

# EXPLANATORY REPORT ON THE DISCLOSURES PURSUANT TO § 289A AND § 315A (1) OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH – HGB)

## 1. COMPOSITION OF CAPITAL STOCK.

As of December 31, 2017, the capital stock of Deutsche Telekom AG totaled EUR 12,189,334,005.76. The capital stock is divided into 4,761,458,596 no par value registered shares. Each share entitles the holder to one vote.

## 2. RESTRICTIONS ON VOTING RIGHTS AND TRANSFER OF SHARES.

As of December 31, 2017, the Company held 19,284,877 treasury shares. Deutsche Telekom AG has no voting rights in connection with treasury shares.

## 3. DIRECT OR INDIRECT EQUITY INTERESTS EXCEEDING 10 PERCENT OF VOTING RIGHTS.

The shares of Deutsche Telekom AG are traded on several stock exchanges, including that in Frankfurt am Main, Germany. As of December 31, 2017, 68.1 percent of the shares were in free float (December 31, 2016: 68.0 percent), 14.5 percent were held by the Federal Republic of Germany (December 31, 2016: 14.5 percent), and 17.4 percent were held by KfW Bankengruppe (December 31, 2016: 17.5 percent). Accordingly, the shareholding attributable to the Federal Republic amounted to 31.9 percent (December 31, 2016: 32.0 percent). In the last few years, this has resulted in the Federal Republic of Germany representing a solid majority at most shareholders' meetings of Deutsche Telekom AG due to its level of attendance. Deutsche Telekom AG is therefore deemed to be dependent pursuant to §17 of the German Stock Corporation Act (Aktiengesetz – AktG), which means that the Board of Management must produce a dependent company report in accordance with § 312 AktG, as no control or profit and loss transfer agreement exists with the Federal Republic.

The Board of Management is not aware of any other direct or indirect equity interests exceeding 10 percent of the voting rights.

## 4. OWNERS OF SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL.

There are no company shares with special rights conferring powers of control.

## 5. TYPE OF VOTING CONTROL IF EMPLOYEES HOLD AN EQUITY INTEREST AND DO NOT DIRECTLY EXERCISE THEIR VOTING RIGHTS.

There is no indirect voting control in accordance with § 289a (1) No. 5 and § 315a (1) No. 5 HGB by employees holding an equity interest.

## 6. LEGAL PROVISIONS AND PROVISIONS IN THE ARTICLES OF INCORPORATION ON THE APPOINTMENT AND DISCHARGE OF MEMBERS OF THE BOARD OF MANAGEMENT AND ON AMENDMENTS TO THE ARTICLES OF INCORPORATION.

Appointment and discharge of members of the Board of Management are carried out in accordance with § 84 and § 85 AktG, and § 31 of the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG), with members of the Board of Management being appointed by the Supervisory Board for a maximum of five years. Such appointments may be renewed, or the term of office extended, provided that the term of each such renewal or extension does not exceed five years. A majority of two-thirds of the votes in the Supervisory Board is generally required to appoint members of the Board of Management. If an appointment cannot be made in this way, the special appointment process described in § 31 (3) and (4) MitbestG applies. These rules apply mutatis mutandis to revocation of a Board of Management appointment. The appointment by the Supervisory Board may be revoked for good cause.

In accordance with § 6 (1) of the Articles of Incorporation, the Board of Management shall comprise at least two members. After a due assessment of the circumstances, the Supervisory Board is free to decide whether additional members are appointed to the Board of Management. If a required member of the Board of Management is lacking, § 85 (1) AktG states that, in urgent cases, an appointment may be made by order of court at the request of one of the parties involved.

Amendments to the Articles of Incorporation are made pursuant to §§ 179 and 133 AktG and § 18 of the Articles of Incorporation. In accordance with § 179 (1) sentence 1 AktG any amendment to the Articles of Incorporation requires a resolution of the shareholders' meeting. However, under § 179 (1) sentence 2 AktG and § 21 of the Articles of Incorporation, the Supervisory Board is authorized, without a resolution by the shareholders' meeting, to adjust the Articles of Incorporation to comply with new legal provisions that become binding for the Company and to amend the wording of the Articles of Incorporation. In line with § 179 (2) sentence 2 AktG, § 18 (2) of the

This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.



