## SELECTED FINANCIAL DATA OF THE GROUP

### Billions of €

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<tbody>
<tr>
<td><strong>REVENUE AND EARNINGS</strong></td>
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<tr>
<td>Net revenue</td>
<td>75.7</td>
<td>74.9</td>
<td>73.1</td>
<td>69.2</td>
<td>62.7</td>
<td>60.1</td>
<td>58.2</td>
<td>58.7</td>
</tr>
<tr>
<td>Of which: domestic %</td>
<td>32.2</td>
<td>32.8</td>
<td>33.7</td>
<td>36.2</td>
<td>39.9</td>
<td>42.2</td>
<td>44.3</td>
<td>44.9</td>
</tr>
<tr>
<td>Of which: international %</td>
<td>67.8</td>
<td>67.2</td>
<td>66.3</td>
<td>63.8</td>
<td>60.1</td>
<td>57.8</td>
<td>55.7</td>
<td>55.1</td>
</tr>
<tr>
<td>Profit (loss) from operations (EBIT)</td>
<td>(14.7)</td>
<td>8.0</td>
<td>9.4</td>
<td>9.2</td>
<td>7.0</td>
<td>7.2</td>
<td>4.9</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>(24.7)</td>
<td>4.5</td>
<td>6.0</td>
<td>4.1</td>
<td>4.1</td>
<td>2.4</td>
<td>2.3</td>
<td>2.9</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(8.9)</td>
<td>21.8</td>
<td>24.0</td>
<td>22.5</td>
<td>18.4</td>
<td>17.8</td>
<td>15.8</td>
<td>18.0</td>
</tr>
<tr>
<td>EBITDA (adjusted for special factors)</td>
<td>5.0</td>
<td>23.3</td>
<td>22.2</td>
<td>21.4</td>
<td>19.9</td>
<td>17.6</td>
<td>17.4</td>
<td>18.0</td>
</tr>
<tr>
<td>EBITDA margin (adjusted for special factors)</td>
<td>%</td>
<td>4.8</td>
<td>5.7</td>
<td>1.5</td>
<td>1.9</td>
<td>2.4</td>
<td>2.3</td>
<td>3.8</td>
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<tr>
<td><strong>PROFITABILITY</strong></td>
<td></td>
<td></td>
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<tr>
<td>ROCE %</td>
<td>4.7</td>
<td>5.8</td>
<td>5.7</td>
<td>4.8</td>
<td>5.5</td>
<td>3.8</td>
<td>(2.4)</td>
<td>3.8</td>
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<tr>
<td><strong>STATEMENT OF FINANCIAL POSITION</strong></td>
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<tr>
<td>Total shareholders’ equity and liabilities</td>
<td>145.4</td>
<td>141.3</td>
<td>148.5</td>
<td>143.9</td>
<td>129.4</td>
<td>118.1</td>
<td>107.9</td>
<td>122.5</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>43.4</td>
<td>42.5</td>
<td>38.8</td>
<td>38.2</td>
<td>34.1</td>
<td>32.1</td>
<td>30.5</td>
<td>40.0</td>
</tr>
<tr>
<td>Equity ratio %</td>
<td>29.9</td>
<td>30.0</td>
<td>26.2</td>
<td>26.5</td>
<td>26.3</td>
<td>27.1</td>
<td>28.3</td>
<td>32.7</td>
</tr>
<tr>
<td>Net debt</td>
<td>55.4</td>
<td>50.8</td>
<td>50.0</td>
<td>47.6</td>
<td>42.5</td>
<td>39.1</td>
<td>36.9</td>
<td>40.1</td>
</tr>
<tr>
<td>Relative debt (Net debt/EBITDA (adjusted for special factors))</td>
<td>%</td>
<td>4.7</td>
<td>5.8</td>
<td>5.7</td>
<td>4.8</td>
<td>5.5</td>
<td>3.8</td>
<td>2.9</td>
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<td><strong>CASH FLOWS</strong></td>
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<tr>
<td>Net cash from operating activities</td>
<td>17.9</td>
<td>17.2</td>
<td>15.5</td>
<td>15.0</td>
<td>13.4</td>
<td>13.0</td>
<td>13.6</td>
<td>16.2</td>
</tr>
<tr>
<td>Cash capex</td>
<td>(12.5)</td>
<td>(19.5)</td>
<td>(13.6)</td>
<td>(14.6)</td>
<td>(11.8)</td>
<td>(11.1)</td>
<td>(8.4)</td>
<td>(8.4)</td>
</tr>
<tr>
<td>Free cash flow (before dividend payments and spectrum investment)</td>
<td>13.7</td>
<td>6.2</td>
<td>5.5</td>
<td>4.9</td>
<td>4.5</td>
<td>4.1</td>
<td>4.6</td>
<td>6.2</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(15.0)</td>
<td>(14.3)</td>
<td>(16.8)</td>
<td>(13.6)</td>
<td>(15.0)</td>
<td>(10.8)</td>
<td>(9.9)</td>
<td>(6.7)</td>
</tr>
<tr>
<td>Net cash (used in) from financing activities</td>
<td>(29.1)</td>
<td>(3.3)</td>
<td>(4.6)</td>
<td>(1.3)</td>
<td>(0.9)</td>
<td>(3.4)</td>
<td>1.0</td>
<td>(6.6)</td>
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<tr>
<td><strong>EMPLOYEES</strong></td>
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<tr>
<td>Average number of employees (full-time equivalents, without trainees)</td>
<td>216</td>
<td>216</td>
<td>221</td>
<td>226</td>
<td>228</td>
<td>230</td>
<td>232</td>
<td>240</td>
</tr>
<tr>
<td>Revenue per employee (millions of €)</td>
<td>349.7</td>
<td>346.2</td>
<td>331.4</td>
<td>305.9</td>
<td>274.5</td>
<td>261.8</td>
<td>250.4</td>
<td>244.0</td>
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<td><strong>T-SHARE – KEY FIGURES</strong></td>
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<tr>
<td>Earnings per share (basic and diluted) (€)</td>
<td>(37.8)</td>
<td>0.46</td>
<td>0.74</td>
<td>0.58</td>
<td>0.71</td>
<td>0.65</td>
<td>0.21</td>
<td>(1.24)</td>
</tr>
<tr>
<td>Dividend per share (€)</td>
<td>0.070</td>
<td>0.065</td>
<td>0.060</td>
<td>0.055</td>
<td>0.050</td>
<td>0.050</td>
<td>0.070</td>
<td>0.070</td>
</tr>
<tr>
<td>Total dividend (billion of €)</td>
<td>7.1</td>
<td>3.3</td>
<td>3.1</td>
<td>2.6</td>
<td>2.5</td>
<td>2.3</td>
<td>2.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Total number of ordinary shares at the reporting date (millions)</td>
<td>4,761</td>
<td>4,761</td>
<td>4,677</td>
<td>4,607</td>
<td>4,536</td>
<td>4,451</td>
<td>4,321</td>
<td>4,321</td>
</tr>
</tbody>
</table>

