

LETTER FROM THE CHAIRMAN OF THE BOARD OF MANAGEMENT

DEAR SHAREHOLDERS,

If I had to sum up the 2017 financial year in just one statement, it would be: "We're building out!" While others often just talk, we let our actions speak, and invest in the best networks and products. In Germany and in many other parts of Europe. In big cities as in smaller communities. For consumers as for business customers.

To this end, we are investing more than EUR 12 billion in our future as Europe's leading telecommunications company. This is another billion euros more than a year earlier. On top of this comes another USD 8 billion for new mobile spectrum in the United States.

In Germany, we spent around EUR 5.4 billion in 2017, primarily on best networks. Among other projects, we laid 40,000 kilometers of new optical fiber. The original plan had "only" been for 30,000. At 455,000 kilometers, this means we now have the biggest fiber-optic network in the country. But we still have quite a way to go. We are upping the ante again. We plan to lay 60,000 kilometers in 2018 alone. Overall, we activated around 2.8 million fiber-optic lines in 2017.

Business parks are also a priority for us, as I announced at last year's shareholders' meeting. And we have put this into action: Our first step took in 100 business parks. The majority of them will already have fiber to the building (FTTB) by the end of this year. In the next five years, we want to develop 3,000 business parks.

Things are also moving with consumers: We are making our fast network even faster. Step by step we are bringing optical fiber closer to our customers – even right to the home. In this way, we are also increasing transmission rates – in urban centers and rural areas alike.

There is another major step planned for this year: super-vectoring, which will enable bandwidths of up to 250 Mbit/s. Of course, we are also working continuously in our European national companies to fit out our networks with optical fiber.

Commitment pays, and our customers reward us for it. The fiber-optic boom plus strong demand for our MagentaEINS product packages and rising revenues from mobile communications have pushed up earnings in Germany. Our European national companies have also improved substantially overall – thanks in particular to a significant increase in customer numbers in mobile communications and for product packages. And for the fourth year in a row, T-Mobile US won more than five million new customers and achieved the strongest growth in service revenues among the major U.S. mobile companies.

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As you can see, Deutsche Telekom is growing, in all areas: revenue (up 2.5 percent to EUR 74.9 billion), adjusted EBITDA (up 3.8 percent to EUR 22.2 billion) and free cash flow (up 11.3 percent to EUR 5.5 billion). This means we are in line with our guidance, which assumed constant exchange rates, among other things.

And once again our financial results exceeded the ambition level we set out at the Capital Markets Day in 2015. Deutsche Telekom is a reliable partner.

At the same time, we are also driving innovation: In March 2017, we launched the large-scale roll-out of LTE 900 in Germany. This will get our network ready for 5G, the communications standard of the future. The 900 MHz spectrum range is especially suited to carrying the mobile signal deeper into buildings and homes.

Moreover, we are planning to cover around 95 percent of the population in Germany with the superfast LTE mobile network by the end of 2018. In our European national companies, we are aiming for between 89 and 99 percent coverage. Thanks to the spectrum auction which was successfully completed in April, T-Mobile US will also further improve its national LTE coverage.

We are also leading the way in the Internet of Things: We are using narrowband wireless technology (NarrowBand IoT) to equip the network for sensors that will show, for example, free parking spaces or how full the local trash cans are. We began this work in Germany and the Netherlands at the start of 2017. In Greece, Poland, Hungary, Austria, Slovakia, and the Czech Republic this work was and is ongoing.

Our goal is to be leading in 5G. 5G technology is expected to launch worldwide in 2020. But we are already working on realizing NarrowBand IoT for 5G. Four radio cells in our network in Berlin are demonstrating this future of communication right now. This too was an important step we accomplished in the last financial year.

In addition to our networks, we also have our products and rate plans firmly in sight. We launched a number of corresponding initiatives in 2017. T-Mobile US looked to inspire its customers with a number of rate plan add-ons. And in Germany, we focused our product packages even more on families and young customers.

