



Supervisory Board's report to the 2009 shareholders' meeting.

2008 was a successful year for Deutsche Telekom and a year in which it continued to operate in an extremely intensive competitive and tough regulatory environment. The Group stabilized its business in Germany again in 2008, achieved considerable success above all in its broadband segment, and recorded further international growth. The data misuse affair and general concern for the security of customer data presented the Supervisory Board and the Company's executive bodies with major challenges that they have addressed and will continue to address in the interest of the Company as a whole. The Supervisory Board intensively pursued its responsibility to oversee and advise the Board of Management on managing its business activities in compliance with statutory requirements.

Supervisory Board activities in the 2008 financial year.

The Supervisory Board continuously monitored the management of business and the management of the Group by the Board of Management. The benchmark for this monitoring role was in particular to ensure that the management of business and the management of the Group were lawful, compliant, appropriate, and efficient. The written and oral reports of the Board of Management formed the primary basis for complying with the statutory task of monitoring. The Board of Management regularly reported to the Supervisory Board on the corporate planning, business developments, and significant business transactions of the Company and of principal subsidiaries and associates. At the meetings of the Supervisory Board and its committees, the Supervisory Board regularly reviewed the current situation of the Company on the basis of the Board of Management's written

and oral reports. In particular, the development of the business was discussed in all of the Supervisory Board meetings. The Board of Management completely fulfilled its duties to inform the Supervisory Board. The reports of the Board of Management met the requirements imposed on them by law, good corporate governance, and by the Supervisory Board with regard to both content and scope. In addition to the reports, the Supervisory Board asked for supplementary information and details to be submitted. The Supervisory Board critically analyzed the plausibility of, and scrutinized and reviewed the reports and other information submitted by the Board of Management.

A catalogue produced by the Supervisory Board, which is an integral part of the Rules of Procedure of the Supervisory Board and the Board of Management and is regularly reviewed by the Supervisory Board, lists the types of transactions and measures of fundamental importance for which the Board of Management has to obtain approval from the Supervisory Board. The Supervisory Board discussed with the Board of Management and thoroughly reviewed the transactions and measures that had to be submitted to the Supervisory Board for approval. The discussions and reviews regularly focused on the benefits and effects of the transaction concerned. The Supervisory Board approved all the transactions and measures submitted to it for approval.

Between meeting dates, the Chairman of the Supervisory Board at regular intervals discussed the strategy, business development and risk management of the Company with the Board of Management, and especially its Chairman, and was informed about business activities and significant events.

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

- Development of the Group's strategy. This was specifically discussed at an in-depth conference attended by the Board of Management and the Supervisory Board.
- Data privacy and data security in conjunction with the establishment of and appointment to the new Board of Management Department for Data Privacy, Legal Affairs and Compliance.
- Review of the data misuse affair and protection of the people involved.
- Development of the regulatory and competitive environment, and the resulting actions associated with Group strategy and planning.
- Budget and medium-term planning and dividend policy of the Group.
- Corporate governance, particularly with a view to the recommendations and suggestions as outlined in the German Corporate Governance Code, the requirements of U.S. law resulting from the Sarbanes-Oxley Act, and the imminent changes resulting from the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG).
- Development of the service companies.
- Review of the compensation system for the members of the Board of Management.
- Development of the Group's portfolio of shareholdings, in particular the acquisition of shares in Greece's OTE SA and the sale of Deutsche Telekom Immobilien und Service GmbH.

- Results of the impairment tests that must be carried out at regular intervals under International Financial Reporting Standards (IFRS), and review of accounting methods used for intangible assets in accordance with German GAAP.
- New business customer approach of the Deutsche Telekom Group and the resulting change in business responsibilities at Board of Management level.
- Development of staff requirements and workforce levels in the Deutsche Telekom Group.
- Risk exposure of the Group.
- Supervisory Board's motions for resolution to the shareholders' meeting.

The Supervisory Board and its Audit Committee monitored the Board of Management to verify that it acted lawfully and ensured compliance with legal provisions and internal policies, for example through a compliance unit established throughout the Group. The Supervisory Board and the Audit Committee support the further expansion of this organizational unit by the Board of Management. The Supervisory Board requested regular reports from the Board of Management on the Group-wide risk management and risk controlling systems set up by the Board of Management. On the basis of its reviews, which included discussions with the external auditors, the Supervisory Board came to the conclusion that the Group-wide risk management and risk controlling systems are effective and adequate.