Calculated on the basis of millions for greater precision. Changes to percentages expressed as percentage points.

a Excluding PTC and AT&T transactions and compensation payments for MetroPCS employees.

b Subject to approval by the relevant bodies and the fulfillment of other legal requirements.

c Subject to approval by the 2019 shareholders’ meeting concerning the dividend payments for the 2018 financial year. For further information, please refer to Note 33 “Dividend per share” in the notes to the consolidated financial statements, page 223.

d Including treasury shares held by Deutsche Telekom AG.

### Change compared to prior year (%)

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<tbody>
<tr>
<td><strong>FIXED-NETWORK AND MOBILE CUSTOMERS</strong></td>
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<td></td>
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</tr>
<tr>
<td>Mobile customers</td>
<td>178.4</td>
<td>168.4</td>
<td>165.0</td>
<td>156.4</td>
<td>150.5</td>
<td>142.5</td>
<td>127.8</td>
<td>125.1</td>
</tr>
<tr>
<td>Fixed-network lines</td>
<td>27.9</td>
<td>27.9</td>
<td>26.5</td>
<td>29.0</td>
<td>29.8</td>
<td>30.8</td>
<td>32.1</td>
<td>34.7</td>
</tr>
<tr>
<td>Broadband customers a,b</td>
<td>6.7</td>
<td>20.2</td>
<td>18.9</td>
<td>18.4</td>
<td>17.8</td>
<td>17.4</td>
<td>17.1</td>
<td>16.9</td>
</tr>
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</table>

a Excluding wholesale.

b Starting in Q2 2018, we no longer report the number of broadband lines from a technical perspective. Instead, we report the number of broadband customers. The figures for 2016 and 2017 have been adjusted accordingly.

The key parameters used by Deutsche Telekom are defined in the section “Management of the Group” in the combined management report, page 38 et seq.

The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures.

The new accounting standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” took effect as of January 1, 2018. Prior-year comparatives were not adjusted. For further information, please refer to the section “Initial application of standards, interpretations, and amendments in the financial year” in the notes to the consolidated financial statements, page 154 et seq.
LETTER FROM THE CHAIRMAN OF THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS,

Deutsche Telekom keeps its promises. In 2015, we communicated our four-year forecast – one that was clearly geared towards growth. The figures are now in and they speak for themselves: We have exceeded our expectations. What’s more, in 2018 alone we raised our full-year guidance three times despite investing a great deal of money at the same time – more than EUR 12 billion, in fact.

And all of this at a time that is anything but easy for our industry. A quick glance at the company ratings in our sector shows they are falling virtually across the board. Not ours! In 2018, we significantly outperformed the DAX and this year we continue to maintain our position as the leading European telco in terms of market value.

Let’s take a look at what we achieved compared with our forecast for 2018. Organically, i.e., assuming constant exchange rates and the same Group structure, net revenue in 2018 increased by 3.1 percent. Also on an organic basis, adjusted EBITDA came in at 7.2 percent or EUR 1.6 billion higher than the prior-year figure and above our expectations. The same goes for free cash flow, which grew by 18.9 percent on the same basis and thus ended the year higher than the level we forecast.

