us from the competition. A sole focus on debt reduction would only result in short-term and also short-lived success. Making savings alone has never created new strategic or operational opportunities and thus does not benefit the Company or you, the shareholders. The key to future success lies in earnings-focused growth.

The positive trend in our operating figures confirms that we are on the right path. In particular, the increase in revenue and in adjusted EBITDA[1] shows that our operational business is moving forward.

Not only did we trim our costs during the course of 2002, we also set about trimming our general organization. This involved focusing, streamlining and decentralizing our operations. The most important steps taken to achieve this entailed concentrating to a greater extent on our core competencies, which also involved the ongoing sale of non-strategic business units; streamlining our headquarters down to the role of a strategic management holding; decentralizing our operational business, at the same time entrusting a greater degree of responsibility to the divisions; and restructuring the Board of Management to reflect these changes. Accordingly, cross-division supply and service relations will be aligned more closely with market conditions and the fierce competitive environment. This places the divisions under greater pressure to operate efficiently.

[1] Group EBITDA including special influences dropped by 10.8 percent in 2002, to EUR 16.1 billion, compared with EUR 18.1 billion in 2001. Net debt, free cash flow, EBITDA including special influences and EBITDA not including special influences or adjusted EBITDA are not GAAP measures. They should not be viewed in isolation or as an alternative to net income/(loss), operating income, debt, or any other Deutsche Telekom financial measures recorded in accordance with German or U.S. GAAP. For important information about adjusted EBITDA please refer to the chapter on "Reconciliation to pro forma figures" starting on page 110.

The new strategy provides us with a solid foundation to drive growth and reduce our financial liabilities. Our short-term goal is to reduce our net debt[1] by the end of 2003 to a level where it no longer exceeds three times the Group's adjusted EBITDA for 2003. A reduction in liabilities will also pave the way for the positive financial development of our Company in coming years.

We are calling our plan for debt reduction and future growth "6 plus 6". EUR 6 billion raised from the sale of non-strategic shareholdings will flow directly into debt reduction. An additional EUR 6 billion will be channeled into debt reduction from free cash flow[1] from our operational business. Based on sales of non-strategic assets between 2002 and the first quarter of 2003, we can safely say that we are on target for our 2003 objective. We have already achieved two thirds of our total goal for 2003, having closed or signed deals totaling approximately EUR 4.4 billion. Additional sales of shareholdings will follow.

In order to achieve the necessary increase in free cash flow[1], we must reduce costs and investments and improve growth in the divisions. In 2002 we were able to lower spending by around EUR 0.7 billion compared with the budgetary targets – mostly by reducing marketing outlays and consultant costs as well as by lowering losses on written-off receivables.

Investments in property, plant and equipment (excluding goodwill) and intangible assets were reduced in 2002 by about 30 percent against 2001, to EUR 7.9 billion. We will reduce this figure even further during 2003 to between EUR 6.7 and 7.7 billion. To date, only 80 percent of the divisions' annual investment budgets have been approved. The remaining 20 percent is contingent on the divisions reaching their specific EBITDA targets.

This reduction of investment levels does not conflict with our goal of increasing growth. We still attach great importance to investments. We must focus on finding the right balance between imperative cost cuts and essential investments. To achieve our growth targets, all investment activities must make optimum use of available resources.

Our divisions play an especially important role in the "6 plus 6" plan. They also devised various initiatives to help push growth. Many of these measures have already been kicked off. They will help consolidate and expand the strong market positions already enjoyed by our divisions.

In 2002, T-Com, T-Mobile and T-Online managed to further increase customer figures and sales, topping the impressive high achieved the year before. All divisions financed their own dynamic growth and, at the same time, aided the Group in reducing debt. We will be continuing this course of action during the 2003 financial year in order to increase the pace of progress.

The goal for T-Com is to make systematic advances in the areas of efficiency, quality and innovation, thus enabling Deutsche Telekom's fixed network to set new standards. Broadband solutions will play a major role in this context. Attention is also focused on a new product and innovation initiative that is set to accelerate growth in both the consumer and business sectors. In addition, quality of service will be improved in order to further increase customer satisfaction. Optimized processes will bring more efficiency and quicker delivery times. Portfolio streamlining will further simplify processes and reduce complexity costs.

T-Mobile is determined to consolidate its position as one of the leading international mobile communications companies, strengthening the T-Mobile brand and increasing global branding activities. To this end, we are driving the integration of individual subsidiaries as we move towards a one-company identity. This will pave the way for additional cost and efficiency benefits (in network planning for example). Another central goal for T-Mobile involves rapid expansion of our high-end mobile multimedia offering. To achieve this, T-Mobile will redesign its infrastructure, providing a common platform for all services. In addition, T-Mobile will be looking to expand the corporate customer segment. Dedicated business solutions are set to significantly increase non-voice revenue in particular.

