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# SUPERVISORY BOARD'S REPORT TO THE 2019 SHAREHOLDERS' MEETING

The 2018 financial year was characterized by the systematic implementation of the Group strategy and the Group's ongoing transformation in an age of digitalization and technological change. Good business development on the domestic German market and in Europe, and continued excellent business development in the United States were major features. Despite the positive overall macroeconomic environment in Europe and the United States, Deutsche Telekom remains under high competitive and regulatory pressure. The Group held its own in the challenging environment in the telecommunications industry. Strong results brought the 2018 financial year to a successful close. The Group is on course for growth. The Supervisory Board exercised its functions as an advisory and supervisory body and gave the Board of Management its full support.

## SUPERVISORY BOARD ACTIVITIES IN THE 2018 FINANCIAL YEAR

We continually monitored the Board of Management's activities in managing the business and the Group as a whole. Specifically, this 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. The Board of Management kept us regularly informed in good time on corporate strategy, planning, business development of the Group and its different segments, the risk situation, risk management, compliance, innovation focuses, and any deviations in the business development from original plans, as well as significant business transactions involving the Company and its significant subsidiaries and associates.

The Board of Management fulfilled its duties to inform 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 us with regard to both content and scope. In addition to the reports, we requested and received supplementary information. We reviewed, critically analyzed and verified the plausibility of these reports and other information.

The Rules of Procedure of the Board of Management and Supervisory Board include a list of transactions and measures for which the Board of Management has to obtain approval from the Supervisory Board. We met with the Board of Management to discuss and thoroughly review the business transactions and measures presented to us in the 2018 financial year for approval in line with this document. We approved the transactions and measures submitted for resolution.

The frequency of plenary and committee meetings mean that we are in close contact with the Board of Management. The Board of Management also reports on individual issues in writing or in discussions between the meetings. In addition, the Chairman of the Supervisory Board is in contact with the Chairman of the Board of Management at regular appointments at which current business transactions, strategy issues, planning, business development, the risk situation, risk management, and compliance, as well as other significant events, are discussed.

In the 2018 financial year, 6 Supervisory Board meetings, 1 one-day off-site conference, and 28 meetings of the Supervisory Board committees took place. The overall participation rate was around 95 percent. Each of the Supervisory Board members attended more than half of the meetings of the Supervisory Board and the respective committees on which they sit. Written votes were used where resolutions were required between the meetings.

In the meeting on February 21, 2018, in the presence of the external auditor, we dealt with the Company's 2017 annual financial statements and consolidated financial statements, as well as the Group management report, which is combined with the management report of Deutsche Telekom AG (combined management report), including the combined non-financial (Group) statement contained in the combined management report as a separate section. Our approval of the 2017 annual financial statements was based on the recommendation of the Audit Committee. The same applies to the review of the combined non-financial statement. We agreed to the Board of Management's proposal on the appropriation of net income. We resolved to reappoint Timotheus Höttges as Chairman of the Board of Management, to assign the Finance department to Dr. Christian P. Illek effective January 1, 2019, to make a minor modification to the Board of Management compensation system with respect to short-term variable remuneration, and to acquire shares in OTE. We also approved the agenda for the 2018 shareholders' meeting and dealt with the current situation at T-Systems. The Board of Management reported comprehensively on the

current situation and the most important financial and operational KPIs for the Company and its segments.

In our meeting on April 29, 2018, following an in-depth report by the Board of Management and intense discussions, we dealt with the planned business combination of T-Mobile US and the mobile communications provider Sprint.

In the meeting before the shareholders' meeting on May 16, 2018, the Board of Management reported in detail on the current situation and the financial and operational KPIs of the Company and its segments in the first quarter of 2018. The Board of Management updated us on the core messages from the Capital Markets Day which took place in May 2018. In addition, we approved the conversion of the legal form of DTSE from a GmbH into an SE.

In the meeting on July 13, 2018, we appointed Birgit Bohle as the new Board member responsible for Human Resources and as Labor Director, both effective January 1, 2019 until December 31, 2021.