The figures bear out the fact that our innovative rate plans are well received: 3.6 million customers in Germany alone have opted for MagentaEins; that is 0.6 million more than in the prior year. And

that's not all: So far, our European subsidiaries have won 2.2 million customers over to MagentaOne and comparable offers.

We are also making great strides with StreamOn, the rate plan that allows our customers to listen to music and watch videos on their smartphones while out and about – without using up the high-speed data volumes included in their rate plans. The option has proved very popular, with around 800,000 users in Germany alone. We also offer similar options in Croatia, Poland, Romania, Greece, and at T-Mobile US.

But it is not just our customers who rate us highly. Independent testers also confirm that we are the number one in many areas – including our networks and our customer service.

I am aware that this is thanks above all to the hard work of the Group's employees. Without their enthusiasm and dedication, Deutsche Telekom would not be where it is today. So I would like to also take this opportunity to thank my colleagues sincerely for such commitment.

They work day in, day out to ensure that we can implement our strategy in a targeted way. And that is what makes us what we are: one of Europe's most valuable telecommunications companies.

Dear Shareholders,

The facts and figures for 2017 once again bear out the fact that our strategy is working. But we cannot afford to simply sit back and rest now. That is why we have further developed our strategy, re-emphasizing and refining certain aspects. We are focusing primarily on the aspects of customer experience, technology, and business customer productivity.

But an important part of our strategy remains unchanged: You, our shareholders, will continue to participate in the success of the Group. We promised that dividends would increase in tandem with free cash flow growth. That is why, subject to approval by the relevant bodies and the fulfillment of other legal requirements, this time we will be proposing to the shareholders' meeting a dividend of EUR 0.65 per dividend-bearing share.

Yours sincerely,



Irmgard Hottges

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SUPERVISORY BOARD'S REPORT TO THE 2018 SHAREHOLDERS' MEETING

The 2017 financial year was again characterized by the development and implementation of the Group strategy and the Group's transformation in an age of digitalization and technological change. Strong development on the domestic German market, excellent business development in the United States, the ongoing difficult macroeconomic situation in southern and eastern Europe and continued high competitive and regulatory pressure were major features. Despite these ongoing challenges, the Group generated good results in the 2017 financial year and fulfilled the expectations. The Supervisory Board exercised its statutory functions as an advisory and supervisory body and gave the Board of Management its full support.

SUPERVISORY BOARD ACTIVITIES IN THE 2017 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 2017 financial year for approval in line with the aforementioned 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 2017 financial year, nine Supervisory Board meetings, a one-day off-site conference, and 25 meetings of the Supervisory Board committees took place. The overall average participation rate was 93 percent. Written votes were used where resolutions were required between the meetings.

In the Supervisory Board meeting on January 17, 2017, we dealt with spectrum acquisition in the United States.

In the meeting on March 1, 2017, in the presence of the external auditor, we dealt with the Company's 2016 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). Our approval of the 2016 annual financial statements was based on the recommendation of the Audit Committee, which had previously checked the documents in detail. We agreed to the Board of Management's proposal on the appropriation of net income. We resolved to recommend to the shareholders' meeting the reelection of Dagmar Kollmann to the Supervisory Board as shareholders' representative. We also approved the agenda for

the 2017 shareholders' meeting and dealt with the TV strategy in Germany. 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 March 29, 2017, we adopted a resolution on participation in the tender for the acquisition of television broadcasting rights.

Resolutions on the acquisition of Straight Path Communications Inc. and Dialpad Inc. by T-Mobile US were on the agenda of the meeting on April 7, 2017.

In the meeting before the shareholders' meeting on May 30, 2017, 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 2017. We discussed the main business developments and focused in particular on the Europe segment. We also approved the decision of the Board of Management on the utilization of authorized capital in connection with the offer of a share dividend.

In the meeting on July 18, 2017, we dealt with matters concerning the Board of Management and approved the resignation from the Board of Management by Niek Jan van Damme effective midnight December 31, 2017. We also appointed Dirk Wössner the new Board member responsible for Germany, effective January 1, 2018.