T-Systems will establish itself as a leading provider of IT and telecommunications solutions for large customers and will therefore manage Deutsche Telekom key accounts. It will focus in particular on the needs of the four industry segments, including telecommunications, the service and financial sector, the public sector and healthcare, and the manufacturing industry. Key account management will extend along the entire competence chain within these four sectors, thus ensuring that our customers benefit from dedicated industry insights while we continue to deepen our expertise. We also aim to reduce production costs, through consolidation of data centers, for example, and through new procurement partnerships. T-Systems hopes to save hundreds of millions of euros through these measures.

T-Online is committed to strengthening its position as a leading Internet media network. We will add extensively to our paid-content offering with a view to further reducing dependence on the access business. Additionally, we are actively marketing the broadband business. Broadband access is a key success factor in the move to increase usage-based revenues.

In addition to our "6 plus 6" plan, we have also issued mandatory convertible bonds worth over EUR 2 billion, which are to improve our financial position in the medium term, thus also strengthening our position in relation to the rating agencies. For the time being we view this as an exceptional measure. The 2003 shareholders' meeting will not be asked for approval to issue another mandatory convertible bond. Under no circumstances does it weaken our commitment to continue cutting costs and systematically reducing debt.

Structural changes and Group consolidation measures mean we will again be asking much of our employees. I know that the majority of the staff at Deutsche Telekom supports our current course towards debt reduction and profitable growth. On behalf of the Board of Management, I would like to take this opportunity to thank all employees for their commitment and dedication.

Unfortunately, in order to further increase our competitiveness, we will have to make additional, significant personnel cuts. T-Com will be hit the hardest. We are, however, very aware of our responsibility and the fact that when we talk about personnel cuts, we are talking about the welfare of individuals and their families. Therefore we will make every effort possible to find new positions for those affected. For this purpose, we established the Personnel Service Agency (PSA), which has already begun its work. By the end of February 2003, the PSA was able to place 1,500 (out of 4,500) employees internally and externally.

As you, our shareholders, can see, we are resolute and pragmatic in following our action plan. We have reviewed our strategy, defined goals and set the course for our future success. We look to the future with guarded optimism – guarded because of the difficult economic and political situation worldwide. We are still optimistic, though, based on the potential we see for our Company. I would like to thank you, our shareholders, for the trust you have shown in the Deutsche Telekom Group, despite these difficult times. Our mission now is to show you that your trust was well-founded. And we will invest our entire energy into achieving this.

Bonn, March 2003

Kai-Uwe Ricke
Chairman of the Board of Management

From left:
Dr. Heinz Klinkhammer, Dr. Karl-Gerhard Eick,
Konrad F. Reiss, Kai-Uwe Ricke, Thomas Holtrop,
René Obermann, Josef Brauner.

The Board of Management of Deutsche Telekom AG in 2002/2003.

Kai-Uwe Ricke. **Chairman of the Board of Management of Deutsche Telekom AG.** Born in 1961. Kai-Uwe Ricke was appointed Chairman of the Board of Management of Deutsche Telekom AG effective from November 15, 2002. Following an apprenticeship at a bank and studies at the Schloss Reichartshausen European Business School, he started his career as assistant to the board of Bertelsmann AG in Gütersloh. He then took up the position as head of sales and marketing of the Bertelsmann subsidiary Scandinavian Music Club AG in Malmö, Sweden. Between 1990 and June 1995, Kai-Uwe Ricke was managing director of Talkline Verwaltungsgesellschaft mbH and of Talkline PS Phone Service GmbH, both located in Elmshorn. From July 1995 to December 1997, he was chairman and managing director of Talkline GmbH. In January 1998, he took over as Chairman of the Managing Board of DeTeMobil Deutsche Telekom Mobilnet GmbH. In February 2000, he was appointed Chairman of the Board of Management of the newly founded T-Mobile International AG. In May 2001, he was appointed to the Board of Management of Deutsche Telekom. As Chief Operating Officer, he was responsible for Deutsche Telekom's mobile communications and online business.

Dr. Karl-Gerhard Eick. **Board member responsible for Finance and Controlling, Deputy Chairman of the Board of Management.** Born in 1954. He studied business administration in Augsburg, where he earned his doctorate in 1982. Until 1988, he worked in various positions at BMW AG in Munich, most recently as head of controlling in the department of the chairman of the board of management. From 1989 to 1991, Dr. Eick was responsible for controlling at WMF AG in Geislingen, and then took over the controlling, planning and IT unit at the Carl Zeiss group in Oberkochen (until 1993). From 1993 to 1998, Dr. Eick was chief financial officer at Gehe AG in Stuttgart, which is part of the Haniel group. In 1999, he moved to the group's strategic management holding company, Franz Haniel & Cie GmbH in Duisburg, and as member of the managing board assumed responsibility for controlling, business administration and IT. Since January 2000, he has been Member of the Deutsche Telekom Board of Management responsible for Finance and Controlling.