As you can see, our strategy is paying off. We continue to focus on delivering the best networks and are forging ahead with our build-out efforts like no other provider in our industry.

As you know, high data speeds rely on fiber-optic infrastructure. We are thus immensely proud to have laid our 500,000th kilometer of fiber-optic cable last year. Our fiber-optic network is and remains the largest in Germany. We also offer a rate plan with 100 megabits per second (Mbit/s) to 26 million households. What’s more, by the end of 2018 we were able to offer some 14 million households and 2 million business locations top speeds of up to 250 Mbit/s using supervectoring. In 2019, we plan to extend high-speed coverage to 28 million households using this technology.

As you can see, our focus is on high quality and maximum coverage. That also goes for mobile communications: Our LTE network already covers 97.8 percent of the population in Germany, helped by 1,300 additional cell sites. We are not only investing in Germany, but in all of our footprint countries, where our LTE network covers 97 percent of the population, or around 109 million people.

T-Mobile US has the fastest 4G mobile network in the United States. By 2020, our U.S. colleagues plan to be the first to offer 5G nationwide.
Deutsche Telekom is helping to pioneer 5G in Europe, too. The first antennas to fully support the new communications standard are already up and running in Berlin, Darmstadt, Hamburg, and Warsaw. We are hosting the world’s first test of 5G for industry at the Port of Hamburg, and we have already achieved record-breaking transmission speeds in Austria, Greece, and Macedonia.

This costs money, but we believe it is money well spent: From 2018 to 2021, we plan to invest over EUR 20 billion in Germany – much of this will go towards building out the mobile and fixed networks.

Quantity without quality? Not at all. Quality is one of our top priorities. That’s why I am delighted that we regularly take first place in independent tests of networks and services – in Germany, Europe, and the United States.

As you can see, our commitment and our investments are bearing fruit. The fact that we have the resources to do all this is down to you, our shareholders. Please accept my sincere thanks for the trust you place in us. Our financial situation illustrates that your trust has not been misplaced.

Our customers also have confidence in what we do. This much is clear from the customer growth we are seeing on both sides of the Atlantic. Our approach to combining fixed and mobile communications in one convergent product is gaining momentum both in Germany, in the form of MagentaEINS (642,000 customer additions), and in Europe as MagentaOne and similar offerings (1.1 million customer additions).

In the United States, our Un-carrier strategy continues to flourish. T-Mobile US has added more than one million new customers every quarter for almost six years. With such rapid growth, our U.S. subsidiary has once again left every other national competitor trailing in its wake. Furthermore, we expect the merger agreed with Sprint – which is still subject to approval by the regulatory authorities – to substantially strengthen our future business.

Over the past year, our colleagues in the United States have also been exploring new horizons in the area of customer service with their Un-carrier Next initiative. Under the new Team of Experts program, postpaid customers who call customer service are connected directly to a personal advisor.
In Europe, too, we are working ceaselessly to make our service even better. A key focus for us in Germany is on ensuring that our service technicians are on time, which they are for almost 95 percent of agreed appointments. We have also significantly reduced the number of customer complaints.

But regardless of whether it’s about great technology or outstanding service – none of it would be possible without the dedicated employees we have at our Group. They are the people who make Deutsche Telekom what it is – an industry leader on both sides of the Atlantic. I would like to take this opportunity to thank my colleagues sincerely for such dedication.

Dear Shareholders,

The financial report is further evidence that not only do we set ourselves ambitious goals – we also meet and even exceed them. I’m happy to say it again: We keep our promises. Our growth profile is unique in the industry. We are leaders in our sector and work tirelessly to make sure it stays that way.

Over the past year, we have laid important strategic groundwork in this regard – for example, with the completion of the acquisition of Tele2 in the Netherlands and the takeover of UPC in Austria. We can now become a one-stop shop for integrated product bundles in these countries, too, which will mean even better services for our customers.

We have already set the bar for the next few years. On average, revenue is expected to increase by one to two percent per year by 2021, adjusted EBITDA by two to four percent, and free cash flow by around ten percent.

And it goes without saying that you will benefit from our successes. Following the dividend of EUR 0.65 per share for 2017, we are proposing – subject to approval by the relevant bodies and the fulfillment of other legal requirements – a dividend for the 2018 financial year of EUR 0.70 per dividend-bearing share. That’s because Deutsche Telekom is a dependable partner in this respect, too.

Best regards,

Tim Höttges
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 Bösinger (since June 28, 2018)
Johannes Geismann (until May 17, 2018)
Lothar Schröder
Dr. Rolf Bösinger (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. Günter 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)
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.

The T-Share

Deutsche Telekom. The 2018 financial year.
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. Koillmann, 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 Bösinger, 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.
CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

At our meeting on February 21, 2018, we approved the re-appointment of Timotheus Hütteges 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 Bösinger 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.
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The Audit Committee prepared our resolution to propose to the shareholders’ meeting the appointment of said independent auditor.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, which was appointed as 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.