In the meeting on September 13, 2017, 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 2017. We also dealt with the 2017 employee survey at the meeting. We discussed the implementation of the CSR Directive Implementation Act to strengthen non-financial reporting and resolved the integration of the non-financial statement into the Group management report and the audit of this statement by the external auditor. We also discussed future broadband build-out in Germany. In addition, we appointed Adel Al-Saleh as the new Board of Management member responsible for T-Systems effective January 1, 2018.

During the one-day 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, discussed individual aspects, and agreed on focal topics for the coming year.

In the Supervisory Board meeting on November 30, 2017, we adopted resolutions on a T-Mobile US share buy-back and the acquisition of further shares in T-Mobile US by the Company.

In our meeting on December 20, 2017, we adopted resolutions on a variety of Board of Management remuneration topics, such as target achievement for variable compensation. 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 2017. A further focus of the meeting was the resolution on the budget and on the annual financing plan for the 2018 financial year. We also acknowledged the medium-term planning for 2018 to 2021 and dealt with the Group risk report.

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 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 and the internal auditing system that had been introduced. Based on our own reviews and on the audit reports from the external auditors, we came to the conclusion that the internal control and risk management system, the compliance system, and the internal auditing system are effective.

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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
 Johannes Geismann
 Lothar Schröder

Finance Committee

Dr. Ulrich Schröder (Chairman)
 Dr. Wulf H. Bernotat (until August 27, 2017)
 Monika Brandl
 Klaus-Dieter Hanas
 Sylvia Hauke (until June 30, 2017)
 Dagmar P. Kollmann (since October 11, 2017)
 Michael Sommer (since September 13, 2017)
 Karl-Heinz Streibich

Audit Committee

Dagmar P. Kollmann (Chairwoman)
 Josef Bednarski
 Johannes Geismann
 Hans-Jürgen Kallmeier
 Prof. Dr. Michael Kaschke
 Petra Steffi Kreusel

Staff Committee

Lothar Schröder (Chairman)
 Josef Bednarski
 Dagmar P. Kollmann (until October 11, 2017)
 Prof. Dr. Ulrich Lehner
 Margret Suckale (since October 11, 2017)

Nomination Committee

Prof. Dr. Ulrich Lehner (Chairman)
 Johannes Geismann
 Dagmar P. Kollmann

Mediation Committee

Prof. Dr. Ulrich Lehner (Chairman)
 Josef Bednarski
 Johannes Geismann
 Lothar Schröder

Technology and Innovation Committee

Lothar Schröder (Chairman)
 Sari Baldauf
 Lars Hinrichs
 Hans-Jürgen Kallmeier
 Michael Sommer
 Karl-Heinz Streibich

Special Committee for U.S. Business

Prof. Dr. Ulrich Lehner (Chairman)
 Dr. Wulf H. Bernotat (until August 27, 2017)
 Johannes Geismann (since October 11, 2017)
 Sylvia Hauke (until June 30, 2017)
 Lothar Schröder
 Dr. Ulrich Schröder
 Michael Sommer (since September 13, 2017)
 Sibylle Spoo

The **General Committee** met eight times in 2017, 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 remuneration 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 2018 budget and the medium-term planning for 2018 to 2021.

The **Finance Committee** met three times, of which one meeting was together with the General Committee. Investment planning and focuses were the subject of one meeting. 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 2017 annual financing plan and the topic of pension obligations in particular.

The **Audit Committee** met five times in 2017. 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, the effectiveness of the internal control system, risk management and the internal auditing system, 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 of the external auditor to be nominated by the 2017 shareholders' meeting. The Audit Committee also regularly discussed the quarterly report on business development. In the 2017 financial year, the Audit Committee again held one meeting on fundamental issues affecting the Group. At this meeting, the committee dealt in particular with the effectiveness of the reporting system and 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. In addition, the Audit Committee dealt with the results of the efficiency audit of the committee and with the topic of data privacy and security. In its meeting in June, the committee discussed information on new requirements and developments in German and EU law, accounting standards, and fraud prevention measures. In its November meeting, the committee discussed among other things the implementation of the CSR Implementation Act to strengthen non-financial reporting.