Organization of the Supervisory Board's activities.

To increase the efficiency of its work, and taking into consideration the specific requirements placed on 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 preparing 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. Members: Prof. Dr. Ulrich Lehner (chairman since April 25, 2008), Jörg Asmussen (since July 14, 2008), Waltraud Litzengerger (since October 14, 2008), Dr. Thomas Mirow (until June 30, 2008), Dr. Klaus G. Schlede (chairman from February 27 to April 25, 2008), Lothar Schröder, Wilhelm Wegner (until September 30, 2008), Dr. Klaus Zumwinkel (chairman until February 27, 2008).

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. Members: Bernhard Walter (chairman since May 15, 2008), Hermann Josef Becker (since January 15, 2008), Hans Martin Bury (since May 15, 2008), Lawrence H. Guffey, Lothar Holzwarth (since December 17, 2008), Waltraud Litzengerger (since October 14, 2008), Dr. Klaus G. Schlede (chairman until May 15, 2008), Lothar Schröder (until December 4, 2008), Wilhelm Wegner (until September 30, 2008).

The topics dealt with by the **Audit Committee** include those allocated to it in accordance with German legislation and the German Corporate Governance Code. Furthermore, within the scope of mandatory German law, the Audit Committee also deals with all those duties which are allocated to an audit committee under applicable U.S. law with respect to listed corporations with their registered office outside the United States. In consideration of the changes ensuing from the German Accounting Law Modernization Act, the Audit Committee has extended and detailed its competencies in respect of the duties assigned to it by the Supervisory Board. The members of the Audit Committee are the same as those of the Finance Committee.

The **Staff Committee** deals with personnel matters at Deutsche Telekom AG, in particular the Company's staff structure and human resources development and planning. Members: Lothar Schröder (chairman), Dr. Hubertus von Grünberg, Prof. Dr. Ulrich Lehner (since April 25, 2008), Waltraud Litzengerger (since October 14, 2008), Dr. Klaus G. Schlede (from February 27 to April 25, 2008), Wilhelm Wegner (until September 30, 2008), Dr. Klaus Zumwinkel (until February 27, 2008).

The **Nomination Committee**, which was newly established in 2007, is responsible for proposing to the Supervisory Board suitable candidates for recommendation to the shareholders' meeting for election. In accordance with the recommendation outlined in the German Corporate Governance Code, this committee consists exclusively of shareholder representatives. Members: Prof. Dr. Ulrich Lehner (chairman since April 25, 2008), Jörg Asmussen (since July 14, 2008), Dr. Thomas Mirow (until June 30, 2008), Dr. Klaus G. Schlede (chairman from February 27 to April 25, 2008), Dr. Klaus Zumwinkel (chairman until February 27, 2008).

The **Mediation Committee** required pursuant to § 27 (3) of the German Codetermination Act (Mitbestimmungsgesetz – MitbestG) performs the duties incumbent on it under the law. Members: Prof. Dr. Ulrich Lehner (chairman since April 25, 2008), Dr. Hubertus von Grünberg, Waltraud Litzenberger (since October 14, 2008), Dr. Klaus G. Schlede (chairman from February 27 to April 25, 2008), Lothar Schröder, Wilhelm Wegner (until September 30, 2008), Dr. Klaus Zumwinkel (chairman until February 27, 2008).

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

Meetings of the Supervisory Board.

In the 2008 financial year, the Supervisory Board held four regular meetings and six extraordinary meetings. The Supervisory Board also met for an in-depth conference with the Board of Management to discuss the Group's strategic alignment. The General Committee of the Supervisory Board met eight times during the reporting year. The Audit Committee held five, and the Finance Committee two meetings in the 2008 financial year. The Supervisory Board's Staff Committee met once. In addition, there was one joint meeting of the General and Finance Committees. There were no events subject to reporting in accordance with the recommendations of the German Corporate Governance Code with regard to the frequency of the Board members' participation in Supervisory Board meetings in the 2008 financial year.

Conflicts of interest.