Dr. Heinz Klinkhammer. **Board member responsible for Human Resources.** Born in 1946. He studied law and business administration, and received his legal doctorate in 1977 at Freie Universität Berlin. He began his career at the Institute for German and European Labor, Social and Economic Law in Berlin, and then moved on to be a labor court judge in Krefeld and Oberhausen. Between 1979 and 1990, Dr. Klinkhammer worked at the Ministry for Labor, Health and Social Affairs of the regional state of North-Rhine/Westphalia in various management functions, ultimately as the head of Central Matters. In 1991 he was appointed labor director at the Krupp Mannesmann GmbH iron and steel works. From April 1992, he performed the same function as member of the board of management of Mannesmannröhren-Werke AG. In February 1996, the Supervisory Board of Deutsche Telekom AG appointed Dr. Klinkhammer Member of the Board of Management responsible for Human Resources and Arbeitsdirektor (Director of Industrial Relations). He is also in charge of Group Organization.

Josef Brauner. **Board member responsible for T-Com.** Born in 1950. He started his sales career in the U.S. company Avery in 1971, following his commercial and technical education in Munich. In 1975, he became the branch manager for Germany, Austria and Switzerland. In 1980, Josef Brauner as sales manager joined Sony Deutschland GmbH in Munich where, in 1982, he was appointed branch manager. After joining Arnold & Richter Cinetechnik (Arri) in Munich, he returned to Sony in 1986 where he was appointed member of the managing board in 1988 and chairman of the managing board in 1993. In June 1997, he was appointed Head of Sales and Distribution at Deutsche Telekom. He has been a Member of the Deutsche Telekom Board of Management since 1998. Initially he was responsible for the Sales and Customer Care board department. From May 1, 2001 to January 31, 2003, Josef Brauner was in charge of the board department for T-Com and T-Systems (acting responsibility). Since February 1, 2003, he has been Member of the Deutsche Telekom Board of Management responsible for T-Com and CEO of T-Com.

René Obermann. **Board member responsible for T-Mobile.** Born in 1963. After training to become an industrial business administrator at BMW AG in Munich, René Obermann established the trading company ABC Telekom based in Münster in 1986. He was managing partner of the successor company Hutchison Mobilfunk GmbH from 1991 and chairman of the managing board from 1994 to 1998. He was also chairman of the former German Association of Mobile Communication Service Providers (VAM) in 1995 and 1996. From April 1998 to March 2000, René Obermann was Managing Director of T-Mobile Deutschland responsible for Sales, and then assumed the position of Chairman of the Managing Board (until March 2002). From June 2001 to December 2002, he was Member of the Board of Management of T-Mobile International AG responsible for European Operations and Group Synergies. René Obermann has been Member of the Deutsche Telekom Board of Management responsible for T-Mobile since November 2002 and was also appointed Chairman of the Board of Management of T-Mobile International AG in December 2002.

Thomas Holtrop. **Board member responsible for T-Online.** Born in 1954. After studying psychology, in 1981 he embarked on a career with Club Méditerranée Deutschland. After various positions in the tourism and advertising world, he moved to American Express in 1989, where he advanced to become Vice President International Business Partners. As of 1996, Thomas Holtrop helped set up BANK 24 AG as General Representative, and as of 1997 was member of the board of management of Deutsche Bank 24 AG. Thomas Holtrop has been Chairman of the Board of Management of T-Online International AG since January 1, 2001. He was also appointed to the Board of Management of Deutsche Telekom AG on December 1, 2002.

Konrad F. Reiss. **Board member responsible for T-Systems.** Born in 1957. Following studies in business administration in Berlin and Erlangen-Nuremberg and initial career steps, he became founding managing director of two consultancy firms in 1986. After selling these companies to Cap Gemini, Konrad F. Reiss held various management positions within the Cap Gemini group: From 1993 he was global head of LMR Discipline (Leadership, Mobilization & Renewal), from 1994 European head of the DI/ DS Market Team (Diversified Industries/Diversified Services), from 1995 head of the Central Region and member of the Global Executive Board of the Gemini Consulting group. He was also Managing Director of Cap Gemini Deutschland from 1998. In 2000 he moved to join the board of management of DaimlerChrysler Services AG where he was responsible for debis IT Services (CEO debis Systemhaus). In 2001 he established BlueChip Business Laboratories. In January 2003, he was appointed Member of the Board of Management of Deutsche Telekom AG and Chairman of the T-Systems Board of Management.

Supervisory Board's report to the 2003 shareholders' meeting.

The 2002 financial year was a year of great challenges for Deutsche Telekom. After the acquisitions completed in the past years and against the background of a continuously deteriorating global economic climate and the increasing volatility that could be observed on the capital markets as a result of this, Deutsche Telekom faced the task of initiating the sustained consolidation of the Company and reducing its debt.

Supervisory Board activities in financial year 2002. During the 2002 financial year, the Supervisory Board fulfilled the advisory and controlling tasks assigned to it on the basis of the relevant laws and the Company's Articles of Incorporation. To support its activities, the Supervisory Board was regularly informed by the Board of Management, in written or oral form, about management planning, business developments and individual transactions of major importance to the Company. The development of the Company's business, in particular, was regularly discussed during the Supervisory Board meetings. In addition to these reports, the Chairman of the Supervisory Board was informed, as part of their continuous dialog, by the Board of Management, and especially its Chairmen, of results of business activities and significant events.