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

The **Staff Committee** held two meetings in 2017 and mainly discussed matters relating to headcount and staffing requirement planning for the purpose of preparing Supervisory Board resolutions on the 2018 budget. In addition, the committee dealt with

topics including skill and succession management, the women's quota, the company pension scheme, global job architecture, and received information on the results of the 2017 employee survey.

The **Nomination Committee** met three times in 2017, 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 2017.

The **Technology and Innovation Committee** held four meetings in 2017 and dealt with a very broad range of topics from a variety of areas. For example, the committee discussed innovation benchmarking, the innovation process and the innovation strategy, in addition to the topic of cyber security and the development of IT. The 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.

The **Special committee for U.S. Business** held one meeting in 2017 and discussed strategic issues affecting T-Mobile US.

CONFLICTS OF INTEREST

Johannes Geismann is a member of the Supervisory Board of Deutsche Telekom AG and, at the same time, State Secretary at the Federal Ministry of Finance. Dr. Ulrich Schröder is a member of the Supervisory Board of Deutsche Telekom AG and is also CEO of the Executive Board at Kreditanstalt für Wiederaufbau (KfW). We are aware that Deutsche Telekom AG is 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 was appointed member of the supervisory board of ZDF Enterprises GmbH effective October 1, 2017. The company in question is responsible for program sales, co-productions, and the marketing of online rights, among other things. Mr. Sommer has therefore reported a potential conflict of interest to the Supervisory Board. He will not take part in deliberations and votes in the Supervisory Board related to the topics of TV and online rights. There have been no conflicts of interest requiring action as yet.

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CORPORATE GOVERNANCE

The Supervisory Board and Board of Management are aware that good corporate governance is essential 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 Corporate Governance Code on December 30, 2017. 

CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

At its meeting on June 30, 2016, the Supervisory Board of Deutsche Telekom AG resolved to extend the Group Board of Management by setting up a new Board department for Technology and Innovation. The new department is headed by Claudia Nemat effective January 1, 2017, who was previously responsible for the Europe and Technology department. At its meeting on June 30, 2016, the Supervisory Board of Deutsche Telekom AG also appointed Srinii Gopalan as the new Board member responsible for Europe effective January 1, 2017.

Dr. Thomas Kremer was reappointed as member of the Board of Management responsible for Data Privacy, Legal Affairs and Compliance effective June 1, 2017, as per a resolution of August 30, 2016. Reinhard Clemens was reappointed as member of the Board of Management responsible for T-Systems effective December 1, 2017, as per a resolution of December 14, 2016. Dr. Christian Illek was reappointed as member of the Board of Management responsible for Human Resources effective April 1, 2018, as per a resolution of May 30, 2017.

In a resolution reached on July 18, 2017, the Supervisory Board of Deutsche Telekom AG complied with the request of Niek Jan van Damme, the Board of Management member responsible for Germany at Deutsche Telekom AG, to terminate his appointment as a Board member effective midnight, December 31, 2017. At its meeting on July 18, 2017, the Supervisory Board of Deutsche Telekom AG also appointed Dr. Dirk Wössner as the new Board member responsible for Germany effective January 1, 2018.

The Supervisory Board of Deutsche Telekom AG resolved in its meeting on September 13, 2017, in agreement with Reinhard Clemens, the Board of Management member responsible for T-Systems at Deutsche Telekom AG, to terminate his appointment as a Board member effective midnight, December 31, 2017. At its meeting on September 13, 2017, the Supervisory Board of Deutsche Telekom AG also appointed Adel Al-Saleh as the new Board of Management member responsible for T-Systems effective January 1, 2018.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

Shareholders' representatives: The shareholders' meeting on May 31, 2017, elected Dagmar P. Kollmann to the Supervisory Board for another term of office as shareholders' representative. Dr. Wulf H. Bernotat died on August 27, 2017. He had been a member of the Supervisory Board of Deutsche Telekom AG since January 1, 2010. Margret Suckale was court-appointed to the Supervisory Board of Deutsche Telekom AG effective September 28, 2017. Dr. Schröder was able to take part in less than half of the meetings in the 2017 financial year due to illness.

