



Supervisory Board's report to the shareholders' meeting 2008.

Although Deutsche Telekom continued to operate in an extremely intensive competitive and tough regulatory environment in the 2007 financial year, the Group stabilized its business in Germany, achieved considerable success in the broadband business, and recorded further international growth. 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 2007 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, 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, 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 with the Board of Management, and especially its chair, 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:

- The development of the Group's strategy; This was in particular the subject of an in-depth conference between the Board of Management and the Supervisory Board, which lasted for two days.
- The 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 and as required by U.S. law (Sarbanes-Oxley Act).
- Formation and development of the service companies.
- Development of the Group's portfolio of shareholdings, especially the acquisition of Orange NL and SunCom Wireless Holding Inc. (United States) as well as the sale of T-Online France, T-Online Spain, Viento Technical Services, and Media Broadcast GmbH. The respective resolutions were passed in each case on the basis of detailed documents and in-depth discussion of the contents.

- Realignment of the Board of Management's schedule of responsibilities, appointment of a new Board member responsible for Human Resources and Labor Director and appointment of a new Board member responsible for Business Customers.
- Results of the impairment tests according to FAS 141, 142 that must be carried out at regular intervals under American accounting standards (U.S. GAAP), and review of accounting methods used for intangible assets in accordance with German GAAP.
- 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 organization established throughout the Group. 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. It is made up of Dr. Thomas Mirow, Lothar Schröder, Wilhelm Wegner, and Dr. Klaus Zumwinkel (committee 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 chair of the Supervisory Board or the Supervisory Board as a whole for review and advice. The members of the Finance Committee are Hermann Josef Becker (from January 15, 2008), Lawrence H. Guffey, Dr. Klaus G. Schlede (committee chairman), Wolfgang Schmitt (until December 31, 2007), Lothar Schröder, Bernhard Walter, and Wilhelm Wegner.

The **Audit Committee** deals with issues relating to accounting and risk management, the requisite independence of auditors, the engagement of auditors, the definition of key audit areas, agreement of the engagement fee, and, within the scope of mandatory German law, all tasks assigned to the Audit Committee under U.S. law for listed companies headquartered outside the United States. The members of the Audit Committee are Hermann Josef Becker (from January 15, 2008), Lawrence H. Guffey, Dr. Klaus G. Schlede (committee chairman), Wolfgang Schmitt (until December 31, 2007), Lothar Schröder, Bernhard Walter, and Wilhelm Wegner.

The **Staff Committee** deals with personnel matters at Deutsche Telekom AG, in particular the Company's staff structure and human resources development and planning. The members of the committee are Dr. Hubertus von Grünberg, Lothar Schröder (committee chairman), Wilhelm Wegner, and 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. The members of the committee are Dr. Thomas Mirow and 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. Its members are Dr. Hubertus von Grünberg, Lothar Schröder, Wilhelm Wegner, and Dr. Klaus Zumwinkel (committee chairman until February 27, 2008).

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

Meetings of the Supervisory Board.

In the 2007 financial year, the Supervisory Board held four regular meetings and four 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 eleven times during the reporting year. The Audit Committee met four times during the 2007 financial year. The Supervisory Board's Staff Committee met twice. In addition, there were three joint meetings of the General and the Finance Committees. The Mediation Committee met once in the 2007 financial year. 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 2007 financial year.

Conflicts of interest.

Ulrich Hocker has been 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 the valuation of real estate held by Deutsche Telekom AG. 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 chair of the Supervisory Board to determine how to address any conflict of interest.

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 2007, the Board of Management and Supervisory Board issued their annual declaration of conformity with the Corporate Governance Code. In addition, the Company's corporate governance policy is also being presented in a separate chapter of this Annual Report (pp. 23–27).

Changes in the composition of the Board of Management.

As of the end of December 31, 2006, Dr. Heinz Klinkhammer resigned from his position as Board member responsible for Human Resources and Labor Director of Deutsche Telekom AG for personal reasons. The Supervisory Board gave Dr. Karl-Gerhard Eick temporary responsibility for the Human Resources Board department and the position of Labor Director from January 1, 2007. At its meeting on May 2, 2007, the Supervisory Board of Deutsche Telekom AG appointed Thomas Sattelberger as the new Board member responsible for Human Resources and Labor Director, effective May 3, 2007.