**LIFE IS FOR SHARING.**

Articles of Incorporation envisages that – if no mandatory legal provisions exist to the contrary – a shareholders' meeting resolution that amends the Articles of Incorporation shall be adopted by means of a simple majority of the votes cast and of the capital stock represented in the resolution. In some cases, the law prescribes a larger majority shareholding of three-quarters of the capital stock represented, for example if the purpose of the Company is amended (§ 179 (2) sentence 2 AktG), certain capital measures taken or subscription rights excluded.

## 7. AUTHORITY OF THE BOARD OF MANAGEMENT TO ISSUE AND BUY BACK SHARES:

**Authorized capital and contingent capital.** The shareholders' meeting on May 16, 2013 authorized the Board of Management to increase the capital stock with the approval of the Supervisory Board by up to EUR 2,176,000,000, by issuing up to 850,000,000 no par value registered shares against cash and/or non-cash contributions in the period ending May 15, 2018. The Board of Management was permitted to exercise the authorization in full or on one or more occasions in partial amounts. The Board of Management was authorized, subject to the approval of the Supervisory Board, to exclude fractional amounts from shareholders' subscription rights. Furthermore, the Board of Management was authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights in the event of capital increases against non-cash contributions when issuing new shares for business combinations or acquisitions of companies, parts thereof or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution for such acquisitions, including receivables from the Company. Further, the Board of Management was authorized, subject to the approval of the Supervisory Board, to determine the further content of share rights and the conditions under which shares are issued (**2013 authorized capital**). The shareholders' meeting resolved on May 31, 2017 to cancel the 2013 authorized capital to the extent that it still existed, effective the date of entry of the 2017 authorized capital described below. Following the increase in capital stock against contribution of dividend entitlements, 2013 authorized capital amounted to EUR 1,381,674,257.92. The cancellation of the remaining 2013 authorized capital was entered in the commercial register on July 11, 2017.

The shareholders' meeting on May 31, 2017 authorized the Board of Management to increase the capital stock with the approval of the Supervisory Board by up to EUR 3,600,000,000 by issuing up to 1,406,250,000 no par value registered shares against cash and/or non-cash contributions in the period ending May 30, 2022. This authorization may be exercised either in full or in one or more partial amounts. The Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude fractional amounts from shareholders' subscription rights. Furthermore, the Board of Management is authorized, subject to the approval of the Supervisory Board, to disapply shareholders' subscription rights in the event of capital increases against non-cash contributions when issuing new shares for business combinations or acquisitions of companies, parts thereof or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution for such acquisitions, including receivables from the Company. However, the overall proportion of capital stock accounted for by new shares which exclude subscription rights on the basis of this authorization, together with the proportion of capital stock accounted for by shares or accounted for by option and/or conversion rights and obligations from bonds issued or sold after the start of May 31, 2017, with subscription

rights being excluded, must not exceed 20 percent of capital stock; the capital stock available as of May 31, 2017, as of the date of registry of the authorization, or as of the date of issuing the new shares is decisive, taking the lowest value for capital stock out of these three named dates. If the issue or sale is carried out in analogous or mutatis mutandis application of § 186 (3) sentence 4 AktG, this shall also constitute the disapplication of subscription rights. Further, the Board of Management is authorized, subject to the approval of the Supervisory Board, to determine the further content of share rights and the conditions under which shares are issued (**2017 authorized capital**). The shareholders' meeting on May 31, 2017 instructed the Board of Management to enter the 2017 authorized capital described above in the commercial register only when (i) the existing 2013 authorized capital I (in the necessary partial amount) has been utilized to grant the shareholders the possibility described under item 2 of the agenda of the shareholders' meeting on May 31, 2017 to opt for shares (dividend in kind) instead of a cash dividend payment and the related capital increase has been entered, or (ii) the dividend has been paid out in full in cash. 2017 authorized capital was entered in the commercial register on July 11, 2017 after the condition specified under (i) had been met.

