For Deutsche Telekom, the 2012 financial year was marked by future strategic planning for the U.S. business, the persistently challenging macroeconomic environment in Southern and Eastern Europe, and ongoing high competitive and regulatory pressure. Despite these ongoing challenges, the Group generated good results in the 2012 financial year and fulfilled expectations. The Supervisory Board exercised its statutory functions as an advisory and supervisory body and gave the Board of Management its full support.

SUPERVISORY BOARD ACTIVITIES IN THE 2012 FINANCIAL YEAR.

The Supervisory Board continually monitored the Board of Management’s activities to manage the business and the Group as a whole. Specifically, its supervisory role consisted of ensuring that these activities were lawful, compliant, appropriate, and efficient. The primary prerequisites for fulfilling this role were the Board of Management’s written and oral reports. In particular, the Board of Management regularly reported to the Supervisory Board on business developments, planning, corporate strategy, the risk situation, risk management, compliance, and any deviations in the business developments from original plans, as well as significant business transactions involving the Company and significant subsidiaries and associates. The Supervisory Board regularly reviewed the situation of the Company on the basis of the Board of Management’s written and oral reports each time the Supervisory Board or one of its committees met. The business trends were discussed at each meeting of the Supervisory Board. The Board of Management fulfilled its duties to inform the Supervisory Board quickly and in full. The Board of Management’s reports met all statutory requirements, the standards of good corporate governance, and the criteria imposed on them by the Supervisory Board with regard to both content and scope. In addition to the reports, the Supervisory Board requested and received supplementary information. The Supervisory Board critically analyzed and verified the plausibility of these reports and other information.
A document prepared by the Supervisory Board lists all types of transactions and measures of fundamental importance for which the Board of Management has to obtain approval from the Supervisory Board. This document is an integral part of the Rules of Procedure of the Supervisory Board and the Board of Management. The Supervisory Board met with the Board of Management for a discussion and thorough review of all the transactions and measures that require the Supervisory Board’s approval. The Supervisory Board approved the transactions and measures submitted for resolution. The Audit Committee regularly met to examine a variety of issues, including the quarterly reports, discuss these with the external auditors, and approve them.

Between meetings, the Chairman of the Supervisory Board regularly met with the Board of Management and especially with its Chairman to discuss issues relating to the Company’s strategy, its plans, the development of its business, the situation in terms of risks and risk management as well as compliance, and was informed of the general business situation and significant events.

Besides the statutory regular reports, the Supervisory Board and its committees also discussed and reviewed the following issues in greater depth:

- The business strategy in the United States (above all network modernization, acquisition of spectrum, disposal of tower portfolio, combination with MetroPCS).
- The integrated network strategy for broadband roll-out in Germany.
- The development of the Greek OTE group.
- The implementation of the Group strategy.
- The support for innovations and technological developments with the focus on the Cloud, intelligent networks, digital business units and T-Venture.
- The further development of the regulatory and competitive environment and the resulting implications for the Group’s strategy and planning.
- The development of the Group’s portfolio of shareholdings with the focus on southeastern Europe.
- The participation in frequency auctions in European countries (Romania, Croatia, Netherlands, Czech Republic).
- The Group’s budget and medium-term planning as well as the finance strategy and shareholder remuneration policy.
- The appointment of a new Board member responsible for Data Privacy, Legal Affairs and Compliance.
- The participation of Telekom Deutschland in the bidding process for the award of Bundesliga rights.
- The development of staffing requirements, headcount, and qualitative personnel planning.
- The Group’s risk and compliance situation.
- The 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.
- The corporate governance, with special emphasis given to the recommendations and suggestions of the German Corporate Governance Code.
- The annual financial statements, the consolidated financial statements for the 2011 financial year.
- The motions for resolution to the 2012 ordinary shareholders’ meeting, in particular the Supervisory Board’s recommendation to the shareholders’ meeting concerning the appointment of external auditors and the Supervisory Board’s recommendation to the shareholders’ meeting concerning the appointment of members of the Supervisory Board as shareholders’ representatives.
The efficiency and adequate independence of the Supervisory Board.

The long-term succession planning for the Board of Management.

The appropriateness of Board of Management compensation and the principles of the Board of Management compensation system.

The release of the Chairman of the Board of Management at the end of 2013 at his own request, early announcement of the planned appointment of the current Chief Financial Officer as his successor.

The Supervisory Board and the Audit Committee in particular verified that the Board of Management acted lawfully and ensured compliance with legal provisions and internal standards and policies. For example, a Group-wide compliance organization was set up. The Supervisory Board also regularly met with the Board of Management to discuss the Group-wide risk management and risk controlling systems that had been introduced. Having conducted its own reviews and discussed the matter with the external auditors, the Supervisory Board came to the conclusion that both the internal control and risk management system and Group-wide risk controlling are effective.