Apart from the regular reports by the Board of Management and the mutual consultations on business development, the issues discussed in greater detail by the Supervisory Board included, in particular:

- Reorganization of the Board of Management and appointment of a new Chairman and of other new Board members;
- Review of the strategic focus of the Deutsche Telekom Group;
- Revision of the Supervisory Board's rules of procedure;
- Measures initiated by the Board of Management in order to consolidate the Company, particularly measures to increase efficiency, improve results and reduce debt (the so-called triple E project);
- Results of the impairment tests according to FAS 141, 142 which must be carried out at regular intervals under U.S. GAAP (the American accounting standards) and review of the accounting method used for intangible assets in accordance with German GAAP;
- Integration of T-Mobile USA into the Deutsche Telekom Group against the background of developments in the U.S. market;
- Development of the regulatory and competitive environment;
- Development of the Company's human resources requirements and workforce levels;
- Amendment of the Company's statutes to comply with generally accepted corporate governance principles, giving particular consideration to international standards in connection with Deutsche Telekom's listing on the New York Stock Exchange;
- Changes in the shareholdings portfolio of the Deutsche Telekom Group;
- Sale of real estate from the Company's portfolio.

Meetings of the Supervisory Board. The Supervisory Board held five regular and two extraordinary meetings. The General Committee of the Supervisory Board, whose tasks include the preparation of Board meetings, met 24 times in the course of the year under review, thus making a particularly intensive contribution to the Supervisory Board's activities. The Staff Committee held two meetings. As a result of the amended statutes, the former Special Matters Committee was renamed Finance and Controlling Committee as of June 16, 2002. This committee met five times in the course of 2002. To comply with the special requirements of U.S. laws, and in particular the Sarbanes Oxley Act, the Finance and Controlling Committee assumed additional tasks which took effect from November 28, 2002 and was renamed to include the designation Audit Committee.

The Mediation Committee to be set up under § 27 (3) of the German Codetermination Act did not meet during the year under review.

The Supervisory Board was regularly informed about the results of the committee meetings.

There are no events subject to reporting with regard to the frequency of the Board members' participation in Supervisory Board meetings.

Corporate Governance. The Supervisory Board and Board of Management are aware that good corporate governance in the interests of the Company's shareholders and capital markets is an essential precondition for corporate success. The German Corporate Governance Code and a number of relevant provisions under U.S. law have therefore been integrated in the Company's statutes. In December 2002, the Board of Management and Supervisory Board issued the required Declaration of Compliance with the Corporate Governance Code. Our corporate governance policy is also being presented for your information in a separate chapter of Deutsche Telekom's annual report.

Changes in the composition of the Board of Management. During the reporting period, Dr. Ron Sommer, who had been Chairman of the Deutsche Telekom Board of Management since 1995, withdrew from his office on July 16, 2002. The Deputy Chairman, Gerd Tenzer, stepped down on November 28, 2002 as did Dr. Max Hirschberger on November 30, 2002. Jeffrey Hedberg resigned on December 31, 2002.

In order to launch the necessary corporate consolidation measures, the Supervisory Board decided on July 16, 2002 to send its former Chairman, Prof. Dr. Helmut Sihler, to the Company's Board of Management and appoint him as Chairman of the Board for a period of no longer than six months. Upon the appointment of Kai-Uwe Ricke as the new Chairman of the Board of Management, Prof. Dr. Sihler, having fulfilled his mission, withdrew from office in mid November 2002 and reassumed his seat on the Supervisory Board. Prof. Dr. Sihler's mandate as Member of the Supervisory Board was suspended for the duration of his membership of the Board of Management.

Following the appointment of Kai-Uwe Ricke as Chairman of Deutsche Telekom AG's Board of Management on November 14, 2002, the Supervisory Board entered into intensive discussions about the Board of Management's reorganization in terms of strengthening the divisional responsibilities of T-Com, T-Mobile, T-Systems and T-Online, and reflecting this new focus in the Board functions. As a result of these considerations, the responsible representatives from T-Online and T-Mobile, Thomas Holtrop and René Obermann, were newly appointed to the Group's Board of Management on November 28, 2002 and Board responsibilities were redistributed accordingly. At the same time, Dr. Karl-Gerhard Eick was elected Deputy Chairman of the Board of Management. In line with the new distribution of tasks, Josef Brauner is now responsible for the T-Com division which deals with the Company's fixed network activities. The new Board of Management of the Deutsche Telekom Group was completed on January 16, 2003 with the appointment of Konrad F. Weiss as the Board member responsible for the T-Systems division.

Changes in the composition of the Supervisory Board. The employee representatives on the Supervisory Board resigned office, by virtue of law, upon completion of the 2002 shareholders' meeting. The current representatives were then appointed as Supervisory Board members by order of court in accordance with § 104 (1) of the German Stock Corporation Act (Aktiengesetz – AktG) for the interim period until the 2002 Supervisory Board elections had been held within the Deutsche Telekom Group. Following the elections on November 6, 2002, Rainer Koch and Rainer Röll withdrew from the Supervisory Board. All other employee representatives were reelected. Monika Brandl and Lothar Holzwarth were newly elected to the Supervisory Board.