In the meeting on September 4, 2018, the Board of Management reported on the current situation and the financial and operational KPIs of the Company and its segments in the second quarter of 2018. We also intensively discussed the Board of Management compensation system. Furthermore, we passed a resolution to establish a new Board department for USA and Group Development effective January 1, 2019 and appointed Thorsten Langheim to the Board of Management as the member responsible for this new department effective January 1, 2019 until December 31, 2021.

During the off-site conference of the Supervisory Board and the Board of Management that was held the following day, we dealt with the Company's strategy. We debated the status of the strategy and progression with its implementation, and discussed individual strategic focal topics.

In our meeting on December 19, 2018, we adopted resolutions on a variety of Board of Management compensation topics, such as target achievement for variable remuneration. The Board of Management reported on the current situation and the financial and operational KPIs in the Company and its segments in the third quarter of 2018. A further focus of the meeting was the resolution on the budget and on the annual financing plan for the 2019 financial year. We also acknowledged the medium-term planning for 2019 to 2022 and dealt with the Group risk report. In addition, we adopted resolutions on the acquisition of further spectrum in the United States and on a range of restructuring measures at the Group in Germany.

In our plenary meetings and in the Audit Committee in particular, we also regularly supervised the management of the company by the Board of Management. As part of this, we made sure that the Board of Management ensured compliance with legal provisions and internal standards and policies through the Group-wide compliance organization. We also regularly met with the Board of Management to discuss the Group-wide risk management system that it had introduced. Based on our own reviews and on the audit reports from the external auditors, we came to the conclusion that the internal compliance systems and the internal control and risk management systems are effective.

Outside of its meetings, the Supervisory Board attended information events to keep up to date on the latest topics and developments.

## ORGANIZATION OF THE SUPERVISORY BOARD'S ACTIVITIES

To increase the efficiency of our work, and in consideration of the specific requirements we have to fulfill, we have set up the committees listed below, all of which have an equal number of shareholders' and employees' representatives, with the exception of the Nomination Committee. In regard to committee membership, our aim is to achieve regular rotation among the Supervisory Board members. Our objective is also to ensure that the chairperson roles on the committees are occupied by different members. The committees' chairpersons regularly reported to us at our plenary meetings on the content and results of committee meetings.

## SUPERVISORY BOARD COMMITTEES

### General Committee

Prof. Dr. Ulrich Lehner (Chairman)  
Josef Bednarski  
Dr. Rolf Bösing (since June 28, 2018)  
Johannes Geismann (until May 17, 2018)  
Lothar Schröder

### Finance Committee

Dr. Ulrich Schröder (Chairman until February 6, 2018)  
Monika Brandl (until June 30, 2018)  
Dr. Günther Bräunig (since March 29, 2018)  
Klaus-Dieter Hanas (until November 20, 2018)  
Nicole Koch (since July 1, 2018)  
Dagmar P. Kollmann  
Frank Sauerland (since November 28, 2018)  
Michael Sommer (until November 20, 2018)  
Karl-Heinz Streibich (Chairman since March 29, 2018)  
Karin Topel (since November 28, 2018)

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#### Audit Committee

Dagmar P. Kollmann (Chairwoman)  
 Josef Bednarski  
 Dr. Rolf Bösing (since June 28, 2018)  
 Johannes Geismann (until May 17, 2018)  
 Prof. Dr. Michael Kaschke  
 Petra Steffi Kreusel  
 Sibylle Spoo (since January 1, 2018)

#### Staff Committee

Lothar Schröder (Chairman)  
 Josef Bednarski  
 Prof. Dr. Ulrich Lehner  
 Margret Suckale

#### Nomination Committee

Prof. Dr. Ulrich Lehner (Chairman)  
 Dr. Rolf Bösing (since June 28, 2018)  
 Johannes Geismann (until May 17, 2018)  
 Dagmar P. Kollmann

#### Mediation Committee

Prof. Dr. Ulrich Lehner (Chairman)  
 Josef Bednarski  
 Dr. Rolf Bösing (since June 28, 2018)  
 Johannes Geismann (until May 17, 2018)  
 Lothar Schröder

