



SUPERVISORY BOARD'S REPORT TO THE 2014 SHAREHOLDERS' MEETING.

For Deutsche Telekom AG, the 2013 financial year was marked by the strategic further development of business planning and the positive development of business in the United States, 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 2013 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 2013 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 corporate strategy, planning, business developments, 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 reviewed, 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 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 auditor, 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 development of business and the business strategy in the United States (in particular the conclusion of the acquisition of MetroPCS, acquisition of spectrum)
- The migration to all-IP in Germany and Europe
- The sale and acquisition of companies (e.g., Scout24 Holding and GTS Central Europe Group)
- The further development of the Group strategy
- The monitoring of innovation and technical developments (e.g., the cloud)
- The monitoring of intra-Group restructuring measures (e.g., T-Systems)
- The development of the regulatory and competitive environment and implications for Group strategy and planning
- The development of the Group's portfolio of shareholdings
- The acquisition of spectrum by national companies in the Europe operating segment
- The Group's budget and medium-term planning as well as the finance strategy and shareholder remuneration policy
- The development of staffing requirements, headcount, and qualitative personnel planning
- The Group's risk and compliance situation
- 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
- Corporate governance, with special emphasis given to new recommendations of the German Corporate Governance Code on Board of Management compensation
- The annual financial statements, the consolidated financial statements for the 2013 financial year
- The share dividend
- The motions for resolution to the 2013 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
- Long-term succession planning for the Board of Management
- The structuring of the succession process for the position of Chairman of the Board of Management and the appointment of the Chief Financial Officer

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 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 (until February 5, 2014), Johannes Geismann (since February 6, 2014), 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 Middelman (member and Chairman until July 2, 2013), Dr. Ulrich Schröder (Chairman since August 15, 2013), Josef Bednarski (since December 12, 2013), Dr. Wulf H. Bernotat, Monika Brandl, Sylvia Hauke (since January 1, 2013), Lothar Holzwarth (until November 26, 2013), Karl-Heinz Streibich (since November 15, 2013).

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, risk management and the internal auditing system, 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 2014 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: Dr. Hans Bernhard Beus (from November 15, 2013 to February 5, 2014), Johannes Geismann (since February 6, 2014), Lawrence H. Guffey (until September 30, 2013), Hans Jürgen Kallmeier, Dagmar P. Kollmann, Petra Steffi Kreusel (since January 1, 2013), Waltraud Litzenberger.

In the 2013 financial year, the Audit Committee again held its annual extraordinary meeting on fundamental issues in addition to its regular meetings. The 2013 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 AG, 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), Dagmar P. Kollmann, 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, Dr. Hans Bernhard Beus, (until February 5, 2014), Johannes Geismann (since February 6, 2014), Dagmar P. Kollmann (since May 15, 2013).

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), Sari Baldauf (since January 1, 2013), Lars Hinrichs (since November 15, 2013), Hans-Jürgen Kallmeier, Lothar Schröder, Michael Sommer (since May 15, 2013).

The **Special Committee for business in the United States** was dissolved in September 2013 as the tasks it performed were no longer necessary following the merger with MetroPCS. Members: Prof. Dr. Ulrich Lehner (Chairman), Dr. Wulf H. Bernotat, Monika Brandl, Lothar Holzwarth, Prof. h. c. (CHN) Dr.-Ing. E. h. Dr. Ulrich Middelman (until July 2, 2013), 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 2013 financial year, the Supervisory Board held four regular meetings and four 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 eight times during the reporting year (including one joint meeting with the Finance Committee). The Audit Committee held five meetings, the Finance Committee met three times (including one joint meeting with the General Committee) in the 2013 financial year. The Staff Committee of the Supervisory Board held four meetings, the Nomination Committee met twice, and the Technology and Innovation Committee met three times. The Special Committee for business in the United States met once. 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 2013 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.

Dr. Hans Bernhard Beus was a member of the Supervisory Board of Deutsche Telekom AG and, at the same time, State Secretary at the Federal Ministry of Finance. Johannes Geismann is a member of the Supervisory Board of Deutsche Telekom AG 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. 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.

Lawrence Guffey and Lars Hinrichs each disclosed a conflict of interest to the Supervisory Board in connection with the sale of shares in Scout24 Holding GmbH and Laurence Guffey disclosed a further conflict in connection with EverythingEverywhere (Deutsche Telekom AG joint venture). Lars Hinrichs was acting as a consultant for a company that was interested in acquiring Scout24 Holding GmbH. As a consequence of his position as a Senior Managing Director of the Blackstone Group, Lawrence Guffey was not able to rule out the possibility of a conflict of interest. The Supervisory Board members concerned therefore did not take part in deliberations and votes relating to these two companies.