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 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...
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
CORPORATE GOVERNANCE REPORT 2018

In the following text, the Board of Management and the Supervisory Board report on corporate governance at Deutsche Telekom AG in accordance with Section 3.10 of the German Corporate Governance Code. This Corporate Governance Report is published together with the Corporate Governance Statement in accordance with § 289f HGB, which is published on Deutsche Telekom’s website.

Sound, systematic corporate governance is particularly important for an international group such as Deutsche Telekom with its many subsidiaries and associates. The Company complies with legal requirements, national provisions, such as the recommendations of the Government Commission on the German Corporate Governance Code, as well as with international standards. The Supervisory Board and the Board of Management are convinced that sound corporate governance, taking company and industry-specific issues into account, is an important building block for the future success of Deutsche Telekom AG. Accordingly, responsibility for compliance with the principles of sound corporate governance is vested in senior management.

In the 2018 financial year, the Board of Management and Supervisory Board once again carefully examined the corporate governance of Deutsche Telekom AG and the Deutsche Telekom Group as well as the contents of the German Corporate Governance Code. During the reporting period just ended, as in prior years, Deutsche Telekom AG again fulfilled all of the Code’s recommendations. The Supervisory Board and Board of Management of Deutsche Telekom AG therefore issued an unqualified Declaration of Conformity with the German Corporate Governance Code on December 30, 2018:

Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG).

I. The Board of Management and Supervisory Board of Deutsche Telekom AG hereby declare that, in the period since the issuance of the most recent declaration of conformity pursuant to § 161 of the Stock Corporation Act on December 30, 2017, Deutsche Telekom AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code announced by the Federal Ministry of Justice and Consumer Protection on April 24, 2017 in the official section of the Federal Gazette (Bundesanzeiger), without exception.

II. The Board of Management and Supervisory Board of Deutsche Telekom AG hereby declare further that Deutsche Telekom AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code, published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) on April 24, 2017, without exception.

The Declaration of Conformity can be found on the website of Deutsche Telekom AG. This website also provides access to the declarations of conformity from previous years.

Cooperation between the Board of Management and the Supervisory Board. The Board of Management and the Supervisory Board work closely together for the good of the Company and maintain regular contact. The Board of Management agrees the Company’s strategic alignment with the Supervisory Board and discusses the status of strategy implementation with the Supervisory Board at regular intervals. The Supervisory Board of Deutsche Telekom AG holds a minimum of four meetings a year. In 2018 there were six Supervisory Board meetings and a one-day off-site conference on the strategic alignment of the Company. In addition, 28 Supervisory Board committee meetings were held. The Board of Management keeps the Supervisory Board fully and regularly informed in good time on corporate strategy, planning, business developments, the risk situation, risk management, compliance, innovation focuses, and any deviations in the business developments from original plans, as well as significant business transactions involving the Company and major Group companies. The Board of Management regularly submits written and oral reports. Between meetings, the Board of Management also informs the Supervisory Board of the current business development of the Group and its segments on a monthly basis. The Board of Management reports to the Supervisory Board on individual issues in writing or in discussions. The information and reporting obligations of the Board of Management specified by the Supervisory Board go beyond statutory requirements. The activities of the Board of Management and the Supervisory Board, as well as the Audit Committee of the Supervisory Board, are specified in separate Rules of Procedure. Those that govern the Board of Management provide guidance on its schedule of responsibilities and the majorities required for resolutions, among other matters. The Chairmen of the two Boards also exchange information regularly in person.
Composition of the Board of Management. As of January 1, 2019, the Board of Management’s schedule of responsibilities states that there are nine Board departments instead of eight: the department of the Chairman of the Board of Management; Finance; Human Resources; Data Privacy, Legal Affairs and Compliance; T-Systems; Germany, Technology and Innovation; and Europe. The Board of Management was extended to include the USA and Group Development Board department. Each Board of Management member is authorized to manage the sphere of responsibility allocated to him or her. Certain matters are subject to approval by the full Board of Management. Furthermore, every Board member can submit matters to the full Board of Management for decision. Members of the Board of Management should not be older than 65 years of age (standard age limit). In September 2015, the Supervisory Board set out target figures for the number of women on the Board of Management. The Supervisory Board set a short initial deadline for implementation at the end of 2015 within which the current proportion of women on the Board of Management (1 of 7) was to remain stable. The Supervisory Board also resolved that the proportion of women should increase to 2 of 7 within the second implementation period by the end of 2020.