#### Technology and Innovation Committee

Lothar Schröder (Chairman)  
 Sari Baldauf (until May 17, 2018)  
 Monika Brandl (from January 1 until June 30, 2018)  
 Odysseus D. Chatzidis (since July 1, 2018)  
 Lars Hinrichs  
 Nicole Seelemann-Wandtke (since November 28, 2018)  
 Michael Sommer (until November 20, 2018)  
 Karl-Heinz Streibich  
 Margret Suckale (since June 28, 2018)

#### Special Committee for U.S. Business

Prof. Dr. Ulrich Lehner (Chairman)  
 Dr. Günther Bräunig (since March 29, 2018)  
 Johannes Geismann (until May 17, 2018)  
 Constantin Greve (since November 28, 2018)  
 Dr. Helga Jung (since June 28, 2018)  
 Lothar Schröder  
 Dr. Ulrich Schröder (until February 6, 2018)  
 Michael Sommer (until November 20, 2018)  
 Sibylle Spoo

#### Special Committee on the Acquisition of Spectrum in Germany (since January 1, 2019)

Prof. Dr. Ulrich Lehner (Chairman)  
 Josef Bednarski  
 Lothar Schröder  
 Karl-Heinz Streibich

The **General Committee** met eleven times in 2018, one meeting of which was held jointly with the Finance Committee. The committee focused mainly on preparing the recommendations for decision for the plenary meetings in regard to all of the decisions on Board of Management and Supervisory Board matters. Among other things, the committee reviewed the compensation system and the appropriateness of Board of Management remuneration as scheduled. Succession planning for the Board of Management was also discussed in the meeting. In the joint meeting with the Finance Committee, the General Committee dealt in particular with the 2019 budget and the medium-term planning for 2019 to 2022.

The **Finance Committee** met three times, of which one meeting was together with the General Committee. Investment planning and focuses were the subject of the meetings. The committee also dealt with general topics such as interest and foreign currency management, and a spectrum review. In the joint meeting with the General Committee, the Finance Committee discussed the 2019 annual financing plan in particular.

The **Audit Committee** met five times in 2018. The external auditor was present at all of these meetings. The Audit Committee's area of responsibility is defined by German legislation and the German Corporate Governance Code. It includes, in particular, the monitoring of accounting and the accounting process, the effectiveness of the internal control system, risk management and the internal auditing systems, compliance, and data privacy. The Audit Committee also handled matters relating to the audit of the Company's financial statements, in particular selecting and ensuring the independence of the external auditor, and monitored the additional services provided by the external auditor, 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 us about our suggestion for the external auditor to be nominated by the 2018 shareholders' meeting. The Audit Committee also regularly discussed the quarterly reports on business development. Additionally, the Audit Committee adopted a resolution on the invitation to tender for the auditing of the annual and consolidated financial statements and other auditing services from the 2021 financial year onwards. Furthermore, the Audit Committee commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main with a limited assurance engagement on the combined non-financial statement contained within the combined management report. In the 2018 financial year, the Audit Committee again held one extraordinary meeting on fundamental issues affecting the Group. At this meeting, the committee dealt in particular with the effectiveness of the reporting system, the development of the report structure, the effectiveness of the internal control system and the compliance management system, and new legal requirements affecting the Audit Committee as well as current legal developments at German and European level. At the same meeting, the Audit Committee dealt with the topic of data privacy and data security and the members discussed and familiarized themselves with new requirements and developments

regarding German and EU law, financial accounting standards, the Group Development department, and process analysis tools. In addition, outside of its meetings the Audit Committee members attended in-depth workshops on structuring the tender and selection process for the external auditor, implementing new, international accounting standards, the digitalization of the financial statement auditing process, and the risk management system.

Dagmar P. Kollmann, Chairwoman of the Audit Committee, has expert knowledge of accounting and auditing. She is also particularly knowledgeable and experienced in the application of accounting standards and internal control procedures. She is independent, and is not a former member of the Board of Management of Deutsche Telekom AG. Like the members of the full Supervisory Board, the members of the Audit Committee overall are very familiar with the sector in which Deutsche Telekom AG is active.