ORGANIZATION OF THE SUPERVISORY BOARD’S ACTIVITIES.

To increase the efficiency of its work, and in consideration of the specific requirements it has to fulfill, the Supervisory Board of Deutsche Telekom AG has set up the following committees, all of which have an equal number of shareholders’ and employees’ representatives, with the exception of the Nomination Committee:

The **General Committee** is responsible for preparing the meetings and major decisions of the Supervisory Board, as well as for preparing matters relating to the individual members of the Board of Management. Members: Prof. Dr. Ulrich Lehner (Chairman), Dr. Hans Bernhard Beus, Waltraud Litzenberger, Lothar Schröder.

The **Finance Committee** mainly deals with complex financial and business management topics within the Company. Members: Prof. h. c. (CHN) Dr.-Ing. E.h. Dr. Ulrich Middelmann (Chairman), Hermann Josef Becker (until December 31, 2012), Silvia Hauke (since January 1, 2013), Dr. Wulf H. Bernotat, Monika Brandl, Lothar Holzwarth, Dr. Ulrich Schröder.

The **Audit Committee**’s area of responsibility is defined by German legislation and the German Corporate Governance Code. These include, in particular, monitoring the accounting process, the effectiveness of the internal control system, the internal auditing systems, compliance and data privacy. The committee also handles matters relating to the audit of the Company’s financial statements, verifies the independence of the external auditors, and monitors any additional services provided by the external auditors, the commissioning of the external auditor, the stipulation of the main focuses of the audit and the agreement on fees. After thorough discussion, the Audit Committee issued a recommendation to the Supervisory Board about the external auditors to be nominated by the 2013 shareholders’ meeting.
Dr. h. c. Bernhard Walter, Chairman of the Audit Committee, is an independent member and has expert knowledge of accounting and auditing (§ 100 (5) of the German Stock Corporation Act (Aktiengesetz – AktG)). He is also particularly knowledgeable and experienced in the application of accounting standards and internal control procedures. The other Committee members are: Hermann Josef Becker (until December 31, 2012), Petra Steffi Kreusel (since January 1, 2013), Hans Martin Bury (until October 31, 2012), Lawrence H. Guffey, Hans-Jürgen Kallmeier, Dagmar P. Kollmann (since November 1, 2012), Waltraud Litzenberger.

In the 2012 financial year, the Audit Committee again held its annual extraordinary meeting on fundamental issues in addition to its regular meetings. The 2012 extraordinary meeting mainly dealt with the effectiveness of risk management, compliance, accounting, data privacy and data security, financial statement audits, the responsibilities of the Audit Committee, and new developments in the fields of legislation and accounting.

The Staff Committee deals with personnel matters at Deutsche Telekom, in particular the Company’s staff structure and human resources development and planning. In particular, the Staff Committee discussed matters relating to headcounts and staffing requirement planning for the purpose of preparing Supervisory Board resolutions on budgets and medium-term planning. Members: Lothar Schröder (Chairman), Ulrich Hocker (until May 24, 2012), Dagmar P. Kollmann (since June 21, 2012), Prof. Dr. Ulrich Lehner, Waltraud Litzenberger.

The Nomination Committee is responsible for proposing to the Supervisory Board suitable candidates for the latter to subsequently recommend 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 and Dr. Hans Bernhard Beus.

The responsibilities of the Mediation Committee, formed pursuant to § 27 (3) of the German Codetermination Act (Mitbestimmungsgesetz – MitbestG), are determined by law. Members: Prof. Dr. Ulrich Lehner (Chairman), Dr. Hubertus von Grünberg, Waltraud Litzenberger, Lothar Schröder.

The Technology and Innovation Committee supports and promotes innovation and technological developments at infrastructure and product level and supports the Board of Management with advice on how to tap new growth areas. Members: Dr. Hubertus von Grünberg (Chairman), Hans-Jürgen Kallmeier, Prof. Dr. Ulrich Lehner (until December 31, 2012), Sari Baldauf (since January 1, 2013), Lothar Schröder.

A special committee for U.S. business was set up in January 2012. Members: Prof. Dr. Ulrich Lehner (Chairman), Dr. Wulf H. Bernotat, Monika Brandl, Lothar Holzwarth, Prof. h. c. (CHN) Dr.-Ing. E. h. Dr. Ulrich Middelmann, Lothar Schröder.

