

PROPOSAL BY THE BOARD OF MANAGEMENT ON THE APPROPRIATION OF NET INCOME IN ACCORDANCE § 170 (2) OF THE GERMAN STOCK CORPORATION ACT (AKTG):

At the shareholders' meeting on May 31, 2017, the Board of Management will submit the following proposal for the appropriation of net income generated in the 2016 financial year:

1. Distribution to shareholders: Payment of a dividend of EUR 0.60 per no par value share carrying dividend rights with maturity date on June 28, 2017 = EUR 2,794,390,408.80
2. Transfer to retained earnings: EUR 0.00
3. Unappropriated net income carried forward: The remaining balance is carried forward to the new account = EUR 1,000,683,783.89
4. Unappropriated net income: EUR 3,795,074,192.69

The dividend shall be paid out in cash or in the form of shares in Deutsche Telekom AG. Details relating to dividend payment in cash and the possibility for shareholders to opt to receive shares will be explained in a document which will be made available to shareholders and contains, in particular, information about the quantity and type of shares as well as an explanation about the reasons for and details of the offer.

The total dividend and the remaining balance to be carried forward to unappropriated net income set out in the proposal for resolution on the appropriation of net income are based on the dividend-bearing capital stock of EUR 11,922,732,410.88, divided up into 4,657,317,348 no par value shares, on February 14, 2017.

The number of shares carrying dividend rights may change up to the date on which the vote on the resolution regarding the appropriation of net income is taken. In this case, the Board of Management and Supervisory Board shall submit to the shareholders' meeting a suitably amended resolution proposal regarding the appropriation of net income, which contains an unchanged payment of EUR 0.60 per no par value share carrying dividend rights; this shall be without prejudice to the offer to receive the dividend in the form of shares in place of cash. The amendment shall be made as follows: If the number of shares carrying dividend rights and thus the total dividend decreases, the amount to be carried forward to unappropriated net income increases accordingly. If the number of shares carrying dividend rights and thus the total dividend increases, the amount to be carried forward to unappropriated net income decreases accordingly.

If the resolution is passed, the following shall apply for payment of the dividend: As the dividend for the 2016 financial year is to be paid in full from the tax contribution account in accordance with § 27 Corporation Tax Act (Körperschaftsteuergesetz - KStG), (contributions other than into nominal capital), no capital gains tax or solidarity surcharge will be deducted. Dividends paid to shareholders in Germany are not subject to taxation. This applies both to dividends paid in cash and – where available – also to dividends paid in shares. Dividends do not entail tax refunds or tax credits. In the German tax authorities' view the dividend payment reduces the acquisition costs of the shares for tax purposes.

Bonn, February 14, 2017

**Deutsche Telekom AG
Board of Management**

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