The **Staff Committee** held two meetings in 2018 and mainly discussed matters relating to headcount and staffing requirement planning for the purpose of preparing Supervisory Board resolutions on the 2019 budget. In addition, the committee dealt with topics including qualitative HR planning, skill and succession management, the women's quota, and HR organization, and received information on the results of the pulse survey 2018 on employee satisfaction.

The **Nomination Committee** met three times in 2018, and dealt in its meetings with succession planning for the Supervisory Board.

The **Mediation Committee** to be formed in accordance with § 27 (3) of the Codetermination Act did not meet in 2018.

The **Technology and Innovation Committee** held three meetings in 2018 and dealt with a very broad range of topics from a variety of areas. For example, the committee discussed trends and strategic approaches, 5G, voice control technology, the transformation of the Technology and Innovation Board department, the TV strategy in Europe, and innovative ideas from corporate bodies and codetermination structures. The committee supports and promotes innovation and technological developments at infrastructure and product level. It supports the Board of Management with advice on how to tap new growth areas.

The **Special Committee for U.S. Business** held one meeting in 2018 and discussed in particular the planned business combination of T-Mobile US and mobile communications provider Sprint.


The **Special Committee on the Acquisition of Spectrum in Germany** has existed since January 1, 2019. The committee will be kept updated by the Board of Management regarding the planned 5G auction and provide guidance and advice in this context.

### CONFLICTS OF INTERESTS

Johannes Geismann was a member of the Supervisory Board of Deutsche Telekom AG and, at the same time, State Secretary at the Federal Ministry of Finance. New member of the Supervisory Board, Dr. Rolf Bösing, is also State Secretary at the Federal Ministry of Finance. Dr. Ulrich Schröder was a member of the Supervisory Board of Deutsche Telekom AG and, at the same time, CEO of the Executive Board at Kreditanstalt für Wiederaufbau (KfW). New member of the Supervisory Board, Dr. Günther Bräunig, is also the current CEO of the Executive Board at KfW (Kreditanstalt für Wiederaufbau). We are aware that Deutsche Telekom AG is currently involved in 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.

Michael Sommer is a member of the supervisory board of ZDF Enterprises GmbH. The company in question is responsible for program sales, coproductions, and the marketing of online rights, among other things. Mr. Sommer has therefore reported a potential conflict of interest to the Supervisory Board. It was agreed that he would not take part in deliberations and votes in the Supervisory Board related to the topics of TV and online rights. There were no conflicts of interest requiring action as of Mr. Sommer's departure from the Supervisory Board.

### CORPORATE GOVERNANCE

The Supervisory Board and Board of Management are aware that good corporate governance is an important foundation 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 German Corporate Governance Code on December 30, 2018. 



For more details on the Company's corporate governance policy, please also refer to a separate section of the Annual Report, page 14 et seq.

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## CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

At our meeting on February 21, 2018, we approved the re-appointment of Timotheus Höttges for the period from January 1, 2019 until December 31, 2023. Thomas Dannenfeldt announced to us that he would not be standing for a further term of office on personal grounds. We resolved to assign the Finance department to Dr. Christian P. Illek effective January 1, 2019.

In our meeting on July 13, 2018, we appointed Birgit Bohle as the Board member responsible for Human Resources and as Labor Director, both effective January 1, 2019 until December 31, 2021.

We passed a resolution on September 4, 2018 to establish a new Board department for USA and Group Development effective January 1, 2019, and appointed Thorsten Langheim to the Board of Management as the member responsible for this new department effective January 1, 2019 until December 31, 2021.

## CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

**Shareholders' representatives:** Dr. Ulrich Schröder resigned from his position as a member of the Supervisory Board effective February 6, 2018. He was succeeded by Dr. Günther Bräunig effective March 21, 2018, who was appointed to the Supervisory Board of Deutsche Telekom AG by the Bonn District Court until the end of the next shareholders' meeting. In a resolution passed by the shareholders' meeting on May 17, 2018, Dr. Günther Bräunig was elected for a further term of office until the end of the 2023 shareholders' meeting.

