Report of the Board of Management on agenda item 10

Report of the Board of Management in accordance with §§ 71 (1) no. 8 sentence 5, 186 (4) sentence 2 of the German Stock Corporation Act (Aktiengesetz – AktG) regarding the authorization of the Board of Management to use equity derivatives to acquire own shares with the option to exclude any rights to tender shares

Ordinary Shareholders' Meeting of Deutsche Telekom AG on April 9, 2025

In item 10 on the agenda of the ordinary Shareholders' Meeting convened for April 9, 2025, the Board of Management and the Supervisory Board are proposing that, as a supplement to the authorization to acquire own shares proposed under item 9 on the agenda in accordance with § 71 (1) no. 8 AktG, the Company will also be authorized to acquire own shares using derivatives. To supplement the report on item 9 on the agenda, the Board of Management is submitting the following written report detailing the reasons for this authorization of the Board of Management to use equity derivatives when acquiring own shares with the option to exclude any rights to tender shares and (by reference to the report on item 9 on the agenda) to exclude subscription rights when using repurchased own shares.

In addition to the options for acquiring own shares provided for in item 9 on the agenda, the Company will also be authorized to acquire own shares using certain derivatives. This does not increase the overall volume of shares that may be acquired; it merely creates other pathways for acquiring own shares. These additional alternatives will expand the Company's options to flexibly structure acquisitions of own shares.

It may be advantageous for the Company to enter into put options, acquire call options, enter into forward purchase contracts for shares, or make use of a combination of these instruments instead of directly acquiring shares of the Company. In accordance with the proposed authorization, all share purchases using these alternative arrangements will be limited to shares totaling a maximum of 5 % of the existing capital stock at the time of the resolution by the Shareholders' Meeting or – in the event that the value is lower – at the time when the authorization is exercised. The shares acquired when the authorization is exercised are to be counted towards the acquisition limit for acquired shares in accordance with the proposed authorization for the acquisition of own shares under item 9 on the agenda for the ordinary Shareholders' Meeting convened for April 9, 2025, no. 1. The term of the individual derivatives must not be more than 18 months, must end no later than April 8, 2030, and must be chosen in such a way that the Company shares cannot be acquired after April 8, 2030 when exercising or fulfilling the derivatives. This ensures that the Company will not acquire any of its own shares after expiration of the authorization to acquire own shares valid until April 8, 2030, unless a new authorization is granted.

In the interest of readability, no distinction has been made between male, female and non-binary.
All personal designations apply equally to all genders.

By entering into put options, the Company grants the relevant holder of the put option the right to sell shares of the Company to the Company at a price specified in the option, the exercise price, within a certain period or on a specific date. As consideration for the obligation to purchase its own shares, the Company receives an option premium, which must be determined in line with market conditions, that, among other things, takes into account the exercise price, the term of the option, and the volatility of the share. Exercising the put option is generally only economically viable for the option holder if the share price at the time this is exercised is lower than the exercise price, because the option holder can then sell the shares to the Company at a higher price than would be realizable on the market; the Company can hedge against excessively high risk from price movements on the market. Buying back shares by using put options offers the Company the advantage of being able to determine a specific exercise price when it enters into the option transaction, whereas liquidity does not flow out until the exercise date. From the Company's perspective, the option premium reduces the consideration paid to acquire the shares. If the option holder does not exercise the option, for example, because the share price on the exercise date or during the exercise period is higher than the exercise price, the Company does not acquire any of its own shares in this way, but it does collect the option premium irrevocably without any further consideration.

When a call option is agreed, the Company receives the right, against payment of an option premium, to buy a previously stipulated number of shares of the Company at a specific price, the exercise price, within a period or on a specific date from the relevant seller of the option, the writer. From the Company's perspective, it generally makes sense to exercise the call option when the share price is higher than the exercise price, as it can then purchase the shares from the writer at a lower price than on the market. The same applies when exercising the option allows the Company to acquire a package of shares that could otherwise only be acquired at a higher cost. In addition, using call options protects the Company's liquidity to the extent that the exercise price for the shares only has to be paid when the call option is exercised. In turn, the option premium must be determined close to market conditions, in other words, taking into account the exercise price, the term of the option, and the volatility of the share, among other things. When exercising a call option, the consideration paid to acquire the share is increased by the value of the option from the Company's perspective. The Company could realize this value if the option is not exercised; it is a non-cash benefit that increases the purchase price as a cost when the option is exercised. It also reflects the current value of the amount originally paid as an option premium and must therefore be considered part of the purchase price of the share.

Under forward purchase contracts, the Company acquires shares at a purchase price agreed when the relevant forward purchase contract is entered into, on specific dates in the future, as agreed with the relevant forward seller. Entering into forward purchase contracts makes sense if the Company wants to secure a firm requirement for its own shares at a fixed price for a future date.

The derivatives may only be entered into with one or more financial institutions or equivalent companies. They must be structured such that it can be ensured that the derivatives are only settled with shares that were acquired in compliance with the shareholders' principle of equal treatment (§ 53a AktG). The acquisition or sale price paid or collected by the Company for derivatives must not significantly exceed or fall below the theoretical market value as determined using recognized financial mathematical methods; when calculating such value, the agreed exercise price is to be taken into account.

When options are used, the consideration payable by the Company for the shares is the applicable exercise price (excluding transaction costs, but taking into account the current value of the option). This may be higher or lower than the market price of the Company's shares on the date of the option transaction and on the date when the shares are acquired as a result of exercising the option. However, when exercising the put option and/or when forward purchases fall due, it may not be more than 10 % above and 20 % below the arithmetical average of the closing auction prices of Company shares in the Xetra trading system (or a successor system) of Deutsche Börse AG on the fifth, fourth, and third trading day prior to the conclusion of the respective transaction, in each case excluding transaction costs, but taking into account the value of the option when it is exercised or falls due. A call option may only be exercised if the purchase price to be paid is no more than 10 % above or 20 % below the arithmetical average of the closing auction prices for Company shares in the Xetra trading system (or a successor system) of Deutsche Börse AG on the fifth, fourth, and third trading day prior to the acquisition of shares, in each case excluding transaction costs, but taking into account the value of the option when it is exercised.

The fact that the exercise price and option premium are determined in line with market conditions, as described, and the requirement that options may be settled only with shares that were previously acquired in compliance with the general principle of equal treatment (§ 53a AktG), ensure that shareholders not involved in the derivative transactions do not suffer any economic disadvantage. On the other hand, the ability to enter into derivatives enables the Company to take advantage at short notice of market opportunities that arise and to enter into the corresponding derivatives. This gives the Company the necessary flexibility to be able to respond quickly to shifting market situations. Any right of shareholders to enter into such derivatives with the Company is excluded, as are any shareholder rights to tender shares. This exclusion is necessary so that equity derivatives can be used in the context of repurchasing own shares and to achieve the associated advantages for the Company. It would not be practicable to enter into such derivatives with all shareholders. After weighing the interests of the shareholders and the interests of the Company, the Board of Management considers the authorization to exclude or limit any right of the shareholders to enter into such equity derivatives with the Company, as well as any right of the shareholders to tender shares, to be justified due to the advantages that may arise for the Company from using equity derivatives.

With regard to the use of the own shares acquired by means of equity derivatives, there are no differences compared to the uses proposed in item 9 on the agenda. We therefore draw attention to the Board of Management's report on item 9 on the agenda regarding the justification of the exclusion of shareholders' subscription rights when the shares are used.

Bonn, February 2025

Deutsche Telekom AG
The Board of Management

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