



Supervisory Board's report to the 2006 shareholders' meeting.

The 2005 financial year was a successful year for Deutsche Telekom AG and saw a continued improvement in the Group's profitable growth. The Company also succeeded in continuing to reduce its debts. The Supervisory Board intensively pursued its responsibilities of overseeing and advising the Board of Management in the management of business activities in compliance with statutory requirements.

Supervisory Board activities in the 2005 financial year. As a legal requirement, the Board of Management regularly informed the Supervisory Board in written and oral form about management planning, business developments, and individual transactions of major importance to the Company and its principal subsidiaries and associates. The Supervisory Board also reviewed the current situation of the Company at regular intervals. Decisions of strategic importance were submitted to the Supervisory Board for review and approval. In particular, business development was discussed in all of the Supervisory Board meetings. Furthermore, the Chairman of the Supervisory Board was informed by the Board of Management, and especially its Chairman, about results of business activities and significant events as part of their continuous dialog.

In addition to regular reports, the following issues were discussed and reviewed in greater detail by the Supervisory Board:

- The continued development of the strategy of the Group and its strategic business units;
- The progress of the merger of T-Online International AG into Deutsche Telekom AG;
- The status of major projects in the Deutsche Telekom Group, particularly developments regarding the Toll Collect and the Federal Employment Agency project (where Deutsche Telekom employees help with the introduction of restructured benefits for the long-term unemployed);
- Development of the regulatory and competitive environment;
- Corporate governance, particularly with a view to the recommendations and suggestions as outlined in the German Corporate Governance Code and as required by U.S. law (Sarbanes Oxley Act);
- The development of the Group's subsidiaries and associates, especially T-Mobile USA, including the development of the network infrastructure and competitive environment in the United States, as well as the development of the Polish mobile communications subsidiary PTC;
- Results of the impairment tests according to FAS 141, 142 that must be carried out in regular intervals under the American accounting standards (U.S. GAAP), and review of the accounting method used for intangible assets in accordance with German GAAP;
- Development of staff requirements and workforce levels in the Deutsche Telekom Group;
- Changes in the Group's portfolio of shareholdings, specifically the acquisition of Austrian provider tele.ring.

Organization of the Supervisory Board's activities. To increase the efficiency of its work, and taking into consideration the specific requirements made of the Supervisory Board of Deutsche Telekom AG, the Supervisory Board established the following committees (which all have equal representation of shareholders' and employees' interests):

The **General Committee** is responsible for the preparation of the meetings and major decisions of the Supervisory Board as well as for all matters relating to the individual members of the Board of Management. Its members are Dr. Thomas Mirow (with effect from February 3, 2006), Volker Halsch (up to and including January 16, 2006), Franz Tremel, Wilhelm Wegner, and Dr. Klaus Zumwinkel (committee chairman).

The **Finance Committee** deals with complex corporate activities in the areas of finance and business management, which are assigned to it by the Chairman of the Supervisory Board or the Supervisory Board as a whole for review and advice. The members of the Finance Committee are Dr. Hubertus von Grünberg (with effect from February 3, 2006), Volker Halsch (up to and including January 16, 2006), Dr. Klaus G. Schlede (committee chairman), Wolfgang Schmitt, Franz Tremel, Bernhard Walter, and Wilhelm Wegner.

The **Audit Committee** deals with issues relating to accounting and risk management, the requisite independence of auditors, the awarding of the audit contract, the stipulation of the main focuses of the audit and the agreement on fees as well as, within the scope of mandatory German law, with all tasks assigned to the Audit Committee under existing U.S. law for listed companies headquartered outside the United States of America. The members of the Audit Committee are Dr. Hubertus von Grünberg (with effect from February 3, 2006), Volker Halsch (up to and including January 16, 2006), Dr. Klaus G. Schlede (committee chairman), Wolfgang Schmitt, Franz Tremel, Bernhard Walter, and Wilhelm Wegner.

The **Staff Committee** deals with personnel matters of Deutsche Telekom AG, in particular the Company's staff structure and human resources development and planning. The members of the committee are Dr. Dieter Hundt, Franz Tremel (committee chairman), Wilhelm Wegner, and Dr. Klaus Zumwinkel.

A **Joint General and Audit Committee** had been set up back in 2004 to handle the Supervisory Board's oversight responsibilities in connection with the Toll Collect project and the Federal Employment Agency project. Its members were Dr. Hubertus von Grünberg, Dr. Klaus G. Schlede, Wolfgang Schmitt, Franz Tremel, Wilhelm Wegner, and Dr. Klaus Zumwinkel (committee chairman). This committee was dissolved following the successful launch of the toll collection system late in January 2005. Since then reporting on both projects has been retransferred to the plenary of the Supervisory Board.

The **Mediation Committee** required pursuant to § 27 (3) of the German Codetermination Act performs the duties incumbent on it under the law. Its members are Dr. Dieter Hundt, Franz Tremel, Wilhelm Wegner, and Dr. Klaus Zumwinkel (committee chairman).