Prof. Dr. Heribert Zitzelsberger resigned his seat on the shareholders' representative bench on November 27, 2002. He was replaced by Dr. Manfred Overhaus who was appointed to the Supervisory Board by order of court in accordance with § 104 (1) AktG effective from November 28, 2002. The judicial appointment is to be confirmed by the 2003 shareholders' meeting.

On February 28, 2003, Dr. André Leysen retired from the Supervisory Board for reasons of age. He was replaced by Dr. Klaus Zumwinkel, who was appointed to the Supervisory Board by order of court in accordance with § 104 (1) AktG with effect from March 7, 2003.

Dr. Winkhaus resigned as Chairman of the Supervisory Board on March 14, 2003. Dr. Klaus Zumwinkel was elected as the new Chairman on the same day.

Gert Becker, Prof. Dr. Helmut Sihler and Dr. Hans-Dietrich Winkhaus, who have been members of the Supervisory Board for many years, will step down from the Supervisory Board with effect from the end of the 2003 shareholders' meeting. For the proposed successors, please refer to the agenda of the 2003 shareholders' meeting.

The Supervisory Board would like to thank its former members for their many years of committed service to the benefit of the Company.

Annual and consolidated financial statements for the 2002 financial year. The annual financial statements, the consolidated financial statements, the management report of Deutsche Telekom AG and the Deutsche Telekom Group, and the Board of Management's proposal for appropriation of net income, which were all prepared and duly submitted by the Board of Management, together with the appropriate auditors' reports were presented to all members of the Supervisory Board. The Supervisory Board reviewed the documents submitted.

The auditing firms, PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (Frankfurt/Main) and Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft (Stuttgart), audited Deutsche Telekom AG's annual financial statements, the consolidated financial statements and the combined management report of the parent company and the Group as of December 31, 2002, including the accounting reports, in accordance with statutory provisions, and issued unrestricted audit certificates. In addition, the auditors reported personally on the above issues, as well as on the U.S. financial statements prepared in accordance with 20 F, during the Supervisory Board meeting held on April 10, 2003 and the preparatory meeting of the relevant Finance and Controlling/Audit Committee.

During its April meeting the Supervisory Board was also informed of the results of the audit and raised no objections. In compliance with § 171 AktG, the Supervisory Board examined the annual financial statements of the parent company and the consolidated financial statements of the Group, the management report of Deutsche Telekom AG and the Deutsche Telekom Group, and the risk report, and approved the annual financial statements of the parent company and the consolidated financial statements. The annual financial statements are thereby approved.

PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft also audited the report disclosing relations with affiliated companies ("Dependent Company Report") which was prepared by the Board of Management in compliance with § 312 AktG. The auditors reported on the results of their audit and issued the following audit certificate:

"Based on the results of our statutory audit and our judgement, we confirm that:
1. the actual information included in the report is correct;
2. the Company's compensation with respect to the transactions listed in the report was not inappropriately high."

The Supervisory Board examined the Board of Management's report disclosing relations with affiliated companies. It did not raise any objections to the Board of Management's final statement contained in the report or to the results of the audits conducted by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft.

The Supervisory Board would like to thank the members of the Board of Management and all employees for their dedicated commitment throughout the 2002 financial year.

Bonn, April 10, 2003
The Supervisory Board

Dr. Klaus Zumwinkel
Chairman

Members of the Supervisory Board of Deutsche Telekom AG in 2002/2003.

Dr. Klaus Zumwinkel. Member of the Supervisory Board since March 7, 2003. Chairman of the Supervisory Board of Deutsche Telekom AG since March 14, 2003. Chairman of the Board of Management of Deutsche Post AG.

Dr. Hans-Dietrich Winkhaus. Member of the Supervisory Board since May 27, 1999. Chairman of the Supervisory Board of Deutsche Telekom AG from May 25, 2000 to March 14, 2003. Member of the Shareholders' Committee of Henkel KgaA, Düsseldorf.

Rüdiger Schulze. Member of the Supervisory Board since March 29,1999. Deputy Chairman of the Supervisory Board of Deutsche Telekom AG. ver.di trade union, Head of Federal Department 9, Berlin.

Gert Becker. Member of the Supervisory Board since January 1, 1995. Former Chairman of the Board of Management of Degussa AG, Düsseldorf.

Monika Brandl. Member of the Supervisory Board since November 6, 2002. Member of the Central Works Council at Deutsche Telekom AG, Bonn.

Josef Falbisoner. Member of the Supervisory Board since October 2, 1997. ver.di trade union, Head of ver.di District of Bavaria.

Dr. Hubertus von Grünberg. Member of the Supervisory Board since May 25, 2000. Member of the Supervisory Board at Continental Aktiengesellschaft, Hanover, et al.