In addition, a special committee for the acquisition of Bundesliga rights was set up for the period March to April 2012. Members: Prof. Dr. Ulrich Lehner (Chairman), Dr. Wulf H. Bernotat, Lothar Holzwarth, Waltraud Litzenberger, Prof. h.c. (CHN) Dr.-Ing. E.h. Dr. Ulrich Middelmann, Lothar Schröder.

The committees’ chairpersons regularly informed the Supervisory Board at its meetings of the content and results of committee meetings.
MEETINGS OF THE SUPERVISORY BOARD.

In the 2012 financial year, the Supervisory Board held four regular meetings and three extraordinary meetings. The Supervisory Board also met for an in-depth conference to discuss issues of strategic relevance. The General Committee of the Supervisory Board met seven times during the reporting year (including one joint meeting with the Finance Committee). The Audit Committee convened six times in the 2012 financial year, the Finance Committee had seven meetings (one together with the General Committee and one in combination with the special committee for U.S. business). The Staff Committee and the Nomination Committee of the Supervisory Board held two meetings each, and the Technology and Innovation Committee met three times. The Special Committee for Bundesliga rights met once and the special committee for U.S. business four times (of which one meeting was held together with the Finance Committee). There was no need for a meeting of the Mediation Committee in the reporting year. With regard to the frequency of the Board members’ participation in Supervisory Board meetings in the 2012 financial year, there were no events that would have to be reported pursuant to the recommendations of the German Corporate Governance Code.

CONFLICTS OF INTEREST.

Ulrich Hocker was a member of the Supervisory Board of Deutsche Telekom AG until May 24, 2012 and at the same time President of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW). DSW represents and supports the interests of investors vis-à-vis Deutsche Telekom AG in various matters. To ensure from the outset that no conflict of interest could arise in this respect, Mr. Hocker declared before the Supervisory Board that, as a member of the Supervisory Board, he would decline to receive reports or information, vote on resolutions, and attend Supervisory Board and committee meetings that dealt with matters in which DSW was representing or supporting interests against Deutsche Telekom AG. There were, however, no conflicts of interest requiring any of the measures mentioned above.

Dr. Hans Bernhard Beus is a member of the Supervisory Board and at the same time State Secretary at the Federal Ministry of Finance. Dr. Ulrich Schröder is a member of the Supervisory Board of Deutsche Telekom AG and is also Chairman of the Board of Managing Directors at Kreditanstalt für Wiederaufbau (KfW). The Supervisory Board is aware that Deutsche Telekom AG is involved in various legal disputes in which the Federal Republic of Germany is the opposing party. KfW was also one of the opposing parties in the recourse proceedings with Deutsche Telekom AG (compensation claim relating to the third public offering), which have since been settled. There were no conflicts of interest requiring action with any of the aforementioned members of the Supervisory Board. Should a conflict of interest arise, the Supervisory Board members will discuss how to proceed with the Chairman of the Supervisory Board.
CORPORATE GOVERNANCE.

The Supervisory Board and Board of Management are aware that good corporate governance is essential for corporate success. The provisions of the German Corporate Governance Code are hence reflected in the Company’s statutes. The Board of Management and the Supervisory Board last issued their declaration of conformity with the Corporate Governance Code in December 2012.

CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT.

The Supervisory Board resolved on February 22, 2012 to appoint Dr. Thomas Kremer as the Board member responsible for Data Privacy, Legal Affairs and Compliance. He succeeded Dr. Balz effective June 1, 2012.

On July 4, 2011, the Supervisory Board appointed Prof. Dr. Marion Schick as the Board member responsible for Human Resources and as Labor Director with effect from May 3, 2012.

The Supervisory Board resolved on December 20, 2012 to agree to Mr. René Obermann’s request to terminate his appointment as Chairman of the Board of Management effective December 31, 2013.

Mr. Timotheus Höttges was appointed Deputy Chairman of the Board of Management effective January 1, 2013 as per resolution of December 20, 2012. He will continue heading the Finance department and is to be appointed Chairman of the Board of Management in the course of 2013, effective January 1, 2014.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD.

Shareholders’ representatives: At the shareholders’ meeting on May 24, 2012, the Supervisory Board members holding office, Dr. Hans Bernhard Beus, who had previously been court-appointed as a member of the Supervisory Board, and Lawrence H. Guffey, who stood for a second term of office, were elected to the Supervisory Board for the period up to the end of the shareholders’ meeting that will approve the actions of the Supervisory Board for the 2016 financial year.

Ulrich Hocker resigned his seat on the Supervisory Board with effect from the end of the shareholders’ meeting on May 24, 2012. The shareholders’ meeting elected Dagmar P. Kollmann to the Supervisory Board for the period up to the end of the shareholders’ meeting that will approve the actions of the Supervisory Board for the 2016 financial year.