Ulrich Hocker is a member of the Supervisory Board of Deutsche Telekom AG and is also Manager in Chief of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW). DSW represents and supports the interests of investors in various judicial and extra-judicial proceedings against Deutsche Telekom AG, particularly in appraisal rights proceedings associated with the merger of T-Online International AG into Deutsche Telekom AG and in proceedings connected with prospectus liability claims. To ensure from the outset that no conflict of interest could arise in connection with proceedings conducted or supported by DSW against Deutsche Telekom AG, Mr. Hocker declared to the Supervisory Board that, as a member of the Supervisory Board, he would decline to receive reports or information, participate in decisions or attend Supervisory Board or committee meetings where matters in which DSW was representing or supporting interests against Deutsche Telekom AG were discussed. Mr. Hocker also stated that, where necessary, he would consult the Chairman of the Supervisory Board to determine how to address any conflict of interest.

Prof. Dr. von Schimmelmann pointed out that he is also a member of the Board of Directors at accenture. In the Supervisory Board's view, this does not automatically represent a conflict of interests that would prejudice Prof. Dr. von Schimmelmann's independent status. Prof. Dr. von Schimmelmann declined to receive reports or information, participate in decisions or attend Supervisory Board or committee meetings which could involve a concrete conflict of interests. Should the need arise in individual cases, Prof. Dr. von Schimmelmann will consult the Chairman of the Supervisory Board to determine how to address any conflict of interest that occurs.

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 2008, the Board of Management and Supervisory Board issued their annual declaration of conformity with the Corporate Governance Code. The Company's corporate governance policy is also presented in greater detail in a separate chapter of this Annual Report (pages 42–46). In the 2009 financial year, the Supervisory Board again plans to hold its regular efficiency review in compliance with item 5.6 of the German Corporate Governance Code.

Changes in the composition of the Board of Management.

By its resolution dated October 14, 2008, the Supervisory Board established the new Board of Management Department for Data Privacy, Legal Affairs and Compliance. Dr. Manfred Balz, who was formerly General Counsel at Deutsche Telekom, was appointed as the Board member responsible for the new department effective October 22, 2008.

Dr. Karl-Gerhard Eick reached agreement with the Supervisory Board that he would resign his seat on the Board of Management with effect from midnight on February 28, 2009 in order to assume the post of Chairman at Arcandor AG.

At its meeting on February 26, 2009, the Supervisory Board appointed Mr. Timotheus Höttges as the new Member of the Board of Management for Finance effective March 1, 2009 and Mr. Niek Jan van Damme as the new Member of the Board of Management for T-Home, Sales & Service, also effective March 1, 2009. The establishment of a new Board of Management department for Southeastern Europe was also approved at the meeting on February 26, 2009 to account for the growing significance of the Southeastern European region and to bundle responsibility for the existing, integrated operations in the region following the take-over of management control of the Greek company OTE. Mr. Guido Kerkhoff was appointed as a member of the Group Board of Management effective March 1, 2009 with the task of setting up this unit.

At the same meeting, the Supervisory Board also indicated its fundamental support for a new target structure. In future, marketing in the standard business is to be handled on a regional basis. As such, the various remaining fixed-network and mobile communications units are to be brought under uniform management. In addition, the procurement, technology and IT, as well as product and innovation development functions are to be integrated more closely and to be managed within a single department under the leadership of Mr. Akhavan. As part of this measure, Mr. van Damme is to have integrated responsibility for sales, marketing and customer service in Germany. The realignment is to be introduced rapidly in an overarching project and completed by the middle of the year.

Changes in the composition of the Supervisory Board.

Shareholder representatives: In the 2008 financial year, Dr. Klaus Zumwinkel resigned as Chairman of the Supervisory Board and as a member of the Supervisory Board at its meeting on February 27, 2008. Dr. Arndt Overlack was appointed to the Supervisory Board by court order effective March 6, 2008 and resigned from office with effect from midnight on April 16, 2008. Dr. Klaus G. Schlede chaired the Supervisory Board from February 27 to April 25, 2008 and resigned as a member of the Supervisory Board effective the end of the 2008 shareholders' meeting on May 15, 2008. Prof. Dr. Ulrich Lehner was appointed to the Supervisory Board by court order effective April 17, 2008 and elected Chairman of the Supervisory Board effective April 25, 2008. At the shareholders' meeting on May 15, 2008 he and Hans Martin Bury were elected shareholder representatives on the Supervisory Board until the end of the shareholders' meeting that approves the actions of the Supervisory Board for the 2012 financial year. Dr. Thomas Mirow resigned his seat with effect from midnight on June 30, 2008. He was replaced by Jörg Asmussen, who was appointed to the Supervisory Board by court order effective July 1, 2008 until the 2009 shareholders' meeting. Ingrid Matthäus-Maier resigned her seat on the Supervisory Board with effect from midnight on September 30, 2008. She was replaced by Dr. Ulrich Schröder, who was appointed to the Supervisory Board by court order effective October 1, 2008 until the 2009 shareholders' meeting.