Employees' representatives: Sylvia Hauke resigned from her position as a member of the Supervisory Board of Deutsche Telekom AG effective midnight, June 30, 2017. Karin Topel was court-appointed to the Supervisory Board of Deutsche Telekom AG effective July 1, 2017. Hans-Jürgen Kallmeier resigned from his position as a member of the Supervisory Board of Deutsche Telekom AG effective midnight, December 31, 2017. Odysseus Chatzidis was court-appointed to the Supervisory Board of Deutsche Telekom AG effective January 3, 2018.

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

REVIEW OF ANNUAL FINANCIAL STATEMENTS OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2017 FINANCIAL YEAR

The Board of Management submitted the annual financial statements, the consolidated financial statements, and the combined management report, together with its proposal for the appropriation of net income, to us in good time.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, which was appointed as auditor of the single-entity financial statements and auditor of the consolidated financial statements (external auditor) for the 2017 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, 2017, 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, 2017, 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 Company's corporate governance policy is also presented in greater detail in a separate section of the Annual Report, page 15 et seq.



For detailed information of the Supervisory Board members, please refer to Deutsche Telekom AGs website: www.telekom.com/en/investor-relations/management-and-corporate-governance/supervisory-board

Before the Audit Committee passed a resolution on its recommendation to the Supervisory Board for the proposal for appointment to be submitted to the shareholders' meeting, the external auditor confirmed that there are no business, financial, personal or other relationships between itself, its executive bodies and audit managers on the one hand and the Company and its executive body members on the other that may cast doubt on its independence. The auditor also stated to what extent non-audit services were rendered for the Company in the previous financial year and to what extent such services have been contracted for the following year. On this basis, the Audit Committee verified and confirmed the external auditor's requisite independence. It informed us of the outcome of this review before we prepared our resolution to propose to the shareholders' meeting the appointment of said independent auditor.

The external auditor also confirmed to the Audit Committee and the Supervisory Board in their financial statement review meetings on February 20 and February 21, 2018, 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. At its meeting on February 20, 2018, 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 aforementioned documentation on the financial statements, the external auditor's audit report, and the Board of Management's proposal for the appropriation of net income were made available to the members of the Supervisory Board in good time.

We conducted our own review of the documents submitted by the Board of Management and the external auditor's audit reports.

In preparation, the Audit Committee had conducted a thorough review of the aforementioned documents. The annual financial statements, the consolidated financial statements, and the combined management report, 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 20, 2018. 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, the main findings of its audit, and 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 external auditor met the legal requirements. The Audit Committee agrees with the external auditor that there are no material weaknesses, in particular with regard to the accounting process, in the internal control or risk management systems at Group level. 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, as well as the combined management report, and 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, as well as the Board of Management's proposal for the appropriation of net income, at the Supervisory Board meeting on February 21, 2018, 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.

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

When dealing with the budget and medium-term planning on December 20, 2017, 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 20, 2018, and by the Supervisory Board on February 21, 2018. 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 3,082 million and to carry forward EUR 2,845 million to unappropriated net income.

REVIEW OF THE DEPENDENT COMPANY REPORT

The Board of Management presented its dependent company report for the 2017 financial year to us in good time.

The external auditor audited the dependent company report and issued the following audit opinion:

"Based on the results of our statutory audit and our judgment we confirm that

1. The actual information included in the report is correct;
2. The Company's compensation with respect to the legal transactions listed in the report was not inappropriately high."

The external auditor submitted the audit report to us. The dependent company report and the associated audit report were made available to all members of the Supervisory Board in good time.

We reviewed the dependent company report of the Board of Management and the audit report of the external auditor.

Prior to the review and resolution by the Supervisory Board, the Audit Committee conducted a thorough review of the aforementioned documents. At its meeting on February 20, 2018, the Audit Committee asked the Board of Management to explain the details of the dependent company report. The members of the Board of Management also answered the committee members' questions. Moreover, the external auditor, who also attended the meeting, reported on its audit, in particular its key audit areas and the significant findings of its audit, and explained its audit report. 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 recommended that we approve the results presented by the external auditor and, as the committee saw no grounds for objections to the Board of Management's statement on the dependent company report, that we pass a corresponding resolution.