Hans Martin Bury resigned from the Supervisory Board effective October 31, 2012. Sari Baldauf has been appointed a shareholders’ representative on the Supervisory Board by the relevant district court effective November 1, 2012 until the end of the 2013 shareholders’ meeting.

Employees’ representatives: Michael Löffler resigned from the Supervisory Board effective May 31, 2012. Klaus-Dieter Hans was appointed an employees’ representative on the Supervisory Board by the relevant district court effective June 1, 2012.
Hermann Josef Becker resigned from the Supervisory Board effective December 31, 2012. Petra Steffi Kreusel was appointed an employees’ representative on the Supervisory Board by the relevant district court effective January 1, 2013 until the end of the 2013 shareholders’ meeting.

The Supervisory Board would like to thank the former members of both Boards for their valuable service.

**REVIEW OF ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2012 FINANCIAL YEAR.**

The Board of Management submitted the annual financial statements and the management report, which was combined with the Group management report, the consolidated financial statements, and the Group management report of Deutsche Telekom AG, which was combined with the management report, together with its proposal for the appropriation of net income, to the Supervisory Board in good time.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, which was appointed as auditor of the single-entity financial statements and auditor of the consolidated financial statements (“external auditor”) for the 2012 financial year by the shareholders’ meeting on the recommendation of the Audit Committee and proposed for appointment by the entire Supervisory Board, audited the annual financial statements as of December 31, 2012, which were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB), and the management report, which was combined with the Group management report, as well as the consolidated financial statements as of December 31, 2012, which were prepared in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB, and the Group management report, which was combined with the management report, and issued an unqualified audit opinion for each document.

Before the Audit Committee passed a resolution on its recommendation to the Supervisory Board for the proposal for election to be submitted to the shareholders’ meeting, the external auditor confirmed that there are no business, financial, personal or other relationships between itself, its executive bodies and audit managers on the one hand and the Company and its executive body members on the other that may cast doubt on its independence. The auditor also states to what extent other services were rendered for the Company in the previous financial year, in particular consulting services, and to what extent such services have been contracted for the following year. On this basis, the Audit Committee verified and confirmed the external auditor’s requisite independence. It informed the Supervisory Board of the outcome of this review before the Supervisory Board prepared its resolution to propose to the shareholders’ meeting to appoint said external auditor.

The external auditor also confirmed to the Audit Committee and the Supervisory Board in their financial statement review meetings on February 26/27, 2013 that there are no circumstances that may give rise to doubts about the external auditor’s impartiality. In this context, the external auditor also reported on any services performed in addition to auditing services. In the Supervisory Board meeting on February 27, 2013, the Audit Committee informed the Supervisory Board about its monitoring of the external auditor’s independence while taking account of the non-audit services provided and about its conclusion that the external auditor continues to be independent as necessary.
The external auditor submitted its reports on the nature and extent as well as the result of its audits (audit report) to the Supervisory Board. The documentation on the aforementioned financial statements, the external auditor’s audit report, 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 conducted its own review of the documents submitted by the Board of Management and the external auditor’s audit reports.

Prior to the review and resolution by the Supervisory Board, the Audit Committee conducted a thorough review of the aforementioned documents. The annual financial statements, the consolidated financial statements, and the combined management report and Group management report, as well as the Board of Management’s proposal for the appropriation of net income were explained in detail by the Board of Management to the members of the Audit Committee at its meeting on February 26, 2013. The members of the Board of Management also answered the committee members’ questions. Moreover, the external auditor explained its audits, in particular the key audit areas defined in agreement with the Audit Committee and the Supervisory Board, the main results of its audit, and its audit report. The external auditor did not identify any material weaknesses in the internal control system, the risk management system, or the accounting process. The members of the Audit Committee acknowledged and critically reviewed the audit report and audit opinion, and discussed them, as well as the audits themselves, with the external auditor. The review included questions about the nature and extent of the audit and about the audit findings. The Audit Committee satisfied itself that the audit and the audit report were compliant. In particular, it satisfied itself that the audit report, and the audit conducted by the external auditor, met the legal requirements. The Audit Committee agrees with the external auditor that there are no material weaknesses, in particular with regard to the accounting process, in the internal control or risk management systems. The Audit Committee recommended to the Supervisory Board to approve the results of the audit conducted by the external auditor and, since it had no objections to the documents submitted by the Board of Management, to support the Board of Management’s proposal for the appropriation of net income.