After being appointed to the Supervisory Board of Deutsche Telekom AG by the Bonn District Court until the end of the next shareholders' meeting, succeeding Dr. Wulf H. Bernotat effective September 28, 2017, the shareholders' meeting on May 17, 2018 appointed Margret Suckale to the Supervisory Board of Deutsche Telekom AG until the end of the 2023 shareholders' meeting.

Sari Baldauf left the Supervisory Board of Deutsche Telekom AG effective the end of the shareholders' meeting on May 17, 2018. In her place, Harald Krüger was elected by the shareholders' meeting on May 17, 2018 as a member of the Supervisory Board until the end of the 2023 shareholders' meeting.

At the shareholders' meeting on May 17, 2018, Prof. Ulrich Lehner was elected for a further term of office as a member of the Supervisory Board of Deutsche Telekom AG until the end of the 2022 shareholders' meeting. This further term takes account of the upper age limit set by the Supervisory Board. Following the shareholders' meeting, the Supervisory Board re-elected Prof. Lehner as Chairman.

Johannes Geismann resigned from his position as a member of the Supervisory Board effective the end of the shareholders' meeting on May 17, 2018. He was succeeded by Dr. Rolf Bössinger effective June 1, 2018, who was appointed to the Supervisory Board of Deutsche Telekom AG by the Bonn District Court until the end of the next shareholders' meeting in 2019.

**Employees' representatives:** Hans-Jürgen Kallmeier resigned from his position as a member of the Supervisory Board of Deutsche Telekom AG effective midnight, December 31, 2017. He was succeeded by Odysseus D. Chatzidis effective January 3, 2018, who was appointed to the Supervisory Board of Deutsche Telekom AG by the Bonn District Court.

The employees' representatives on the Supervisory Board of Deutsche Telekom AG Josef Bednarski, Monika Brandl, Klaus-Dieter Hanas, Petra Steffi Kreusel, Lothar Schröder, Michael Sommer, and Sibylle Spoo, each of whose term of office expired at the end of the shareholders' meeting on May 17, 2018, were court-appointed to the Supervisory Board at the same time.

Monika Brandl resigned from her position as a member of the Supervisory Board of Deutsche Telekom AG effective June 30, 2018. She was succeeded by Nicole Seelemann-Wandtke effective July 5, 2018, who was appointed to the Supervisory Board of Deutsche Telekom AG by the Bonn District Court.

At the delegates' assembly on November 20, 2018, the employees' representatives Josef Bednarski, Odysseus D. Chatzidis, Nicole Koch, Petra Steffi Kreusel, Lothar Schröder, Nicole Seelemann-Wandtke, Sibylle Spoo, and Karin Topel were re-elected to the Supervisory Board, and Constantin Greve and Frank Sauerland were appointed to the Supervisory Board for the first time. Klaus-Dieter Hanas and Michael Sommer did not stand for re-election and left the Supervisory Board of Deutsche Telekom AG on November 20, 2018.

The Supervisory Board would like to thank all of the former members for their valuable support.



For detailed information on the Board of Management members, please refer to Deutsche Telekom AG's website at [www.telekom.com/en/investor-relations/management-and-corporate-governance/board-of-management](http://www.telekom.com/en/investor-relations/management-and-corporate-governance/board-of-management).



For detailed information on the Supervisory Board members, please refer to Deutsche Telekom AG's website at [www.telekom.com/en/investor-relations/management-and-corporate-governance/supervisory-board](http://www.telekom.com/en/investor-relations/management-and-corporate-governance/supervisory-board).

### REVIEW OF THE ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2018 FINANCIAL YEAR

The Board of Management submitted the annual financial statements, the consolidated financial statements, and the Group management report, of which the latter is combined with the management report of Deutsche Telekom AG (combined management report) and includes the non-financial (Group) statement as a separate section, together with its proposal for the appropriation of net income, to us in good time.