As of the end of May 31, 2007, Lothar Pauly resigned from his position as Board member responsible for Business Customers and Production at his own requests and by agreement with the Supervisory Board. At an extraordinary meeting of the Supervisory Board on June 6, 2007, Dr. Karl-Gerhard Eick was given temporary responsibility for Direct Sales, Business Customers, and Billing. At the same meeting, Hamid Akhavan was given responsibility for Technology, IT and Processes, as well as for Procurement and Infrastructure. At its meeting on September 29, 2007, the Supervisory Board appointed Reinhard Clemens as Board member responsible for Business Customers, effective December 1, 2007.

Changes in the composition of the Supervisory Board.

Shareholder representatives: There were no changes in the composition of the Supervisory Board among shareholder representatives in the 2007 financial year. The shareholders' meeting held on May 3, 2007 elected as shareholder representatives the Supervisory Board members who had previously been appointed by order of court, Lawrence H. Guffey and Ulrich Hocker, for the period up to the end of the shareholders' meeting that will pass a resolution on the approval of Supervisory Board's actions for the 2011 financial year. In the 2008 financial year, Dr. Klaus Zumwinkel resigned as Chairman of the Supervisory Board and as a member of the Supervisory Board effective the end of the meeting on February 27, 2008. The Supervisory Board proposes to the shareholders' meeting that Prof. Dr. Ulrich Lehner be elected to the Supervisory Board. The intention is for Prof. Dr. Lehner also to be the new Chairman of the Supervisory Board. Hans Martin Bury was proposed for election to the Supervisory Board to replace Dr. Klaus G. Schlede, who will leave the Supervisory Board effective as of the end of the 2008 shareholders' meeting. In its meeting on February 27, 2008, the Supervisory Board elected Dr. Klaus G. Schlede as Chairman for the period until Prof. Dr. Ulrich Lehner joins the Supervisory Board.

Employee representatives: As of the end of the shareholders' meeting held on May 3, 2007, Ursula Steinke resigned her seat on the Supervisory Board because of her retirement from the Company. She was replaced by Sylvia Kühnast, who was appointed to the Supervisory Board by court order with effect from May 3, 2007. With effect from the end of December 31, 2007, Wolfgang Schmitt resigned from his position as Supervisory Board member representing executives and senior executives because of his retirement from the Company. He was replaced by Hermann Josef Becker, who was appointed to the Supervisory Board by court order with effect from January 1, 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 2007 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 11, 2008 and submitted them, together with the proposal for the appropriation of net income, on time to the Supervisory Board.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am 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 2007 financial year by the shareholders' meeting, audited the annual financial statements and management report prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) as well as the consolidated financial statements and 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 26, 2008, 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 accept the results of the audits by the auditors and approve the annual financial statements and the consolidated financial statements 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..

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 27, 2008, 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 around EUR 6.6 billion 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 (Aktengesetz – 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.

The Supervisory Board approved the Board of Management's proposal for the appropriation of net income and concurred with its proposal despite criticism voiced by the employees' representatives. 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 6, 2007, 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. Against this background, the Board of Management and the Supervisory Board announced already on December 6, 2007 their intention to propose to the shareholders' meeting – subject to the approved annual financial statements for the 2007 financial year – to increase the dividend from previously EUR 0.72 to EUR 0.78 per share carrying dividend rights. The Board of Management's proposal regarding the appropriation of net income, submitted on February 11, 2008, was discussed at the Audit Committee meeting on February 26, 2008 and the Supervisory Board meeting on February 27, 2008, 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 3.3 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 2007 financial year was finalized on February 11, 2008 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 26, 2008, 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 at the end of the dependent company report.

The Supervisory Board performed the final review at its meeting on February 27, 2008, 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 at the end of 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 2007 financial year.

Bonn, February 27, 2008
The Supervisory Board



Dr. Klaus Zumwinkel
Chairman