Composition of the Supervisory Board. The Supervisory Board of Deutsche Telekom AG consists of twenty members, ten representing the shareholders and ten representing the employees. The Supervisory Board members representing the shareholders are elected by the shareholders’ meeting by simple majority. As in previous years, elections to the Supervisory Board were for individual members held at the last shareholders’ meeting on May 17, 2018. For each candidate proposed to the shareholders’ meeting on May 17, 2018, a résumé was included with the agenda containing relevant details of their expertise, skills, and experience, as well as their most important activities next to the Supervisory Board mandate. The standard five-year terms of office of the individual Supervisory Board members representing the shareholders end on different dates. This ensures continuity regarding the Supervisory Board’s composition. The Supervisory Board members representing employees were most recently elected at the delegates’ assembly on November 20, 2018, according to the provisions of the German Co-determination Act (Mitbestimmungsgesetz – MitbestG). The résumés of all Supervisory Board members are published on the Deutsche Telekom website and updated annually.

As for its composition, the Supervisory Board has set itself the following objectives:

- Taking into account the Company’s specific situation, the Supervisory Board resolves to consider the aspect of diversity in addition to the requisite expertise of a candidate when issuing recommendations for future appointments to the Supervisory Board to the competent election bodies.

- The Supervisory Board has to be composed in such a way that its members as a group possess the knowledge, ability, and expert experience required to properly perform its tasks.

- The Supervisory Board supports an appropriate degree of women representation on the Supervisory Board. A minimum of 30 percent of members of the Supervisory Board shall be women.

- In view of the Company’s international focus, candidates with an international background are to be given appropriate consideration in future appointments to the Supervisory Board.

- Conflicts of interest are to be avoided in appointments to the Supervisory Board.

- The term of office for members of the Supervisory Board shall end no later than the close of the shareholders’ meeting after the Supervisory Board member reaches the age of 75 unless there are special reasons for this not to be the case (standard age limit).

- A regular limit of three terms of office shall apply for membership on the Supervisory Board. Appointments by court order that are limited until the next shareholders’ meeting shall not, however, be considered a term of office.

- The Supervisory Board shall include at least sixteen members who are independent within the meaning of Section 5.4.2 of the German Corporate Governance Code. It is assumed that those Supervisory Board members elected in accordance with the Codetermination Act are independent in principle as defined. On the shareholders’ representative side, at least six members of the Supervisory Board must therefore be independent.
The Supervisory Board considers the following skills, expertise and knowledge to be essential for it to exercise its role (profile of skills and expertise):

1. **Strategic skills and expertise**
   - TC/IT industry, related industries
   - Market (competition and customers), sales, and customer business
   - Products
   - Market participants
   - Regulated industries
   - M&A processes

2. **Financial skills and expertise**
   - Accounting processes, risk management, audit of financial statements
   - Financial KPIs and systems
   - Capital and financial markets

3. **Control skills and expertise**
   - Management/CEO
   - Supervisory board
   - International management experience
   - Codetermination
   - Legal affairs/compliance
   - Regulatory and competition law

4. **Innovation skills and expertise**
   - New technologies
   - Digitalization
   - IT/NT/telecommunications

5. **Sustainability expertise, social skills**
   - Human resources
   - Change management
   - Organizational and cultural change
   - Diversity
   - Sustainability

Regarding the achievement level of the Supervisory Board membership targets and meeting the stipulations of the profile of skills and expertise:

The proportion of women on the Supervisory Board was at least 40 percent throughout the 2018 financial year. This means that the target of reaching the quota of 30 percent, which is now set out by law, was fulfilled.

The Supervisory Board is composed in such a way that its members as a group possess the knowledge, ability and expert experience required to properly perform its tasks. The members of the Supervisory Board represent various different professions and many of them have a multinational background. The avoidance of conflicts of interest and compliance with the standard age limit and the regular limit on terms of office were taken into consideration in the appointments to the Supervisory Board.

The Supervisory Board is convinced that, as a whole, it meets the stipulations of the profile of skills and expertise.

Furthermore, the proposals for election took account of the targets resolved by the Supervisory Board for its own composition as well as the skills and expertise profile drawn up by the Supervisory Board for itself as a whole.

The shareholders’ meeting elected Margret Suckale to the Supervisory Board. She has a high level of experience in committee work and in leadership roles. Previous seats on the management boards at Deutsche Bahn AG and BASF SE contribute to her extensive expertise in legal affairs, HR, regulation, and corporate governance.

Dr. Günther Bräunig, CEO of KfW Bankengruppe and a recognized expert in capital markets, international financing, legal affairs, and HR, was also elected to the Supervisory Board by the shareholders’ meeting. Dr. Bräunig has extensive national and international leadership experience, gained in part during many years on the executive board of KfW Bankengruppe.

In addition, Harald Krüger, a nationally and internationally renowned expert in the fields of innovation management and technology, was elected to the Supervisory Board. He is the CEO of BMW AG and has spent many years in top management roles in areas such as production, sales, strategy, and HR.

Prof. Ulrich Lehner has long-standing experience as the Chairman of the Supervisory Board of Deutsche Telekom AG. He is also a member of other supervisory bodies for global enterprises active in the fields of energy technology, automotive, consumer goods, pharmaceuticals, and manufacturing technology. As a qualified auditor, Prof. Lehner is also particularly knowledgeable about accounting processes and the auditing of financial statements. He has extensive expertise in national and international corporate leadership, including from his previous role as CEO of Henkel AG & Co. KGaA.
The Supervisory Board is convinced that – in accordance with the recommendation of the German Corporate Governance Code – it has a sufficient number of independent members to provide impartial advice to and monitor the Board of Management.