Lothar Holzwarth. Member of the Supervisory Board since November 6, 2002. Chairman of the Works Council of the Business Customer Branch Office, Southwestern District, Stuttgart.

Dr. sc. techn. Dieter Hundt. Member of the Supervisory Board since January 1, 1995. Managing Shareholder of Allgaier Werke GmbH, Uhingen. President of the National Union of German Employer Associations, Berlin.

Rainer Koch. Member of the Supervisory Board from April 12, 2000 to November 6, 2002. Chairman of the Central Works Council at DeTeImmobilien Deutsche Telekom Immobilien und Service GmbH, Münster.

Dr. h.c. André Leysen. Member of the Supervisory Board from January 1, 1995 to February 28, 2003. Honorary Chairman of the Board of Directors of Gevaert N.V., Mortsel/Antwerp (Belgium).

Waltraud Litzenberger. Member of the Supervisory Board since June 1, 1999. Member of the Works Council at the Networks Branch Office in Eschborn.

Michael Löffler. Member of the Supervisory Board since January 1, 1995. Member of the Works Council at Deutsche Telekom AG, Dresden Networks Branch Office.

Dr. Manfred Overhaus. Member of the Supervisory Board since November 28, 2002. State Secretary, Federal Ministry of Finance, Berlin.

Hans-W. Reich. Member of the Supervisory Board since May 27, 1999. Chairman of the Board of Managing Directors, Kreditanstalt für Wiederaufbau (KfW), Frankfurt/Main.

Rainer Röll. Member of the Supervisory Board from November 6, 1998 to November 6, 2002. Vice Chairman of the Central Works Council at Deutsche Telekom AG, Bonn.

Wolfgang Schmitt. Member of the Supervisory Board since October 2, 1997. Head of the Business Customer Branch Office, Southwestern District, Deutsche Telekom AG, Stuttgart.

Prof. Dr. Helmut Sihler. Member of the Supervisory Board since July 1, 1996. Chairman of the Supervisory Board of Deutsche Telekom AG from July 1, 1996 to May 25, 2000. The seat on the Supervisory Board was suspended during the chairmanship of the Board of Management of Deutsche Telekom AG from July 16 to November 14, 2002. Vice President of the Board of Directors of Novartis AG, Basle (Switzerland).

Michael Sommer. Member of the Supervisory Board since April 15, 2000. Chairman of the German Trade Union Federation, Berlin.

Ursula Steinke. Member of the Supervisory Board since January 1, 1995. Chairwoman of the Works Council at DeTeCSM's Northern District Service and Computer Center in Kiel.

Prof. Dr. h.c. Dieter Stolte. Member of the Supervisory Board since January 1, 1995. Publisher of the "Welt" and "Berliner Morgenpost" newspapers.

Bernhard Walter. Member of the Supervisory Board since May 27, 1999. Dresdner Bank AG, Frankfurt/Main.

Wilhelm Wegner. Member of the Supervisory Board since July 1, 1996. Chairman of the Central Works Council at Deutsche Telekom AG, Bonn.

Prof. Dr. Heribert Zitzelsberger. Member of the Supervisory Board from May 27, 1999 to November 27, 2002. State Secretary, Federal Ministry of Finance, Berlin.

Corporate governance.

Sound, systematic corporate governance is particularly important for an international group such as Deutsche Telekom with its numerous subsidiaries and associated companies. Therefore, the Company complies not only with German national regulations (such as the Corporate Governance Code), but also with international standards as applicable to companies listed on international stock exchanges such as the New York Stock Exchange. The regulations of the United States, including the Sarbanes Oxley Act which took effect last year, are of particular relevance in this context. The Supervisory Board and the Board of Management are convinced that sound corporate governance, taking company and industry-specific issues into account, is an important building block in the future success of Deutsche Telekom. Accordingly, responsibility for compliance with the principles of sound corporate governance is vested in senior management.

In accordance with Para. 3.10 of the German Corporate Governance Code, Deutsche Telekom reports on its corporate governance activities as follows:

Deutsche Telekom was already in a situation of compliance with most of the requirements of the German Corporate Governance Code that became effective in the 2002 financial year. The Supervisory Board and the Board of Management have carefully examined the contents of this Code and decided to comply with all but three of the recommendations.

The Supervisory Board and Board of Management of Deutsche Telekom AG released the following Declaration of Compliance with the German Corporate Governance Code on December 19, 2002:

"The Supervisory Board and Board of Management of Deutsche Telekom AG hereby declare that Deutsche Telekom AG complies with the recommendations of the Government Commission for a German Corporate Governance Code announced by the Federal Ministry of Justice, with the following exceptions:

Members of the Supervisory Board do not receive performance-related compensation; membership in committees shall be acknowledged by granting an attendance fee; committee chairpersons do not receive separate compensation (Para. 5.4.5 of the Code).

Owing to the size of the Deutsche Telekom Group and the large number of subsidiaries and associated companies to be included in the annual and quarterly financial statements, it is not possible for the consolidated financial statements to be publicly accessible within 90 days of the end of the financial year and the interim reports within 45 days of the end of the period under review. Both deadlines are exceeded by only a few days, and the aim is to adhere to this deadline in the future (Para. 7.1.2 of the Code).