As of December 31, 2017, the Company's capital stock was contingently increased by up to EUR 1,100,000,000, composed of up to 429,687,500 no par value shares (**2014 contingent capital**). The contingent capital increase shall be implemented only to the extent that

- a) the holders or creditors of bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or combinations of these instruments) with option or conversion rights, which are issued or guaranteed by Deutsche Telekom AG or its direct or indirect majority holdings by May 14, 2019, on the basis of the authorization resolution granted by the shareholders' meeting on May 15, 2014, make use of their option and/or conversion rights or
- b) those obligated as a result of bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or combinations of these instruments), which are issued or guaranteed by Deutsche Telekom AG or its direct or indirect majority holdings by May 14, 2019, on the basis of the authorization resolution granted by the shareholders' meeting on May 15, 2014, fulfill their option or conversion obligations

and other forms of fulfillment are not used. The new shares shall participate in profits starting at the beginning of the financial year in which they are issued as the result of the exercise of any option or conversion rights, or the fulfillment of any option or conversion obligations. The Supervisory Board is authorized to amend § 5 (3) of the Articles of Incorporation in accordance with the particular usage of the contingent capital and after the expiry of all the option or conversion periods.

**Treasury shares.** The shareholders' meeting resolved on May 25, 2016 to authorize the Board of Management to purchase shares in the Company by May 24, 2021, with the amount of capital stock accounted for by these shares totaling up to EUR 1,179,302,878.72, provided the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company which the Company has already purchased and still possesses or are to be assigned to it under § 71 d and § 71 e AktG do not at any time account for more than 10 percent of the Company's capital stock. Moreover, the requirements under § 71 (2) sentences 2 and 3 AktG

must be complied with. Shares shall not be purchased for the purpose of trading in own shares. This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG shall also be entitled to purchase the shares. The shares are purchased in compliance with the principle of equal treatment (§ 53a AktG) through the stock exchange. Shares can instead also be purchased by means of a public purchase or share exchange offer addressed to all shareholders, which, subject to a subsequently approved exclusion of the right to offer shares, must also comply with the principle of equal treatment.

The shares may be used for one or several of the purposes permitted by the authorization granted by the shareholders' meeting on May 25, 2016 under item 6 on the agenda. The shares may also be used for purposes involving an exclusion of subscription rights. They may also be sold on the stock market or by way of an offer to all shareholders, or retired. The shares may also be used to fulfill the rights of Board of Management members to receive shares in Deutsche Telekom AG, which the Supervisory Board has granted to these members as part of the arrangements governing the compensation of the Board of Management, on the basis of a decision by the Supervisory Board to this effect.

Under the resolution of the shareholders' meeting on May 25, 2016, the Board of Management is also authorized to acquire the shares through the use of equity derivatives.

On the basis of the authorization by the shareholders' meeting on May 25, 2016 described above and corresponding authorizations by the shareholders' meetings on May 12, 2011 and May 24, 2012, 110 thousand shares were acquired in June 2011, 206 thousand shares in September 2011, and 268 thousand shares in January 2013. The total volumes amounted to EUR 2,762 thousand in the 2011 financial year, and EUR 2,394 thousand in the 2013 financial year (excluding transaction costs). This increased the number of treasury shares by 316 thousand and 268 thousand, respectively. Further, 90 thousand shares and 860 thousand shares were acquired in September and October 2015, respectively, for an aggregate amount of EUR 14,787 thousand (excluding transaction costs); these acquisitions increased the number of treasury shares by 950 thousand.

No treasury shares were acquired in the reporting period.

As part of the Share Matching Plan, a total of 2 thousand shares were transferred free of charge to the custody accounts of eligible participants in the 2012 and 2013 financial years. A further 90 thousand treasury shares were transferred free of charge in the 2014 financial year. An additional 140 thousand treasury shares were transferred in the 2015 financial year. In the 2016 financial year, 232 thousand treasury shares were transferred. Transfers of treasury shares to the custody accounts of employees of Deutsche Telekom AG are free of charge. In cases where treasury shares are transferred to the custody accounts of employees of other Group companies, the costs have been billed to the respective Group company at fair value since the 2016 financial year.

A total of 300 thousand treasury shares were reallocated in January, March, April, May, June, July, August, September, October, and December 2017 and transferred to the custody accounts of eligible participants of the Share Matching Plan.