We performed the final review at our meeting on February 21, 2018, taking into account the resolution and the Audit Committee's recommendation as well as the external auditor's report. The members of the Board of Management also attended this meeting, explained the dependent company report, and answered our questions. The external auditor also attended this meeting and reported on its audit of the dependent company report 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 of the dependent company report and the audit findings. Based on this and the report presented by the Audit Committee, we were satisfied that the audit of the dependent company report and the audit report were compliant. In particular, we were satisfied that the audit report and the audit conducted by the external

auditor met the legal requirements. We did not find any indications of discrepancies, incompleteness, or any other objections as part of our review. We were also satisfied that the group of dependent companies had been defined with due care and that the necessary systems had been put in place for recording legal transactions and measures subject to disclosure. We followed the Audit Committee's recommendation and approved the findings of the external auditor's audit of the dependent company report. Based on the final result of our review of the dependent company report, we have no objections to the Board of Management's statement on the dependent company report.

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 2017 financial year.

Bonn, February 21, 2018

The Supervisory Board

A handwritten signature in black ink, appearing to read "U. Lehner".

Prof. Dr. Ulrich Lehner

Chairman

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CORPORATE GOVERNANCE REPORT 2017

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 2017 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, 2017:

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, 2016, 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 June 12, 2015 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 Supervisory Board and the Board of Management. The Supervisory Board and the Board of Management 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 2017 there were nine Supervisory Board meetings and a one-day off-site conference on the strategic alignment of the Company. In addition, 25 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 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.



www.telekom.com/en/investor-relations/investor-relations/declaration-of-conformity-pursuant-to-161-479770



www.telekom.com/en/investor-relations/management-and-corporate-governance



For details on cooperation between the Board of Management and the Supervisory Board, please refer to the "Supervisory Board's report to the 2018 shareholders' meeting," page 7 et seq. of the Annual Report.

Composition of the Board of Management. As of January 1, 2017, the Board of Management's schedule of responsibilities states that there are eight Board departments instead of seven: 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 Technology and Innovation Board department. Europe and Technology continues to exist as the Europe 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. Until December 20, 2017, as a rule, members of the Board of Management were not to be older than 62 years of age (standard age limit). On December 20, 2017, a Supervisory Board resolution was passed raising the standard age limit for the Board of Management to 65. 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. □



For further information on the women's quota, please refer to the Corporate Governance Statement: www.telekom.com/en/investor-relations/management-and-corporate-governance

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, an election to the Supervisory Board was held at the last shareholders' meeting on May 30, 2017. The 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 26, 2013, according to the provisions of the German Codetermination Act (Mitbestimmungsgesetz – MitbestG). ☐



For details on changes to the composition of the Supervisory Board during the reporting period, please refer to the "Supervisory Board's report to the 2018 shareholders' meeting," page 7 et seq. of the Annual Report.

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 female 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.

Additional information on the independence of members on the shareholders' representative side: The Supervisory Board is convinced that Sari Baldauf, Lars Hinrichs, Dr. Helga Jung, Prof. Dr. Michael Kaschke, Dagmar P. Kollmann, Prof. Dr. Ulrich Lehner, Karl-Heinz Streibich and Margret Suckale are independent within the meaning of the German Corporate Governance Code.

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Furthermore, the Supervisory Board will continue to ensure that potential candidates to be proposed for election at the shareholders' meeting can dedicate the required amount of time to their Supervisory Board tasks at Deutsche Telekom AG.

Regarding the achievement level of the Supervisory Board membership target:

The proportion of women on the Supervisory Board in the 2017 financial year was at least 40 percent. The appointment by court order of Margret Suckale to the Supervisory Board in September 2017 brought this figure to 45 percent. 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 reappointment of Dagmar P. Kollmann, businesswoman, by the shareholders' meeting in 2017 meant that the Supervisory Board of Deutsche Telekom AG retained an esteemed financial expert with many years of experience in key management positions and recognized expertise at both international and national level, together with particular expertise in the application of accounting principles and internal control procedures.