Deutsche Telekom AG publishes a list of its subsidiaries and associated companies annually, which can be requested from the Company at any time. In the case of subsidiaries and associated companies that are of major importance to Deutsche Telekom AG, in particular those whose revenue and results, together with those of Deutsche Telekom AG, account for more than 90 percent of Group revenue and results, not only are the name and registered office of the company published in the annual report, but also the size of the stake held, the amount of equity and income after taxes of the last financial year (Para. 7.1.4 of the Code)."

This Compliance Declaration can be found on the Deutsche Telekom website (www.telekom.de) at the following path: Investor Relations/Corporate Governance/ Declaration of Compliance.

Looking beyond the recommendations of the Code, Deutsche Telekom also follows many of the suggestions as outlined in the Code. A case in point is the live Internet broadcast of the Deutsche Telekom shareholders' meeting.

Shareholders' representatives and employees' representatives on the Supervisory Board prepare the Supervisory Board meetings separately, acting with members of the Board of Management if necessary. The Supervisory Board can meet without the Board of Management if appropriate. In addition, non-classified company information is published on the Deutsche Telekom website in German and English. However, remuneration accruing to individual members of the Board of Management is not disclosed (Para. 4.2.4), and the Chairperson of the Supervisory Board is also the Chairperson of the Board's Finance and Controlling Committee (Para. 5.2). Remuneration accruing to individual Supervisory Board members is not disclosed in the Notes to the consolidated financial statements (Para. 5.4.5) as the fixed salary defined in § 13 of Deutsche Telekom's Articles of Incorporation and the absence of a variable remuneration arrangement provide a sufficient degree of transparency.

Deutsche Telekom AG and its shareholders. Deutsche Telekom AG has over three million shareholders worldwide. Due to the wide distribution of shares, the Company makes every effort to keep its shareholders up to date on company developments. To enable a continuous flow of information, the Company created the T-Share forum, (Forum T-Aktie) which gives shareholders news on current developments and events. Furthermore, the Deutsche Telekom AG website (www.telekom.de) contains extensive information for retail and institutional investors. The company newsletter, which appears at regular intervals, is another source of useful information for shareholders. This newsletter can be ordered online.

Deutsche Telekom shareholders exercise their voting rights at the annual general meeting either by casting votes themselves or by having their votes cast by a proxy of their choice or by an official proxy voter from the Company. Deutsche Telekom AG was one of the first German companies to offer its shareholders the option of participating in the annual general meeting and casting votes over the Internet. The Company provides proxy voters who are empowered to receive changes to the shareholder's vote via e-mail even during the shareholders' meeting.

Cooperation between the Supervisory Board and the Board of Management. The Board of Management and the Supervisory Board are in regular contact. The Supervisory Board of Deutsche Telekom AG meets five times a year, thus exceeding the minimum statutory requirement. The Board of Management keeps the Supervisory Board fully informed of all relevant business developments, plans and potential risk as well as of any deviations from original business plans. The Board of Management regularly submits written reports. The responsibilities incumbent on the Board of Management as specified in the applicable legislative acts and in the Articles of Incorporation are set out in more detail in the Rules of Procedure. The areas of responsibility assigned to individual Board of Management members reflect the Company's divisional structure. Until November of the year under review, two Board of Management members were responsible for the divisions. Other Board departments were in charge of International Affairs, Finance and Controlling, Production and Technology, Human Resources and Corporate Affairs. The appointment of Kai-Uwe Ricke as the new Chairman of the Board of Management brought a stronger focus on the divisions of Deutsche Telekom. As a result, the chairpersons of the managing bodies of Deutsche Telekom divisions T-Com, T-Mobile, T-Systems and T-Online were appointed to the Deutsche Telekom Group Board of Management. Company-wide centralized functions and responsibilities are assigned to the Chairman of the Board of Management, the Board member responsible for Finance and Controlling and the Board member responsible for Human Resources. Members of the Board of Management must not be older than 62 years of age.

Avoiding conflicts of interest. Board of Management members and Supervisory Board members are obliged to immediately disclose any conflicts of interest to the Supervisory Board. There were no instances of conflict in 2002. Any functions assumed by members of the Board of Management that are not covered under the Board of Management mandate are subject to the approval of the General Committee of the Supervisory Board. In addition to the regulation laid out in § 15a of the German Securities Trading Act, the Company has issued Guidelines on Insider Trading which regulate trading of Deutsche Telekom Group securities by Board members, executive officers and employees, and ensure the necessary degree of transparency.

