



**Joint Spin-Off Report**

dated May 5, 2020

**of the Board of Management of Deutsche Telekom AG**

**and**

**the Management of Telekom Deutschland GmbH**

**pursuant to § 127 of the German Transformation Act (*Umwandlungsgesetz*)**

**submitted re item 7 of the agenda of the ordinary shareholders' meeting of Deutsche Telekom AG on June 19, 2020**

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## 1. PRELIMINARY REMARKS

In order to reduce complexity, increase competitiveness and strengthen the sales potential of Deutsche Telekom Group, the range of telecommunications services for business customers currently located at T-Systems International GmbH and Deutsche Telekom AG is intended to be pooled in Telekom Deutschland GmbH, a wholly-owned direct subsidiary of Deutsche Telekom AG, together with the already existing service range of Telekom Deutschland GmbH. To this end, the two portfolio units TC Services and Classified ICT (with the exception of certain activities in the Classified IT project business), which have so far been located at T-Systems International GmbH and its subsidiaries (together "**T-Systems**"), are to be transferred to Telekom Deutschland GmbH or its subordinated Group companies. In order to improve the international telecommunication services for business customers, the sub-areas Telecom Global Carrier (the "**TGC Sub-Area**") and Network Infrastructure (the "**NWI Sub-Area**"), which are currently located at Deutsche Telekom AG and together form the business area designated as "Deutsche Telekom Global Carrier" (the "**DTGC Business Area**"), are also to be transferred to Telekom Deutschland GmbH. The aim is to simultaneously strengthen the wholesale activities as a whole by transferring the DTGC Business Area.

The Board of Management of Deutsche Telekom AG therefore resolved to transfer the DTGC Business Area to Telekom Deutschland GmbH. The Supervisory Board of Deutsche Telekom AG has approved this plan. The Management and the Supervisory Board of Telekom Deutschland GmbH have passed corresponding resolutions.

The transfer of the DTGC Business Area from Deutsche Telekom AG to Telekom Deutschland GmbH is to be effected by way of a spin-off by absorption (*Ausgliederung zur Aufnahme*) pursuant to the provisions of the German Transformation Act (*Umwandlungsgesetz*; the "**Transformation Act**" or "**UmwG**"). To this end, Deutsche Telekom AG and Telekom Deutschland GmbH concluded a spin-off and takeover agreement on April 20, 2020 (the "**Spin-Off Agreement**") under notarial deed of Benno Garschina, notary with his office in Bonn-Bad Godesberg (roll of deeds no. 520/2020). As specified in more detail in the Spin-Off Agreement, Deutsche Telekom AG will transfer its DTGC Business Area by way of spin-off by absorption pursuant to § 123 (3) no. 1 UmwG in conjunction with §§ 124 *et seq.*, 138 *et seq.* and 141 *et seq.* UmwG as a whole to Telekom Deutschland GmbH in return for a new share in Telekom Deutschland GmbH. As between the parties (*im Innenverhältnis*), this transfer is to be performed with retroactive effect as of the beginning (0:00 hrs) of January 1, 2020 (the "**Spin-Off Date**" within the meaning of § 126 (1) no. 6 UmwG).

The Spin-Off Agreement will take effect only once the shareholders' meeting of Deutsche Telekom AG and the shareholders' meeting of Telekom Deutschland GmbH have approved it. It is therefore intended to submit the Spin-Off Agreement to the ordinary shareholders' meeting of Deutsche Telekom AG for approval on June 19, 2020 under agenda item 7. The Board of Management and Supervisory Board of Deutsche Telekom AG propose to approve the "spin-off and takeover agreement concluded on April 20, 2020 between Deutsche Telekom AG and Telekom Deutschland GmbH under notarial deed (roll of deeds no. 520/2020) of Benno Garschina, notary with his office in Bonn-Bad Godesberg".

The Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland GmbH hereby submit their joint report pursuant to § 127 UmwG (the "**Spin-Off Report**"), in which they set out the legal and economic explanation of and reasons for the spin-off as well as for the Spin-Off Agreement. This Spin-Off Report, as well as

- the Spin-Off Agreement;

- the annual financial statements and Group financial statements of Deutsche Telekom AG for financial years 2017, 2018 and 2019 as well as the combined management and Group management reports of Deutsche Telekom AG for financial years 2017, 2018 and 2019; and
- the annual financial statements of Telekom Deutschland GmbH for financial years 2017, 2018 and 2019,

will be available during the shareholders' meeting. All of these documents will be available, from the date of calling the shareholders' meeting and also during the entire shareholders' meeting, on the website of Deutsche Telekom AG under the internet address [www.telekom.com/hv](http://www.telekom.com/hv).

Provided that the shareholders' meeting of Deutsche Telekom AG approves the Spin-Off Agreement on June 19, 2020, it is envisaged to obtain the approval of the shareholders' meeting of Telekom Deutschland GmbH in the course of August 2020 at the latest. The spin-off further requires registration in the commercial register for Deutsche Telekom AG in order to become effective. This can only take place once the spin-off has been entered in the commercial register for Telekom Deutschland GmbH.

The legal and economic explanation of and reasons for the spin-off are set out in Section 2 below. Section 3 describes how the spin-off will be implemented. Section 4 reports on the legal, tax and economic consequences of the spin-off. Section 5 explains the Spin-Off Agreement. Section 6, finally, presents the effects of the spin-off on the shareholders of Deutsche Telekom AG, the shares and the stock exchange trading.