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 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, 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

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

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 Audit Committee's last assessment was carried out in the 2016 financial year. 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. 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. The Company offers new Supervisory Board members a customized program to introduce them to the industry and the situation of the Company. Furthermore, an annual 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 committee and Supervisory Board meetings.



For further details on the members of the Supervisory Board and any seats they hold on the supervisory boards of other companies, please refer to page 255 et seq. of the Annual Report.



For details on conflicts of interest that have arisen, please refer to the "Supervisory Board's report to the 2018 shareholders' meeting," page 7 et seq. of the Annual Report.



For more information, please refer to the section "Risk and opportunity management," page 111 et seq. of the Annual Report.



www.cr-report.telekom.com/site17



For further details about the composition and working methods of the committees, please refer to the "Supervisory Board's report to the 2018 shareholders' meeting," page 7 et seq. of the Annual Report.

In order to perform its tasks more effectively, the Supervisory Board has eight standing 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 tasks include, in particular, monitoring the accounting process, the effectiveness of the internal control system, the risk management and internal auditing system, 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. Finally, there is a Mediation Committee, which was formed in accordance with § 27 (3) of the Codetermination Act. In addition, a Special Committee for U.S. Business was established in May 2014. 

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 for-

mer 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, its plans, the development of its business, the situation in terms of risks and risk management as well as 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 position 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. The system is designed to manage a variety of risks, including financial risks and risks to the Company's reputation. 

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 2016 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/

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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 members of the Board of Management of Deutsche Telekom AG and persons within the Group who carry special responsibility for financial reporting. It obliges these individuals to comply with the principles of honesty, integrity, transparency, and ethical conduct. □ The compliance management system 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 2017 in accordance with IDW audit standard 980 with the focus on anti-corruption.

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 2017 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.

The Audit Committee also monitors the effectiveness of the internal control system, which goes beyond financial reporting. □

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 with the German Corporate Governance Code submitted by the Board of Management and the Supervisory Board. 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.

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.

Bonn, February 21, 2018

The Supervisory Board and the Board of Management

□
For detailed information about the compliance management system, please refer to Deutsche Telekom AG's website www.telekom.com/en/company/compliance

□
The Code of Conduct and the Code of Ethics are published on Deutsche Telekom AG's website www.telekom.com/en/company/compliance/code-of-conduct and www.telekom.com/en/investor-relations/management-and-corporate-governance

□
For a description of the main features of the accounting-related internal control system, please refer to the section "Accounting-related internal control system" in the Group management report, page 127 of the Annual Report.

THE T-SHARE

T-Share information

		2017	2016
XETRA CLOSING PRICES			
Share price on the last trading day	€	14.80	16.36
Year high	€	18.05	16.43
Year low	€	14.76	13.98
TRADING VOLUME			
German exchanges	billions of shares	2.4	2.5
Market capitalization on the last trading day	billions of €	70.4	76.5
WEIGHTING OF THE SHARE IN MAJOR STOCK INDEXES ON THE LAST TRADING DAY			
DAX 30	%	4.6	5.5
Dow Jones EURO STOXX 50®	%	2.0	2.4
T-SHARE – KEY FIGURES			
Earnings per share (basic and diluted)	€	0.74	0.58
Proposed dividend	€	0.65	0.60
Number of shares issued	millions, at year-end	4,761	4,677

DEVELOPMENT OF INTERNATIONAL INDEXES

Up 12.5 percent, the DAX sustained its growth trajectory unabated. The DAX posted its sixth consecutive year of strong growth amid a robust economy and persistently low interest rates in Germany.

Though not quite as strong as the DAX, the Dow Jones Euro STOXX 50® closed out 2017 on a high note, too, posting gains of 9.2 percent on a total return basis, i.e., including reinvested dividends. Like the DAX, it profited from Europe's economic recovery and low interest rates.

