Report by the Board of Management on the authorized capital 2022

Authorized capital 2017 in § 5 (2) of the Articles of Association is due to expire on May 30, 2022. To the extent that it still exists, it will be canceled and replaced by new authorized capital (authorized capital 2022). This will ensure that the Company continues to have the financial flexibility it needs in the future.

The current authorized capital 2017 amounting to € 3,600,000,000.00 was exercised in the amount of € 576,000,000.00 against a non-cash contribution in September 2021 in connection with an increase in the Company’s stake in T-Mobile US by issuing 225,000,000 new no par value registered shares at the minimum issue price within the meaning of § 9 (1) AktG (€ 2.56). The non-cash contribution comprised 45,366,669 shares of common stock in T-Mobile US, Inc, with a nominal value of USD 0.00001 each (ISIN: US8725901040, WKN A1T7LU), which were contributed by Delaware Project 6 L.L.C., an entity of the SoftBank Group, and assigned to Deutsche Telekom AG. The capital increase was entered in the commercial register on September 28, 2021. As a result, the authorized capital 2017 was reduced to € 3,024,000,000.00.

The proposed new authorized capital for 2022 totaling € 3,829,600,199.68 constitutes approx. 30 percent of the current capital stock of € 12,765,334,005.76. The authorized capital 2022 will give the Board of Management the authority to increase capital stock, subject to the approval of the Supervisory Board, by issuing up to 1,495,937,578 no par value registered shares for cash and/or non-cash contributions in the period up to April 6, 2027. The authorization may be exercised in full or on one or more occasions in partial amounts.

In the event of capital increases against non-cash contributions, the Board of Management will be authorized, subject to the approval of the Supervisory Board, to disapply shareholders’ subscription rights when issuing new shares for business mergers or spin-offs to the Company as the acquiring entity, or for acquisitions of companies, parts of companies or company shareholdings, including increases in existing investment holdings, or other contributable assets in conjunction with such acquisitions, including receivables from the Company.

The Company is engaged in national and global competition. It must therefore always be in a position to act swiftly and flexibly on national and international markets. In particular, this includes the opportunity to improve its competitive position through mergers with other companies or the acquisition of companies, business units and interests in companies. In particular, this also includes increasing investments in Group companies. In selected cases, the best use of this opportunity in the interest of shareholders and the Company may entail mergers or acquisitions of companies, parts of companies or company shareholdings by offering shares in the Company.

Mergers and acquisitions of companies, parts of companies or company shareholdings frequently involve large units, requiring the provision of substantial considerations. In many cases, these considerations cannot or should not be paid in cash. In fact, to ensure that the liquidity of the Company is not endangered, it may be more beneficial to provide the consideration wholly or partially in company shares. Furthermore, it is common practice both on international and national markets to request the acquiring company’s shares as consideration for attractive acquisitions. The Company must therefore have the option of granting new shares as consideration. The non-cash contributions to be made in return for the new shares are therefore companies, parts of companies or company shareholdings.

In addition, the resolution proposal makes express provisions for the disapplication of shareholders’ subscription rights in order to offer and/or grant its repurchased own shares within the context of acquiring contributable assets in conjunction with one of the aforementioned intended acquisitions. With an intended acquisition, it may make financial sense to acquire other assets in addition to the actual object acquired, for example those which serve the economic purposes of
the acquired object or could serve them in the future. This applies in particular if the company being acquired does not own the current or potential future industrial or intangible property rights relating to its operations. In such and similar cases, the Company must be in a position to acquire such assets and to this end – whether to protect liquidity or because the seller demands it – to grant contributable shares as consideration. In this respect, the Company should therefore also have the option of increasing its capital stock against non-cash contributions while disapplying shareholders’ subscription rights. In particular, it should also be possible to disapply subscription rights in order to grant shares in the Company to the holders of receivables due to the Company – whether securitized or not – wholly or partially in place of cash payments. In cases where, for example, the Company has initially agreed to pay in cash to acquire a company or an interest in a company, this may give the Company the added flexibility of subsequently offering shares in lieu of cash, thus protecting its liquidity. The proposed authorization will give the Company the leeway it requires to flexibly exploit opportunities for mergers or the acquisition of companies, business units or interests in companies or to acquire other contributable assets in conjunction with such plans. Such a decision by the Board of Management shall be contingent on the Supervisory Board’s approval. If subscription rights were to be granted, the aforementioned benefits would not be achievable for the Company and its shareholders.

At present, the Company does not have any concrete merger or acquisition plans for using authorized capital 2022 and the opportunity for a non-cash capital increase with the exclusion of shareholders’ subscription rights that such capital entails. If such opportunities arise, the Board of Management shall consider on a case-by-case basis whether to utilize the option of a capital increase against a non-cash contribution with the disapplication of shareholders’ subscription rights. It will only make use of the authorization if it is convinced after careful scrutiny that the acquisition in return for the issue of new company shares is in the best interests of the Company and the value of the non-cash contribution is commensurate with the value of the shares.

The Board of Management should also have the power, subject to the approval of the Supervisory Board, to disapply fractional shares from shareholders’ subscription rights. This serves the purpose of enabling the Company to use rounded amounts for authorized capital 2022 in order to establish a practicable subscription ratio and to facilitate technical implementation of the capital increase. Shares that become free as a result of the disapplication of shareholders’ subscription rights are realized by selling them on the stock exchange or in some other way at the best price obtainable for the Company. By limiting this to fractional shares, the potential dilution effect as a result of the disapplication of shareholders’ rights is minimal.

In the interest of shareholders, an appropriate clause should guarantee that the aforementioned authorizations to disapply subscription rights, including all other authorizations to disapply subscription rights, are limited to a share volume equivalent to a total of 10 percent of the company’s capital stock.

Considering all the above-mentioned facts and circumstances, the Board of Management, in agreement with the Supervisory Board, regards the authorizations to disapply subscription rights, also making allowance for the potential dilution effect arising from the exercising of these authorizations to the disadvantage of the shareholders, as justified and reasonable for the reasons given. The Board of Management will report to the Shareholders’ Meeting on each use of authorized capital 2022.