

# Report of the Board of Management on the authorization to issue bonds with warrants, convertible bonds, profit participation rights and/or participating bonds (or combinations of these instruments) with the option of excluding subscription rights

Report pursuant to § 221 (4) sentence 2, § 186 (4) sentence 2 AktG on agenda item 7 of the Shareholders' Meeting of Deutsche Telekom AG on April 10, 2024

The authorization of the Board of Management by the Shareholders' Meeting on May 17, 2018 to issue bonds with warrants or convertible bonds carrying option and/or conversion rights to Company shares expired on May 16, 2023 without having been utilized. A new authorization is to be adopted in order to ensure that these financing instruments remain available to the Company if required over the coming years. To service the option or conversion rights, and/or the option or conversion obligations, in the event that the new authorization is utilized, a resolution is to be adopted regarding new contingent capital (2024 contingent capital), with a corresponding amendment to § 5 of the Articles of Incorporation. Concurrently, the 2018 contingent capital is to be canceled.

The issuance of bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or combinations of these instruments) (collectively referred to as "bonds" in the following) in addition to the traditional methods of borrowing and raising equity offers Deutsche Telekom AG the opportunity to utilize attractive financing alternatives on the capital market, depending on the market situation, and thus to establish a basis for future business growth. Bond issues enable funds to be borrowed at attractive conditions. Further, the granting of option or conversion rights provides the Company with the opportunity to retain in full or in part, as equity, funds raised through the bond issues or, depending on the relevant structure, to classify such funds as equity or equivalent to equity for purposes of credit quality assessments and for accounting purposes even before the option is exercised or the bonds are converted. The option and conversion premiums obtained and any classification as equity accrue to the Company's capital base. The additional option of combining bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds provides even greater leeway for structuring these financing instruments. As hybrid financing instruments increasingly include forms of financing that also provide for an unlimited maturity term, this authorization makes no provisions

for any limited term for the issuance of bonds. Further, the authorization gives the Company the flexibility it needs, depending on the market situation, to tap the German capital market or, in particular via majority holdings, the international capital market.

With regard to the authorization resolution proposed for this agenda item, a distinction must be made with respect to the exclusion of subscription rights: The Board of Management will primarily be authorized, with the approval of the Supervisory Board, to issue registered or bearer bonds on one or more occasions up until April 9, 2029 and to attach option or conversion rights to the respective partial bonds, which, in accordance with the terms and conditions of the bond, entitle the buyers to subscribe to Deutsche Telekom AG shares with a proportionate share of up to € 1,200,000,000.00 in the capital stock. To this extent, the authorization does not affect shareholders' statutory subscription rights. To facilitate settlement, however, use shall be made of the option of issuing the bonds to one or more banks or the members of a consortium of banks or to companies deemed equivalent to banks pursuant to § 186 (5) sentence 1 AktG, with an obligation to offer the bonds to shareholders in accordance with their subscription rights (indirect subscription right within the meaning of § 186 (5) AktG).

Under the terms of this general authorization, the Board of Management shall further be authorized to exclude the statutory right of shareholders to subscribe for the bonds, though only within certain limits, namely only to a limited extent for two specific purposes and to a greater extent only under certain strict conditions. In the case of exclusion only to a limited extent, the subscription right shall be excluded only to the extent required to offset any fractional amounts produced when stipulating the subscription ratio, or to grant subscription rights to holders or creditors (hereinafter collectively referred to as "holders") of bonds that have already been issued. Fractional amounts may result from the respective volume of issue and the implementation of a practicable subscription ratio. In such cases, the exclusion of subscription rights makes it easier to

*In the interest of readability, no distinction has been made between male, female and non-binary (m/f/d). All personal designations apply equally to all genders.*



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implement the capitalization measure, in particular the shareholders' subscription right. The exclusion of subscription rights in favor of the holders of issued bonds shall take into consideration the protection against dilution of capital, to which they are generally entitled in accordance with the terms and conditions of the bonds. They are therefore put in a position as if they were already shareholders. Exercising this authority to exclude subscription rights is an alternative to adjusting the option or conversion price, which may otherwise be necessary. Overall, this approach makes it possible to increase the cash inflow for the Company.

In the case of a further exclusion of subscription rights for bonds carrying option or conversion rights and/or option or conversion obligations, use is made of the possibility provided for by the legislator in § 221 (4) sentence 2, § 186 (3) sentence 4 AktG of excluding subscription rights "if the capital increase against cash contributions does not exceed 20% of the capital stock and the issue price is not significantly lower than the market price" (hereinafter also referred to as "simplified exclusion of subscription rights"). In this case, however, the number of shares accounted for by bonds for which there is to be the option of exclusion of subscription rights pursuant to § 221 (4) sentence 2, § 186 (3) sentence 4 AktG is limited to 10% of the capital stock. That is currently € 1,276,533,400.58. The Company's capital stock on the date on which the resolution is adopted at the Shareholders' Meeting on April 10, 2024 is decisive. Should the capital stock be reduced, for example through the redemption of repurchased treasury shares, the amount of capital stock on the date the authorization is exercised shall be decisive. The authorized volume is intended to decrease by the proportion of capital stock that is accounted for by the shares or that relates to option or conversion rights and option or conversion obligations from bonds issued or sold since this authorization was granted, directly pursuant to, in accordance with, or analogous to § 186 (3) sentence 4 AktG; this is designed to ensure that the 10% limit provided for in § 186 (3) sentence 4 AktG is observed, taking into account all authorizations with the possibility of excluding subscription rights in accordance with § 186 (3) sentence 4 AktG.