The Supervisory Board is convinced that Lars Hinrichs, Dr. Helga Jung, Prof. Michael Kaschke, Dagmar P. Kollmann, Harald Krüger, Prof. Ulrich Lehner, Karl-Heinz Streibich, and Margret Suckale are independent Supervisory Board members within the meaning of the German Corporate Governance Code.

The Supervisory Board will continue to ensure that the candidates proposed for election at the shareholders’ meeting can dedicate the required amount of time to their Supervisory Board tasks at Deutsche Telekom AG.

Tasks assigned to the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and regularly supervises its management of the Company. The Supervisory Board is directly involved in all decisions of strategic importance to the Company. This involvement is guaranteed through the specification of approval provisos for the Supervisory Board and through the agreement of the strategic alignment of the Company. The work of the Supervisory Board is specified in Rules of Procedure. To clarify the reporting obligations on the part of the Board of Management, the Supervisory Board has drawn up a list of transactions subject to approval. This list forms an integral part of the Rules of Procedure for the Supervisory Board and the Board of Management, respectively. The Supervisory Board and Audit Committee each assess the efficiency of their work every two years, which also provides new impetus for their work on a regular basis. The self-assessment carried out to this end is based on a comprehensive questionnaire followed by intense discussion and consultation on the results by the Supervisory Board and Audit Committee. The Supervisory Board carried out its last efficiency audit in the 2017 financial year. As well as the work of the Supervisory Board as a whole, this also considered the work of all of the Board’s committees. A further, separate evaluation of the Audit Committee was carried out most recently in 2018.

The members of the Supervisory Board take on the necessary training and development measures required for their tasks on their own and are supported by Deutsche Telekom AG in doing so with a range of options including information events and workshops with internal and external experts. The Company offers new Supervisory Board members a customized program to introduce them to the industry and the situation of the Company. Furthermore, a meeting extraordinary to regular reporting is held to inform the members of the Audit Committee about the latest changes in the law, new accounting and auditing standards, and any changes in corporate governance issues. The members of the Supervisory Board are also kept up to date about any new requirements for work on the Supervisory Board at the regular Board and committee meetings.

In order to perform its tasks more effectively, the Supervisory Board has nine committees. The General Committee deals with personnel matters relating to the Board of Management and prepares the meetings of the Supervisory Board. The Staff Committee deals with general personnel matters not relating to the Board of Management. The Finance Committee mainly deals with complex financial and business management topics within the Company. The Audit Committee performs the tasks required by law and recommended by the German Corporate Governance Code. These include, in particular, monitoring accounting and the accounting process, the effectiveness of the internal control system, the risk management and internal auditing systems, the audit of financial statements, compliance, and data privacy. The Technology and Innovation Committee supports and promotes innovation and technological developments at infrastructure and product level and supports the Board of Management with advice on how to tap new growth areas. Furthermore, the Supervisory Board has formed a Nomination Committee, which consists exclusively of shareholders’ representatives. The Nomination Committee is responsible in particular for proposing to the Supervisory Board suitable candidates for the latter to subsequently recommend to the shareholders’ meeting for election. In addition, there is a Mediation Committee, which was formed in accordance with § 27 (3) of the Codetermination Act. Furthermore, a Special Committee for U.S. Business was established in May 2014. In view of the planned 5G auction in Germany, a Special Committee on the Acquisition of Spectrum offers new Supervisory Board members a customized program to introduce them to the industry and the situation of the Company.

For further details about the composition and working methods of the committees, please refer to the “Supervisory Board’s report to the shareholders’ meeting,” page 7 et seq. of the Annual Report.
The committees’ chairpersons report to the Supervisory Board on a regular basis on the work of the committees. The Chairwoman of the Audit Committee, Dagmar P. Kollmann, 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 Chairman of the Supervisory Board coordinates the work of the Supervisory Board and presides over its meetings. In addition to the organizational tasks relating to the Supervisory Board, he maintains regular contact with the Chairman of the Board of Management and the members of the Board of Management to discuss issues relating to the Company’s strategy, planning, business development, the risk situation, risk management, and compliance, and is informed of the general business situation and significant events. In this context, the Chairman of the Board of Management in particular informs the Chairman of the Supervisory Board of all events that are significant to the situation, development, and governance of the Company.

Avoiding conflicts of interest. Board of Management members and Supervisory Board members are obliged to disclose immediately any conflicts of interest to the Supervisory Board. Any functions assumed by members of the Board of Management that are not covered by their Board of Management mandate are subject to approval by the General Committee of the Supervisory Board.