Employee representatives: Wilhelm Wegner resigned his seat as an employee representative on the Supervisory Board with effect from midnight on September 30, 2008 because of his retirement from the Company. He was replaced by Hans-Jürgen Kallmeier, who was appointed to the Supervisory Board by court order with effect from October 15, 2008. All employee representatives were confirmed in office by the assembly of company delegates on December 4, 2008.

The Supervisory Board would like to thank the former members of both Boards for the effort they committed to the good of the Company.

Review of annual financial statements of the parent company and consolidated financial statements for the 2008 financial year.

The Board of Management prepared the annual financial statements and the management report as well as the consolidated financial statements and the Group management report of Deutsche Telekom AG on February 9, 2009 and submitted them, together with the proposal for the appropriation of net income, on time to the Supervisory Board.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, which were jointly appointed as auditors of the single-entity financial statements and auditors of the consolidated financial statements (external auditors) for the 2008 financial year by the shareholders' meeting, audited the annual financial statements as of December 31, 2008 and the management report prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) as well as the consolidated financial statements as of December 31, 2008 and the Group management report prepared in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB. They issued an unqualified audit opinion in each case. The audit of the consolidated financial statements also included the additional request to express an opinion as to whether they comply with IFRS as issued by the IASB.

The auditors submitted their reports on the nature and extent as well as the result of their audits (audit reports) to the Supervisory Board. The documentation on the aforementioned financial statements, the auditors' audit reports, and the Board of Management's proposal for the appropriation of net income were made available to the members of the Supervisory Board in good time.

The Supervisory Board also reviewed the documents submitted by the Board of Management and the audit reports of the external auditors.

In preparation for the Supervisory Board's review and resolution, the Audit Committee first concerned itself thoroughly with the aforementioned documents. At its meeting held on February 25, 2009, the Audit Committee asked the members of the Board of Management to explain thoroughly the annual financial statements, the management report, the consolidated financial statements, and the Group management report, as well as the Board of Management's proposal for the appropriation of net income. In addition, questions posed by committee members were answered. Moreover, the external auditors, who also attended the meeting, explained their audits, in particular their key audit areas and the significant results of their audits, as well as their audit reports. The members of the Audit Committee took cognizance of and critically reviewed the audit reports and audit opinions, and discussed them, as well as the audits themselves, with the auditors. The review included questions about the nature and extent of the audits and about the audit results. The Audit Committee satisfied itself that the audits and audit reports were compliant. In particular, it satisfied itself that the audit reports – as well as the audits conducted by the external auditors – met the legal requirements. The Audit Committee recommended to the Supervisory Board that it should approve the results of the audits by the auditors and, since in its opinion there were no objections to the documents submitted by the Board of Management, approve the annual financial statements and the consolidated financial statements and concur with the proposal of the Board of Management for the appropriation of net income.

The Supervisory Board performed the final review of the annual financial statements, management report, consolidated financial statements, and Group management report as well as the Board of Management's proposal for the appropriation of net income on February 26, 2009, taking into account the report and recommendations of the Audit Committee and the audit reports of the external auditors. The members of the Board of Management also attended this meeting, explained the documents they had submitted, and answered the questions of the members of the Supervisory Board. The external auditors also attended this meeting, reported on their audits and their main audit results, explained their audit reports, and answered questions of the members of the Supervisory Board on the nature and extent of the audits and the audit results. This and the report presented by the Audit Committee allowed the Supervisory Board to satisfy itself that the audits and audit reports were compliant. Following the recommendation of the Audit Committee, the Supervisory Board concurred with the result of the audits conducted by the external auditors.