The Supervisory Board performed the final review of the annual financial statements, the consolidated financial statements, and the combined management report and Group management report, as well as the Board of Management’s proposal for the appropriation of net income on February 27, 2013, taking into account the report and recommendations of the Audit Committee and the external auditor’s audit report. The members of the Board of Management attended this meeting, explained the documents they had submitted, and answered the questions from the Supervisory Board. The external auditor was present and reported on its audits and the main findings of its audits, explained its audit report, and answered the questions raised by the Supervisory Board, in particular relating to the nature and extent of the audits and the audit findings. Based on this and the report presented by the Audit Committee, the Supervisory Board satisfied itself that the audit and the audit report were compliant. The Supervisory Board followed the Audit Committee’s recommendation and approved the result of the external auditor’s audit.
Based on the final outcome of the Supervisory Board’s own review of the annual financial statements, the consolidated financial statements, and the combined management report and Group management report, as well as the Board of Management’s proposal for the appropriation of net income, no objections need be raised. The same applies to the Corporate Governance Statement even insofar as it is not to be audited by the external auditor. The Supervisory Board followed the Audit Committee’s recommendation and approved the annual financial statements and the consolidated financial statements.

The approval of the Supervisory Board constitutes formal approval of the annual financial statements.

The Supervisory Board’s assessment of the position of the Company and the Group is the same as that which the Board of Management presented in its combined management report and Group management report. It followed the Audit Committee’s recommendation and approved these documents.

When the Board of Management and the Supervisory Board approved the Company’s medium-term financial planning for the next three years on December 20, 2012, the Supervisory Board conducted an in-depth examination of the medium-term financial and investment plans, discussing in particular the development of earnings, free cash flow, and balance sheet ratios. The Board of Management’s proposal concerning the appropriation of net income was examined by the Audit Committee on February 26, 2013 and by the Supervisory Board on February 27, 2013. The external auditor was present at both meetings. The Supervisory Board followed the Audit Committee’s recommendation to approve and support the Board of Management’s proposal to pay out shareholder remuneration of around EUR 3,010.2 million and to carry forward around EUR 9.8 million to unappropriated net income.

REVIEW OF THE DEPENDENT COMPANY REPORT.

The Board of Management presented its dependent company report for the 2012 financial year to the Supervisory Board in good time.

The external auditor 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 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 external auditor submitted the audit report to the Supervisory Board. The dependent company report and the associated audit report were made available to all members of the Supervisory Board in good time.

The Supervisory Board reviewed the dependent company report of the Board of Management and the audit report of the external auditor.
Prior to the review and resolution by the Supervisory Board, the Audit Committee conducted a thorough review of the aforementioned documents. At its meeting on February 26, 2013, the Audit Committee asked the members of the Board of Management to explain the details of the dependent company report. The members of the Board of Management also answered the committee members’ questions. Moreover, the external auditor, who also attended the meeting, reported on its audit, in particular its key audit areas and the significant results of its audit, and explained its audit report. The members of the Audit Committee acknowledged and critically reviewed the audit report and audit opinion, and discussed them, as well as the audit itself, with the external auditor. The review included questions about the nature and extent of the audit and about the audit findings. The Audit Committee satisfied itself that the audit and the audit report were compliant. In particular, it satisfied itself that the audit report, and the audit conducted by the external auditor, met the legal requirements. The Audit Committee recommended to the Supervisory Board to approve the results presented by the external auditor and, as the committee saw no grounds for objections to the Board of Management’s declaration on the dependent company report, to pass a corresponding resolution.

The Supervisory Board performed the final review at its meeting on February 27, 2013, taking into account the resolution and the Audit Committee’s recommendation as well as the external auditor’s report. The members of the Board of Management also attended this meeting, explained the dependent company report, and answered questions from the Supervisory Board. The external auditor was also present and reported on its audit of the dependent company report and the main findings of its audit, explained its audit report, and answered questions from the Supervisory Board, particularly relating to the nature and extent of the audit of the dependent company report and the audit findings. Based on this and the report presented by the Audit Committee, the Supervisory Board satisfied itself that the audit of the dependent company report and the audit report were compliant. In particular, it satisfied itself that the group of dependent companies had been defined with due care and that the necessary systems had been put in place for recording legal transactions and measures subject to disclosure. The review revealed no reason to raise objections to the dependent company report. The Supervisory Board followed the Audit Committee’s recommendation and approved the result of the external auditor’s audit of the dependent company report. Based on the final result of the Supervisory Board’s own review of the dependent company report, the Supervisory Board has 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 2012 financial year.

Bonn, February 27, 2013
The Supervisory Board

Prof. Dr. Ulrich Lehner
Chairman