Risk and opportunity management. The Board of Management and the Supervisory Board consider the approach to the management of opportunities and risks arising in connection with the Company’s business activities to be of fundamental importance for professional corporate governance. The Board of Management receives regular reports from the Group’s Risk Management unit concerning current risks and their development. In turn, it reports to the Supervisory Board on the risk situation and the risk management system. The risk management system in place at Deutsche Telekom AG is evaluated by the external auditor, and it is constantly being expanded and improved. In addition to the responsibilities assigned by law and those recommended by the German Corporate Governance Code, the Audit Committee also deals with risk management, including the monitoring of the effectiveness of the internal risk management system.

Compliance. Compliance involves the observance of legal requirements and internal Group rules. Deutsche Telekom AG has a Group-wide compliance organization that is continuously being improved (also published in the 2017 Corporate Responsibility Report). There is also a Compliance Committee that supports the Board of Management in further developing the framework for an effective compliance management system. The members of the Compliance Committee are experienced managers in the areas of compliance, legal affairs, security, internal auditing, and human resources. The Chief Compliance Officer, appointed by the Board of Management, chairs the Compliance Committee. A compliance officer has been appointed for each of the operating segments. Individual business units have additional compliance officers/contacts depending on their respective size and risk situation. Clear reporting structures have been implemented throughout the Group. The particular significance attached to compliance is underlined by the decision to pool all compliance activities in the Board of Management department for Data Privacy, Legal Affairs and Compliance.
Deutsche Telekom AG has implemented a comprehensive compliance management system. According to this system, a compliance program is set up based on a structured risk assessment process performed once a year throughout the Group. The compliance management system also includes the Code of Conduct, the Code of Ethics, and various policies. The Code of Conduct defines how employees and management should practice value-based and legally compliant conduct in their daily business activities. The Code of Ethics addresses the ethical conduct.

The Code of Conduct in place at Deutsche Telekom AG and other selected national and international companies was certified as being appropriate and effectively implemented by an external auditor in stages from 2016 through 2018 in accordance with IDW audit standard 980 with the focus on anticorruption.

Internal controls over financial reporting. Deutsche Telekom AG has implemented a process to systematically assess the effectiveness of its internal controls over financial reporting. This process again provided evidence of the controls’ effectiveness throughout the Group for the 2018 financial year. The Audit Committee assumes the task of monitoring the accounting and financial reporting processes on behalf of the Supervisory Board. The system of internal controls over financial reporting is updated on an ongoing basis and monitored separately by Internal Audit and external auditors.

Accounting and audit of financial statements. An agreement has been reached with the external auditor of Deutsche Telekom AG that the Chairman of the Supervisory Board/the Audit Committee shall be advised immediately of any issues uncovered during the audit that might give rise to statements of exclusion or reservation in the external auditor’s report, unless these issues can be resolved forthwith. Moreover, it has been agreed that the external auditor shall immediately report any findings and issues that emerge during the audit and that have a direct bearing upon the tasks of the Supervisory Board. According to this agreement, the external auditor undertakes to inform the Supervisory Board or make a note in the audit report of any facts discovered during the audit that might indicate a discrepancy in the Declaration of Conformity submitted by the Board of Management and Supervisory Board with the German Corporate Governance Code. The Audit Committee supervises the independence of the external auditor.

Transparent shareholder communication. We are committed to providing institutional investors, retail shareholders, financial analysts, and the general public with regular, comprehensive, transparent and up-to-date information about the Company’s position at the same time and on an equal basis to ensure a high level of transparency and equality of information. Significant information, such as press releases, ad-hoc notifications, presentations from analyst conferences, all financial reports and the financial calendar, is made available on the Company’s websites. Additionally, the Chairman of the Supervisory Board once again made himself available to investors to discuss matters specific to the Supervisory Board.

Share ownership by members of the Board of Management and the Supervisory Board. Total direct or indirect holdings of shares in the Company or associated financial instruments by members of the Board of Management and the Supervisory Board do not exceed 1 percent of the shares issued by the Company.
THE T-SHARE

T-Share information

<table>
<thead>
<tr>
<th>XETRA CLOSING PRICES</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price on the last trading day</td>
<td>€ 14.82</td>
<td>€ 14.80</td>
</tr>
<tr>
<td>Year high</td>
<td>€ 15.49</td>
<td>€ 18.05</td>
</tr>
<tr>
<td>Year low</td>
<td>€ 12.81</td>
<td>€ 14.76</td>
</tr>
</tbody>
</table>

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<tr>
<th>TRADING VOLUME</th>
</tr>
</thead>
<tbody>
<tr>
<td>German exchanges</td>
</tr>
<tr>
<td>Market capitalization on the last trading day</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WEIGHTING OF THE T-SHARE IN MAJOR STOCK INDEXES ON THE LAST TRADING DAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAX 30</td>
</tr>
<tr>
<td>Dow Jones EURO STOXX 50®</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>T-SHARE – KEY FIGURES</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share (basic and diluted)</td>
<td>€ 0.46</td>
<td>€ 0.74</td>
</tr>
<tr>
<td>Proposed dividend</td>
<td>€ 0.70</td>
<td>€ 0.65</td>
</tr>
<tr>
<td>Number of shares issued</td>
<td>millions, at year-end</td>
<td>4,761</td>
</tr>
</tbody>
</table>

DEVELOPMENT OF INTERNATIONAL INDEXES
After six years of strong growth, the DAX came under immense pressure in 2018. Rising interest rates and concerns about the negative effects of growing protectionism, especially in trade between the EU, China, and the United States, took their toll on the index. As a result, Germany’s most important stock market barometer lost 18.3 percent over the course of the year.