The chairman of each committee regularly informed the Supervisory Board of the content and results of committee meetings.

Meetings of the Supervisory Board. In the 2005 financial year, the Supervisory Board held four regular meetings and one extraordinary meeting. Furthermore, the Supervisory Board met for an in-depth conference with the Board of Management in order to discuss the Group's strategic alignment. The General Committee of the Supervisory Board met eleven times during the reporting year, thus supporting the Supervisory Board's activities. The Audit Committee held five, and the Finance Committee two meetings in the 2005 financial year. The Supervisory Board's Staff Committee met twice. The Joint General and Audit Committee was convened once for its last meeting. The Mediation Committee did not meet in 2005. There are no events subject to reporting with regard to the frequency of the Board members' participation in Supervisory Board meetings.

Conflicts of interest. In order to avoid any conflict of interests, Mr. Halsch – state secretary in the German Ministry of Finance – and Mr. Walter – who at the same time is a member of the Supervisory Board of Daimler Chrysler AG, a consortium partner in the Toll Collect project – were not members of the joint General and Audit Committee handling the Toll Collect project.

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 2005, the Board of Management and Supervisory Board issued the Declaration of Compliance with the Corporate Governance Code as amended. In addition, the Company's corporate governance policy is also being presented in a separate chapter of this Annual Report.

Changes in the composition of the Board of Management. On September 3, 2005, the Supervisory Board appointed Lothar Pauly as a member of the Company's Board of Management with effect from October 1, 2005. Mr. Pauly is in charge of the Business Customers strategic business area (T-Systems). He is the successor to Konrad F. Reiss who passed away unexpectedly on April 6, 2005. The Company owes much gratitude to Mr. Reiss, who made a highly significant contribution to the Deutsche Telekom Group. His name will always be honorably remembered.

Changes in the composition of the Supervisory Board.

Shareholders' representatives: Dr. Wendelin Wiedeking resigned from the Supervisory Board with effect from February 9, 2005. He was replaced by Prof. Dr.-Ing. Wolfgang Reitzle who was appointed to the Supervisory Board by order of court in accordance with § 104 (1) of the German Stock Corporation Act (AktG) with effect from February 10, 2005. His appointment by court order was confirmed through a by-election at the shareholders' meeting on April 26, 2005.

With effect from midnight on January 16, 2006, Volker Halsch resigned his seat on the Supervisory Board. He was replaced by Dr. Thomas Mirow who was appointed to the Supervisory Board by order of court in accordance with § 104 (1) of the German Stock Corporation Act with effect from January 17, 2006. In accordance with the recommendation in item 5.4.3, sentence 2 of the German Corporate Governance Code, the appointment by court order of Dr. Mirow should be confirmed through a by-election at the 2006 shareholders' meeting.

Employees' representatives: There were no changes amongst the members of the Supervisory Board representing employees during the 2005 financial year.

The Supervisory Board would like to thank the former members of the board for the effort they committed to the good of the Company over many years.

Review of annual financial statements of the parent company and consolidated financial statements for the 2005 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 to it.

The audit firms, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (Frankfurt/Main) and Ernst & Young AG Wirtschaftsprüfungsgesellschaft (Stuttgart), audited the annual financial statements of Deutsche Telekom AG, the consolidated financial statements, and the management report of Deutsche Telekom AG and the Deutsche Telekom Group as of December 31, 2005, together with the bookkeeping system, in accordance with statutory provisions, and issued unrestricted audit certificates. In addition, the auditors reported personally on the above issues, as well as the U.S. financial statements prepared in accordance with 20-F, during the Supervisory Board meeting held on March 1, 2006 and the preparatory meeting of the Audit Committee on February 28, 2006.

During its March meeting, the Supervisory Board was also informed about the results of the audit and raised no objections. In compliance with § 171 of the German Stock Corporation Act, the Supervisory Board examined the annual financial statements of the parent company and the consolidated financial statements of the Deutsche Telekom Group, the management report of Deutsche Telekom AG and the Deutsche Telekom Group, the proposal on appropriation of net income, 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. The Supervisory Board agrees to the Board of Management's proposal on the appropriation of net income.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Ernst & Young AG Wirtschaftsprüfungsgesellschaft also audited the report disclosing relations with affiliated companies (Dependent Company Report) that was prepared by the Board of Management in compliance with § 312 of the German Stock Corporation Act. 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 judgment we confirm that:

1. the actual information included in the report is correct;
2. the Company’s compensation with respect to the legal 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 PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Ernst & Young AG Wirtschaftsprüfungsgesellschaft.

The Supervisory Board would like to thank the members of the Board of Management and all the men and women who work for Deutsche Telekom for their dedicated commitment in the 2005 financial year.

Bonn, March 1, 2006
The Supervisory Board

A handwritten signature in blue ink, appearing to read 'Klaus Zumwinkel', is written over a horizontal line.

Dr. Klaus Zumwinkel
Chairman