Based on the final result of the Supervisory Board's own review of the annual financial statements, management report, consolidated financial statements, and Group management report as well as the Board of Management's proposal for the appropriation of net income, there were no objections to be raised. Following the recommendation of the Audit Committee, the Supervisory Board approved the annual financial statements and the consolidated financial statements. In particular, the Supervisory Board approved the transfer of EUR 0.0 in profit after income taxes from the single-entity financial statements of Deutsche Telekom AG (income after taxes) to other retained earnings in accordance with § 58 (2) of the German Stock Corporation Act (Aktiengesetz – AktG) in conjunction with § 19 (3) of the Articles of Incorporation. The approval of the Supervisory Board means that the annual financial statements are approved. The Supervisory Board's assessment of the position of the Company and the Group is the same as that of the Board of Management presented in its management report and Group management report.

In accordance with the recommendations of the Audit Committee, the Supervisory Board approved the Board of Management's proposal for the appropriation of net income and concurred with its proposal. At the time of the approval of the Company's medium-term financial planning for the next three years by the Board of Management and the Supervisory Board on December 2, 2008, the Supervisory Board concerned itself intensively with the medium-term financial and investment plans, in particular with the development of earnings, free cash flow, and balance sheet ratios. The Board of Management's proposal regarding the appropriation of net income, submitted on February 9, 2009, was discussed at the Audit Committee meeting on February 25, 2009 and the Supervisory Board meeting on February 26, 2009, with external auditors present at both meetings. The proposal foresaw a total dividend payment of around EUR 3.4 billion and a carryforward of the remaining balance to unappropriated net income of around EUR 2.0 billion. In consideration of the medium-term finance and investment plans and in particular the development of the Company's earnings, free cash flow, and balance sheet ratios, and in the interest of an attractive dividend policy, the proposal was adopted.

Review of the dependent company report.

The Board of Management's dependent company report for the 2008 financial year was approved by the Board of Management on February 9, 2009 and presented to the Supervisory Board in good time.

The external auditors audited the dependent company report and issued the following audit opinion:

"Based on the results of our statutory audit and our judgment we confirm that

1. the actual information 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 external auditors submitted the audit report to the Supervisory Board. The dependent company report and the respective audit report were made available to all members of the Supervisory Board in good time.

The Supervisory Board for its part reviewed the dependent company report of the Board of Management and the audit report of the external auditors.

In preparation for the Supervisory Board's review and resolution, the Audit Committee first concerned itself thoroughly with the aforementioned documents. At its meeting held on February 25, 2009, the Audit Committee asked the members of the Board of Management to explain the details of the dependent company report. In addition, questions posed by committee members were answered. Moreover, the external auditors, who also attended the meeting, reported on their audit, in particular their key audit areas and the significant results of their audit, and explained their audit report. The members of the Audit Committee took cognizance of and critically reviewed the audit report and audit opinion, and discussed them, as well as the audits themselves, with the auditors. The review included questions about the nature and extent of the audit and about the audit results. The Audit Committee satisfied itself that the audit and audit report were compliant. In particular, it satisfied itself that the audit report – as well as the audit conducted by the external auditors – met the legal requirements. The Audit Committee recommended to the Supervisory Board to approve the results presented by the external auditors, as the committee sees no grounds for objections to the Board of Management's declaration on the dependent company report.

The Supervisory Board performed the final review at its meeting on February 26, 2009, taking into account the audit report of the external auditors. The members of the Board of Management also attended this meeting, explained the dependent company report, and answered the questions of the members of the Supervisory Board. The external auditors also attended this meeting, reported on their audit of the dependent company report and their main audit results, explained their audit report, and answered questions of the members of the Supervisory Board on the nature and extent of the audit of the dependent company report and the audit results. This and the report presented by the Audit Committee allowed the Supervisory Board to satisfy itself that the audit of the dependent company report and audit report were compliant. In particular, it satisfied itself that the audit report – as well as the audit conducted by the external auditors – met the legal requirements. The Supervisory Board examined the dependent company report above all for completeness and accuracy. In doing so, it also satisfied itself that the group of dependent companies had been defined with due care and that the necessary systems for recording legal transactions and measures subject to disclosure had been put in place. The review did not reveal any indications of objections to the dependent company report. Following the recommendation of the Audit Committee, the Supervisory Board concurred with the result of the audit of the dependent company report conducted by the external auditors. Based on the final result of the Supervisory Board's own review of the dependent company report, there are no objections to the Board of Management's declaration on the dependent company report.

The Supervisory Board would like to thank the members of the Board of Management and all of Deutsche Telekom's employees for their commitment and dedication in the 2008 financial year.

Bonn, February 26, 2009
The Supervisory Board

Prof. Dr. Ulrich Lehner
Chairman