PricewaterhouseCoopers GmbH 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 2018 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, 2018, which were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB), and the combined management report, as well as the consolidated financial statements as of December 31, 2018, which were prepared in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB, and the combined management report, and issued an unqualified audit opinion for each document. The auditor also issued an unqualified audit opinion for the combined non-financial statement contained in the combined management report.

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 corporate bodies, and audit managers on the one hand and the Company and its corporate body members on the other that may cast doubt on its independence. The auditor also stated to what extent non-audit 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 us of the outcome of this review before we prepared our resolution to propose to the shareholders' meeting the appointment of said independent auditor.

The external auditor also confirmed to the Audit Committee and the Supervisory Board in their financial statement review meetings on February 19 and February 20, 2019, respectively, that there are no circumstances that may give rise to doubts about the external auditor's impartiality. In this context, the auditor also reported on any services rendered in addition to auditing services. In the Supervisory Board meeting on February 20, 2019, the Audit Committee informed us about its monitoring of the auditor's independence while taking account of the non-audit services provided, and of its conclusion that the 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 us. The documentation on the financial statements (including the combined non-financial statement), the external auditor's audit report, and the Board of Management's proposal for the appropriation of net income were made available to all members of the Supervisory Board in good time.

We conducted our own in-depth review of the documents submitted by the Board of Management and the external auditor's audit reports. In preparation, the Audit Committee had conducted a thorough review of the aforementioned documents. The annual financial statements, the consolidated financial statements, and the combined management report (including the combined non-financial statement contained therein), 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 19, 2019. The members of the Board of Management also answered the committee members' questions. Moreover, the external auditor also attended this meeting and reported on its audit, in particular the key audit areas defined in agreement with the Audit Committee and the Supervisory Board, and the main findings of its audit, and explained its audit report. The external auditor did not identify any material weaknesses in the internal control system at Group level, in the risk management system, or in 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, its members had assured themselves that the audit report and the audit conducted by the independent auditor met

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the legal requirements. The Audit Committee agrees with the external auditor that there were no material weaknesses, in particular with regard to the accounting process, in the internal control or risk management systems at Group level. The same applies to the combined non-financial statement. The Audit Committee recommended that we 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, that we approve the annual financial statements and the consolidated financial statements; it also recommended that we not raise any objections against the combined management report including the combined non-financial statement, and that we support the Board of Management's proposal for the appropriation of net income.

We performed the final review of the annual financial statements, the consolidated financial statements, and the combined management report, including the combined non-financial statement, as well as the Board of Management's proposal for the appropriation of net income, at the Supervisory Board meeting on February 20, 2019, taking into account the report and recommendations of the Audit Committee and the external auditor's audit report. The Board of Management attended this meeting, explained the documents they had submitted, and answered our questions. 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 our questions, 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, we were satisfied that the audit and the audit report were compliant. We followed the Audit Committee's recommendation and approved the result of the external auditor's audit. The same applies to the combined non-financial statement.

Based on the final outcome of our review of the annual financial statements, the consolidated financial statements, and the combined management report, including the combined non-financial statement, 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. We 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, including the combined non-financial statement. It followed the Audit Committee's recommendation and approved these documents.

When dealing with the budget and medium-term planning on December 19, 2018, we conducted an in-depth examination of 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 19, 2019, and by the Supervisory Board on February 20, 2019. The external auditor was present at both meetings. We followed the Audit Committee's recommendation to approve and support the Board of Management's proposal to pay out shareholder remuneration of around EUR 3,320 million and to carry forward EUR 3,711 million to unappropriated net income.

At our meeting on September 4, 2018, the Board of Management informed us that no dependent company report would be prepared for the 2018 financial year since there was no legal requirement to do so. We acknowledged and approved this step. Dependent company reports are not planned for subsequent financial years provided no circumstances or legal requirements arise that call for such.

We would like to thank the members of the Board of Management, all of Deutsche Telekom's employees and the works committees for their commitment and dedication in the 2018 financial year.

Bonn, February 20, 2019  
The Supervisory Board

Prof. Dr. Ulrich Lehner  
Chairman