Board of Management and Supervisory Board remuneration. Board of Management members receive fixed and variable, performance-based remuneration. The stock option plan also acts as a long-term incentive. The Company aims to maintain a healthy balance between the fixed and variable components. In the year under review, the ratio of variable to fixed remuneration leveled out at 60 to 40 percent. Performance-based remuneration is determined on the basis of the targets agreed between the Supervisory Board General Committee and the Board of Management members and the extent to which these targets are achieved. This is assessed by the General Committee on closure of the financial year. In addition, the General Committee of the Supervisory Board may decide to issue stock options from the 2001 stock option plan to members of the Board of Management. In the 2002 financial year, no options were issued to members of the Board of Management. The 2001 stock option plan is described in greater detail in the consolidated financial statements.

Remuneration accruing to Supervisory Board members was last determined by virtue of a resolution passed at the 2000 shareholders' meeting and is described in § 13 of the Articles of Incorporation. According to this, the members of the Supervisory Board receive EUR 25,000 per year. The Chairperson of the Supervisory Board receives double that amount; the Deputy Chairperson receives one and a half times that amount. Members of the Supervisory Board who were not in office for the entire financial year shall receive one twelfth of the remuneration for each month or part thereof that they hold a seat. Members of the Supervisory Board shall receive an attendance fee amounting to EUR 200 for each meeting of the Supervisory Board or its committees that they have attended. The Company shall reimburse value-added tax payable on remuneration and expenses. As stated in the aforementioned Declaration of Compliance in accordance with § 161 of the German Stock Corporation Act, members of Deutsche Telekom's Supervisory Board receive no performance-related compensation. Based upon the results of the 2002 financial year and the fact that no proposal to pay dividends is being made at the shareholders' meeting, the Company believes that the introduction of variable remuneration or additional remuneration for committee involvement would not be appropriate in financial year 2003. Depending on the Company's general performance, it may subsequently be decided that it would be appropriate to propose introducing variable remuneration for the Supervisory Board to the shareholders at a future annual general meeting.

Composition of the Supervisory Board. The Supervisory Board of Deutsche Telekom AG consists of twenty members, specifically ten representatives of the shareholders and ten of the employees. The Supervisory Board members representing the shareholders are elected by simple majority at the shareholders' meeting. The Board members representing employees are elected by the employees according to the provisions of the German Codetermination Act.

Tasks assigned to the Supervisory Board. The Supervisory Board advises the Board of Management in questions of governing the Company and supervises its activities. The Supervisory Board is directly involved in all decisions of strategic importance to the Company. The tasks assigned to the Supervisory Board are laid down in the Rules of Procedure. In order to perform these tasks more effectively, the Supervisory Board has formed four committees: the Mediation Committee as required under § 27 (3) of the Codetermination Act, the General Committee to prepare Supervisory Board meetings and deal with personnel decisions at Board of Management level for the general assembly of the Supervisory Board, the Staff Committee to advise the Board of Management on personnel questions not connected with the Board of Management, and the Finance and Controlling/Audit Committee to deal with complex financial issues and with budgets and annual accounts before they are discussed by the Supervisory Board as a whole. This committee fulfils the duties of an audit committee under U.S. law while observing the statutory German requirements.

In the past financial year, the Supervisory Board set an age limit for ist members. In future, no person shall be nominated at the shareholders' meeting for election to the Supervisory Board if, during the term of office for which he or she would have been elected, that person would have reached his/her 72nd birthday. To clarify the submission requirements on the part of the Board of Management, the Supervisory Board has defined a catalogue of transactions subject to approval. This catalogue forms an integral part of the Rules of Procedure for the Supervisory Board and the Board of Management, respectively.

To the extent permitted under the terms of the law, the Supervisory Board makes use of modern communication media to expedite its work and accelerate the decision-making process in the interests of the Company.

The Chairperson of the Supervisory Board coordinates the work of the Supervisory Board and presides over its meetings. Over and above his/her organizational duties in the Supervisory Board, the Chairperson of the Supervisory Board maintains regular contact with the Chairperson of the Board of Management and with the Board of Management as a whole, in order to stay informed about the Company's strategy, business developments and risk management policy and to discuss these with the Board of Management. In this context, the Chairperson of the Board of Management advises the Chairperson of the Supervisory Board of all events that are significant to the situation, development and governance of the Company.

Risk management. Appropriate management of risks arising in connection with the Company's business activities is of vital importance to the Board of Management and the Supervisory Board. Both the Board of Management and the Supervisory Board receive regular reports from the Risk Management Department of the Company concerning current risks and their development. The risk management system in place at Deutsche Telekom AG is assessed by the external auditors and is constantly being expanded and improved. Details on the topic of risk management can be found in the appropriate chapter of this annual report.

Accounting and audit of financial statements. An agreement has been reached with the company auditors that the Chairperson of the Supervisory Board shall be advised immediately of any issues uncovered during the audit that might give rise to statements of exclusion or reservation in the auditor's report, unless these issues can be resolved forthwith. Moreover it has been agreed that the auditor shall immediately report any findings and issues which emerge during the audit and which have a direct bearing upon the tasks of the Supervisory Board. In addition, the auditing firm undertakes to inform the Supervisory Board or make a note in its report of any facts discovered during the audit which might indicate a discrepancy in the Declaration of Compliance with the German Corporate Governance Code submitted by the Board of Management and Supervisory Board.