The Nikkei was well up, finishing 2017 19.1 percent higher, while the United States' stock market barometer, the Dow Jones, easily outstripped the other indexes for the second year in succession, gaining 25.1 percent.

T-SHARE PERFORMANCE

By comparison, performance in the European telecommunications sector was lackluster in 2017. The industry's barometer, the Dow Jones STOXX® Europe 600 Telecommunications, hardly budged, finishing the year with a gain of 0.2 percent. Factors weighing on the sector and preventing better performance included fears of a deteriorating regulatory environment in Europe and rising investment needs for fiber-optic roll-out.

In this environment, the T-Share closed the year at EUR 14.80, down 9.5 percent. The lowest price recorded during the year was EUR 14.76 on November 11, 2017 (amid termination of the talks with Sprint Corp. concerning a possible business combination with T-Mobile US), while the highest price of EUR 18.05 was recorded on May 22, 2017, shortly before our shareholders' meeting.

On a total return basis – and thus comparable with the DAX – our share ended the year down 6.4 percent.

DIVIDEND

The Board of Management and Supervisory Board of Deutsche Telekom AG propose to this year's shareholders' meeting, to be held on May 17, 2018, the distribution of a dividend of EUR 0.65 per dividend-bearing share.

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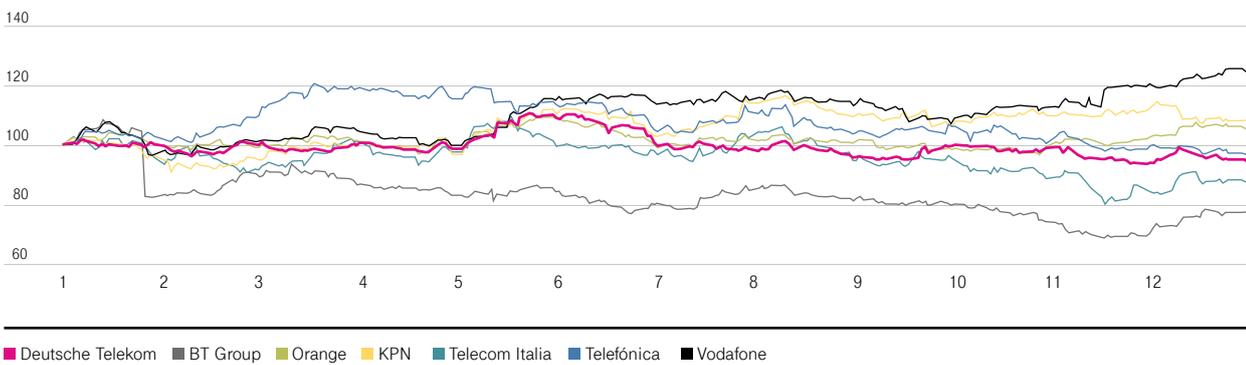
T-Share as compared to DAX, Dow Jones EURO STOXX 50®, and Dow Jones STOXX® Europe 600 Telecommunications

January 1 to December 31, 2017 (based on total shareholder return ^{a)})



T-Share as compared to other European telecommunications companies

January 1 to December 31, 2017 (based on total shareholder return ^{a)})



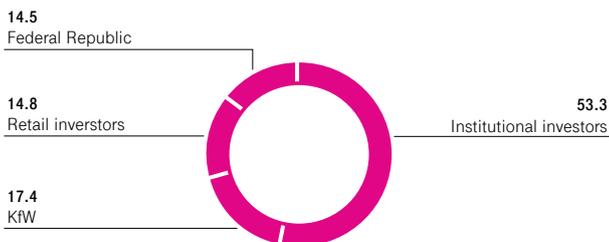
^a Total shareholder return measures the value performance of a shareholding over a specific period. It takes into account dividends paid during the investment period along with any changes in share price.

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 53.3 percent, while the share of retail investors increased to 14.8 percent. As a result, the percentage of shares in free float remains at around 68 percent of the share capital.

Shareholder structure

% (as of December 31, 2017)



Geographical distribution of free float

% (as of December 31, 2017)