In the case of the simplified exclusion of subscription rights, the Board of Management shall not stipulate an issue price that is significantly lower than the theoretical market value of the bonds, determined in accordance with recognized financial techniques, thus ensuring compliance in this respect with the provisions of § 186 (3) sentence 4 AktG.

The simplified exclusion of subscription rights enables the Board of Management, with the approval of the Supervisory Board, to tap capital markets quickly and at short notice in order to bolster the Company's capital base, to take advantage of favorable stock market conditions, and to achieve better conditions when determining the interest rate, option price, and/or conversion price, as well as the issue price of bonds, by determining conditions aligned with the market. Placement under simplified exclusion of subscription rights

opens up the opportunity of a higher inflow of cash per bond than in the case of an issue with subscription rights. When subscription rights are granted, § 186 (2) AktG permits publication of the subscription price (and thus, in the case of bonds, of the associated conditions) no later than three days before the expiry of the subscription period. In view of stock market volatility, however, this nonetheless entails a market risk – especially a risk of prices changing – over several days, which can lead to haircuts being deducted when fixing the terms and conditions of bonds and hence to less-than-optimal conditions. If there is a subscription right, successful placement among new investors is also jeopardized, and in any event involves additional expense, due to the uncertainty of whether this right will be exercised (subscription behavior). Ultimately, when the Company grants subscription rights, it is unable to respond quickly to favorable or unfavorable market conditions due to the length of the subscription period. Moreover, a placement using the simplified exclusion of subscription rights can help secure new investors in Germany and abroad. When allocating the bonds to one or more investors, the Board of Management will focus solely on the Company's interests.

The shareholders' need for protection in the case of simplified exclusion of subscription rights shall be taken into account by not only limiting the scope of the authorization, but by fixing an issue price that is not significantly lower than the theoretical market value of the bond in question. This will prevent any significant economic dilution of the value of the Company's shares. Whether or not such a dilutive effect has occurred can be determined by calculating the hypothetical market value of the bond in question in accordance with recognized financial techniques, and comparing this value with the issue price. If, after the compulsory Board of Management review, this issue price is only insignificantly lower than the hypothetical market price (market value) on the date of the issue of the bond, simplified exclusion of subscription rights is permissible for the purposes of § 221 (4) sentence 2 and § 186 (3) sentence 4 AktG. In this case the value of a subscription right is virtually zero. Consequently, shareholders do not suffer any significant economic disadvantage from the exclusion of subscription rights. If, in certain situations, the Board of Management considers it appropriate to seek competent advice, it shall be permitted to use third parties for support. For example, a bank involved in the issue or an expert third party can give an assurance in a suitable form that no significant dilution in the aforementioned sense is to be expected. Moreover, after the exercise of conversion option rights or the occurrence of the option or conversion obligation, shareholders have the opportunity to maintain their share of the Company's capital stock by purchasing the shares needed for this on the stock exchange on approximately the same terms. Around 65% of the shares of Deutsche Telekom AG are in free float (as of December 31, 2023).

Furthermore, an appropriate clause is designed, in the interest of shareholders, to guarantee that the aforementioned authorizations to exclude subscription rights, including all other authorizations to exclude subscription rights, are limited to a share volume equivalent to a total of 10% of the capital stock of Deutsche Telekom AG.

Finally, to the extent that profit participation rights or participating bonds are to be issued that do not carry option or conversion rights and/or option or conversion obligations, the Board of Management shall be authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights altogether if these profit participation rights or participating bonds are structured in the same way as bonds, i.e., do not constitute any membership rights in the Company, do not grant any participation in liquidation proceeds, and the amount of interest is not calculated on the basis of the amount of income after taxes, unappropriated net income, or the dividend. In this case, the interest rate and the issue price of the profit participation rights or participating bonds shall also correspond to comparable borrowings on current market conditions on the issue date. If the aforementioned prerequisites are met, shareholders do not suffer any disadvantages if subscription rights are excluded, since the profit participation rights or participating bonds do not constitute any membership rights or grant any portion of the liquidation proceeds or of the Company's profits. Provisions can be made so that the interest rate depends on the existence of income after taxes, unappropriated net income, or a

dividend. By contrast, a provision would be inadmissible under which an income after taxes, higher unappropriated net income, or a higher dividend would lead to a higher interest rate. Consequently, the issuance of profit participation rights or participating bonds does not modify or dilute the voting rights or the shareholders' stake in the Company and their participation in its profits. Further, the terms of issue in line with the market that are mandatory for this case of exclusion of subscription rights do not result in any significant value for subscription rights.

The proposed contingent increase of the capital stock by up to € 1,200,000,000 (2024 contingent capital) is designed solely to ensure issuance of the necessary Deutsche Telekom AG shares when option or conversion rights are exercised and/or option or conversion obligations are fulfilled, insofar as these are required, and authorized capital or treasury shares or other forms of fulfillment are not used.

In consideration of all the aforementioned facts and circumstances, the Board of Management, in agreement with the Supervisory Board, regards the authorization to exclude subscription rights in the cases described, also taking into account the disadvantages to shareholders due to the potential dilutive effect triggered by exercise of the authorizations in question, as justified and reasonable for the reasons given.

Bonn, February 2024  
**Deutsche Telekom AG**  
**The Board of Management**

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