Although somewhat less than the DAX, the Dow Jones EURO STOXX 50® also ended the year substantially down: On a total return basis – i.e., including reinvested dividends – this wide-ranging European stock market index lost 12.0 percent. As with the DAX, share price performance was impacted by discussions around interest rates and growing protectionism in global trade.

Similarly, the Nikkei ended the stock market year down 12.1 percent. The United States’ stock market barometer, the Dow Jones, while performing better than the European and Japanese stock exchanges, was also unable to buck the negative trend, falling 5.6 percent.

T-SHARE PERFORMANCE
The European telecommunications sector performed somewhat better than the cross-sector indexes but was nevertheless weak in 2018. The industry’s barometer, the Dow Jones STOXX® Europe 600 Telecommunications, fell 8.8 percent in the course of the stock market year. Share price performance was adversely affected by regulatory discussions and increasing competition on a number of European markets.

In this environment, the T-Share closed the year 2018 at EUR 14.82, up slightly by 0.1 percent. The lowest price recorded during the year was EUR 12.81 on March 26, 2018, while the highest price of EUR 15.49 was recorded on November 30, 2018, shortly after the publication of our figures for the third quarter.

On a total return basis – and thus comparable with the DAX – our share ended the year 2018 up 5.0 percent.

DIVIDEND
The Board of Management and Supervisory Board of Deutsche Telekom AG will propose to this year’s shareholders’ meeting, to be held on March 28, 2019, the distribution of a dividend of EUR 0.70 per dividend-bearing share.
SHAREHOLDER STRUCTURE

The Federal Republic’s shareholding, including that of Kreditanstalt für Wiederaufbau (KfW), stands at approximately 32 percent. The proportion of institutional investors decreased slightly to 52.2 percent, while the share of retail investors increased to 15.9 percent. As a result, the percentage of shares in free float remains at 68 percent of the share capital.

<table>
<thead>
<tr>
<th>Shareholder structure</th>
<th>% (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Republic</td>
<td>14.5</td>
</tr>
<tr>
<td>KfW</td>
<td>17.4</td>
</tr>
<tr>
<td>Retail investors</td>
<td>15.9</td>
</tr>
<tr>
<td>Institutional investors</td>
<td>52.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Geographical distribution of free float</th>
<th>% (as of December 31, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>33.8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>19.6</td>
</tr>
<tr>
<td>Other countries</td>
<td>4.6</td>
</tr>
<tr>
<td>United States/Canada</td>
<td>14.8</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>27.2</td>
</tr>
</tbody>
</table>
SUSTAINABLE DEVELOPMENT GOALS

In order to successfully tackle global challenges, the member states of the United Nations adopted the 2030 Agenda for Sustainable Development in 2015. The aim is to enable economic development and prosperity – in line with social justice and taking account of the ecological limits of global growth. The Agenda applies equally to all nations of the world.

The core of the 2030 Agenda comprises 17 goals: the Sustainable Development Goals (SDGs). In particular, it seeks to reduce poverty and hunger, promote healthcare and education, enable equality, protect the environment and climate, and make consumption sustainable. Implementing the ambitious SDGs will require everyone to work together: policy makers, civil society, and business. As such, companies are also called upon to make concrete contributions with respect to their business activities.

We are answering this call. Many of our products, services, and activities already allow us to make such a contribution. Our contribution to the SDGs also has a positive effect on the entire value chain at Deutsche Telekom. To enhance clarity, we divide these value contributions into the five subcategories – Finance, Structure, Relationships, Employees, and Environment.

For example, as a responsible employer, we greatly value employee participation and a working environment that is fair and respectful; we encourage diversity and support our employees on their journey toward the digital working world (Employees). In doing so, we also contribute to meeting SDGs 8 and 5. Our broadband network build-out makes an active contribution to creating and expanding high-quality infrastructure and promoting innovation (SDG 9), and at the same time strengthens our infrastructure (Structure). By consistently improving energy efficiency as we expand our network, and by delivering cloud-based services that enhance energy efficiency for our customers (Environment), we contribute towards SDG 13. Thanks to products and solutions like these, customers can conserve yet further resources and heighten the positive effects on the environment (SDGs 12, 14, 15). The build-out of our broadband network also gives a large number of people access to digital education media (SDG 4), while our e-health services improve medical care (SDG 3). At the same time, we generate revenue with these services (Finance). Smart city solutions promote sustainable living (SDGs 11, 17) and we implement them using new partnerships (Relationships).

To clearly highlight the contribution our products, services, and activities make towards the individual sustainability development goals and our value chain, we have marked the relevant passages of the following pages with the respective SDG and contribution symbols.