The Company's corporate governance policy is also presented in greater detail in a separate section of the Annual Report (PAGE 45 ET SEQ.).

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 2013.

CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT.

The Supervisory Board resolved on December 20, 2012 to agree to René Obermann's request to terminate his mandate as a member of the Board of Management and his appointment as Chairman of the Board of Management effective December 31, 2013.

Timotheus Höttges was appointed Chairman of the Board of Management effective January 1, 2014 as per a resolution of May 15, 2013.

Thomas Dannenfeldt was appointed as the Board member responsible for Finance as per a resolution of May 15, 2013. He succeeded Timotheus Höttges as Board member responsible for Finance effective January 1, 2014.

The appointment of Niek Jan van Damme as Board member responsible for Germany was extended by five years effective March 1, 2014, as per a resolution of May 15, 2013.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD.

Shareholders' representatives: At the shareholders' meeting on May 16, 2013 Sari Baldauf, who had previously been court-appointed as a member of the Supervisory Board, was elected to the Supervisory Board.

Prof. Ulrich Lehner was elected to the Supervisory Board for a further five years at the 2013 shareholders' meeting and then re-elected as Chairman of the Supervisory Board by the Supervisory Board.

Prof. h. c. (CHN) Dr.-Ing. E. h. Dr. Ulrich Middelman passed away on July 2, 2013. Lawrence Guffey resigned his mandate effective October 1, 2013.

Lars Hinrichs and Karl-Heinz Streibich were appointed as members of the Supervisory Board as shareholders' representatives by the relevant district court effective October 1, 2013 until the end of the 2014 shareholders' meeting.

Dr. Hans Bernhard Beus resigned his mandate effective midnight on February 5, 2014. The relevant district court appointed Johannes Geismann as a member of the Supervisory Board as a shareholders' representative effective February 6, 2014 until the end of the 2014, shareholders' meeting.

Employees' representatives: Petra Steffi Kreusel was appointed as a member of the Supervisory Board as an employees' representative by the relevant district court effective January 1, 2013 until the end of the 2013 shareholders' meeting. Effective the end of the 2013 shareholders' meeting, eight employees' representatives, who had previously already been members of the Supervisory Board, were court-appointed as members of the Supervisory Board until the end of the delegates' assembly to elect employees' representatives on November 26, 2013. Lothar Holzwarth did not stand for reelection at the delegates' assembly and therefore stood down from the Supervisory Board. Josef Bednarski was elected to the Supervisory Board as a new employees' representative. All other existing employees' representatives were reelected to the Supervisory Board by the delegates' assembly.

The Supervisory Board would like to thank the former members for their valuable service in the interests of the Company.

REVIEW OF ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2013 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 2013 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, 2013, 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, 2013, 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 stated to what extent other services were rendered for the Company in the previous financial year 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 March 4/5, 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 March 5, 2014, 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 March 4, 2014. The members of the Board of Management also answered the committee members' questions. Moreover, the external auditor explained its audit, 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 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 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 approve the annual financial statements and the consolidated financial statements, as well as the combined management report and Group management report, and 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 March 5, 2014, 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 also attended this meeting and reported on its audit and the main findings of its audit, explained its audit report, and answered the questions raised by the Supervisory Board, in particular relating to the nature and extent of the audit 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 12, 2013, 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 March 4, 2014 and by the Supervisory Board on March 5, 2014. 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 2,215.1 million and to carry forward around EUR 661.5 million to unappropriated net income.

REVIEW OF THE DEPENDENT COMPANY REPORT.

The Board of Management presented its dependent company report for the 2013 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 March 4, 2014, 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 March 5, 2014, 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 also attended this meeting and reported on its audit of the dependent company report and the main findings of its audit, explained its audit report, and answered the questions raised by the Supervisory Board, in particular 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 audit report, and the audit conducted by the external auditor, met the legal requirements. The Supervisory Board examined the dependent company report in particular 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 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, the members of the works councils, and all of Deutsche Telekom’s employees for their commitment and dedication in the 2013 financial year.

Bonn, March 5, 2014
The Supervisory Board

Prof. Dr. Ulrich Lehner
Chairman