As of December 31, 2017, sales of treasury shares resulting from the transfers in the reporting period accounted for less than 0.01 percent, or EUR 769 thousand, of capital stock. Gains on disposal arising from transfers of treasury shares amounted to EUR 2,986 thousand. In the reporting year, 107 thousand treasury shares at a fair value of EUR 1,763 thousand were billed to other Group companies. Transfers of treasury shares increased retained earnings by EUR 511 thousand and additional paid-in capital by EUR 310 thousand.

As part of the acquisition of VoiceStream Wireless Corp., Bellevue, and Powertel, Inc., Bellevue, in 2001, Deutsche Telekom AG issued new shares from authorized capital to a trustee, for the benefit of holders of warrants, options and conversion rights, among others. These options or conversion rights expired in full in the 2013 financial year. As a result, the trustee no longer had any obligation to fulfill any claims in accordance with the purpose of the deposit. The trust relationship was terminated at the start of 2016 and the deposited shares were transferred free of charge to a custody account of Deutsche Telekom AG. The 18,517 thousand previously deposited shares are accounted for in the same way as treasury shares in accordance with § 272 (1a) HGB. This equates to 0.4 percent, or EUR 48 million, of Deutsche Telekom AG's capital stock. On the basis of authorization by the shareholders' meeting on May 25, 2016, the treasury shares acquired free of charge may be used for the same purposes as the treasury shares acquired for a consideration.

## **8. MAIN AGREEMENTS OF THE COMPANY SUBJECT TO A CHANGE OF CONTROL AS A RESULT OF A TAKEOVER BID.**

The main agreements entered into by Deutsche Telekom AG, which include a clause in the event of a change of control, principally relate to bilateral credit lines and several loan agreements. In the event of a change of control, the individual lenders have the right to terminate the line of credit and, if necessary, serve notice or demand repayment of the loans. A change of control is assumed when a third party, which can also be a group acting jointly, acquires control over Deutsche Telekom AG. In addition, the other members of the Toll Collect consortium (Daimler Financial Services AG and Cofiroute S.A.) have a call option in the event that the ownership structure of Deutsche Telekom AG changes such that over 50 percent of its capital stock or voting rights are held by a new shareholder and this change was not approved by the other members of the consortium.

On November 2, 2016, Deutsche Telekom AG signed a change agreement to the shareholder agreement with the Greek government from May 14, 2008 on Hellenic Telecommunications Organization S.A., Athens, Greece (OTE); the change agreement concerned the accession of the Hellenic Republic Asset Development Fund (HRADF) as a party to the contract. Under this agreement, the Greek government, together with HRADF, is, under certain circumstances, entitled to acquire all shares in OTE from Deutsche Telekom AG as soon as one (or more) person(s), with the exception of the Federal Republic of Germany, either directly or indirectly acquire(s) 35 percent of the voting rights of Deutsche Telekom AG.

In the master agreement establishing the procurement joint venture BuyIn in Belgium, Deutsche Telekom AG and France Télécom S.A./ Atlas Services Belgium S.A. (a subsidiary of France Télécom S.A.) agreed that if Deutsche Telekom or France Télécom comes under the controlling influence of a third party or if a third party that is not wholly owned by the France Télécom group of companies acquires shares in Atlas Services Belgium S.A., the respective other party (France Télécom and Atlas Services Belgium only jointly) may terminate the master agreement with immediate effect.

## **9. COMPENSATION AGREEMENTS OF THE COMPANY MADE WITH THE MEMBERS OF THE BOARD OF MANAGEMENT IN THE EVENT OF A TAKEOVER BID.**

There are no compensation agreements in accordance with § 289 (1) no. 9 and § 315 (1) no. 9 HGB in the event of a takeover bid.

**Bonn, February 13, 2018**  
**Deutsche Telekom AG**  
**Board of Management**

\_\_\_\_\_  
Timotheus Höttges

\_\_\_\_\_  
Adel Al-Saleh

\_\_\_\_\_  
Thomas Dannenfeldt

\_\_\_\_\_  
Srin Gopalan

\_\_\_\_\_  
Dr. Christian P. Illek

\_\_\_\_\_  
Dr. Thomas Kremer

\_\_\_\_\_  
Claudia Nemat

\_\_\_\_\_  
Dr. Dirk Wössner

This document is a convenience translation of the German original. In case of discrepancy between the English and German versions, the German version shall prevail.



**LIFE IS FOR SHARING.**