#### **Relation to the joint spin-off report dated February 18, 2020**

The Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland GmbH already submitted a joint spin-off report on February 18, 2020 in preparation for the ordinary shareholders' meeting of Deutsche Telekom AG called for March 26, 2020. Originally, the Spin-Off Agreement in the version of the final draft adopted by the Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland on February 10/12, 2020 was to be submitted to this shareholders' meeting for approval. However, the ordinary shareholders' meeting called for March 26, 2020 had to be cancelled on March 20, 2020 due to coronavirus (SARS-CoV-2) infections spreading widely. The ordinary shareholders' meeting is now to be held as a virtual shareholders' meeting on June 19, 2020 on the basis of the German Act on Measures in Corporate, Cooperative, Association, Foundation and Home Ownership Law to Combat the Effects of the COVID-19 Pandemic (*Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie*; "**GesRuaCovBekG**"). The ordinary shareholders' meeting on June 19, 2020 is also to resolve on the approval of the Spin-Off Agreement, which has since been notarized.

For better readability, the Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland GmbH have decided to refrain from submitting a mere supplementary report, to update this Spin-Off Report as a whole and to re-submit the complete Spin-Off Report as "Joint Spin-Off Report of the Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland GmbH pursuant to pursuant to § 127 of the German Transformation Act (*Umwandlungsgesetz*) submitted re item 7 of the agenda of the ordinary shareholders' meeting of Deutsche Telekom AG on June 19, 2020".

In this context, the deviations from the report dated February 18, 2020 are limited to adjustments caused by changes that have occurred since February 18, 2020. These changes include in particular the later date of the ordinary shareholders' meeting, the notarization of the Spin-Off Agreement since then, the adoption of the annual financial statements of Telekom Deutschland GmbH for financial year

2019, changes in the composition of the Board of Management and in the responsibilities of its members and changes in the composition of the Supervisory Board of Deutsche Telekom AG as well as a partially changed legal situation due to the GesRuaCovBekG.

## 2. LEGAL AND ECONOMIC EXPLANATION OF AND REASONS FOR THE SPIN-OFF

The following Sections describe the companies involved in the spin-off (see Section 2.1) and the assets and liabilities to be spun off (or Spin-Off Assets) (see Section 2.2), presents the motivation behind the spin-off and its objective (see Section 2.3), details alternatives to the spin-off (see Section 2.4) and, finally, explains the organizational, segment and management structure after the spin-off (see Section 2.5) and the costs and risks of the spin-off (see Section 2.6).

### 2.1 Description of the companies involved in the spin-off

#### (a) Deutsche Telekom AG and its Group

##### (i) Registered office, financial year and corporate purpose of Deutsche Telekom AG

Deutsche Telekom AG has its registered office in Bonn and its business address at Friedrich-Ebert-Allee 140, 53113 Bonn. It is registered in the commercial register of the Local Court (*Amtsgericht*) of Bonn under HRB 6794. The financial year of Deutsche Telekom AG is the calendar year.

According to the articles of incorporation, the corporate purpose is to engage in all areas of telecommunications, information technology, multimedia, information and entertainment (including gambling or betting business), security services, sales and brokerage services, e-banking, e-money and other payment solutions, collection, factoring, and reception and surveillance services as well as any services connected with these areas and in related areas in Germany and abroad. The corporate purpose also includes engaging in business in the area of venture capital, including the acquisition, holding, management and sale of venture capital interests, in particular but not exclusively in companies that are involved in the areas stated in the foregoing sentence. Moreover, the corporate purpose is to engage in the field of reinsurance in connection with the areas specified in the penultimate sentence; this activity must not be performed directly by the company itself. Deutsche Telekom AG is entitled to enter into all transactions and take all measures deemed appropriate to serve the corporate purpose. It may also set up, acquire and participate in other undertakings of the same or a similar kind in Germany and abroad, as well as run such undertakings or confine itself to the administration of its participation. It may spin off its operations wholly or partly to affiliated undertakings.

##### (ii) History and development

Historically, the provision of public telecommunications services in Germany was a government monopoly as formerly provided by the German Constitution (*Grundgesetz*). In 1989, the Federal Republic of Germany (the "**Federal Republic**") began to transform the postal and telecommunications services managed by the former monopoly provider Deutsche Bundespost into market-oriented fields of business, dividing the former monopoly into three separate units corresponding to its branches of business, one of which was Deutsche Bundespost Telekom. At the same time, the Federal Republic started to liberalize the German telecommunications market. Effective as of January 1, 1995, Deutsche Bundespost Telekom was transformed into a German stock corporation (*Aktiengesellschaft*), today's Deutsche Telekom AG. On November 18, 1996, the initial public offering took place.



The operation of telecommunications networks (including cable networks) in Germany for all telecommunications services except public voice telephony in fixed networks was opened up to competition on August 1, 1996. The complete liberalization of the telecommunications sector in Germany followed as of January 1, 1998. Since then, Deutsche Telekom AG has been facing intense competition and is obliged to grant its competitors access to its domestic network at regulated rates.

Today, Deutsche Telekom AG is an integrated telecommunications provider offering a comprehensive range of cutting-edge services for its national and international customers in particular in the areas of telecommunications and IT.

(iii) Business activities and shareholdings

(A) Business activities

Deutsche Telekom AG is the parent company of Deutsche Telekom Group. With 184 million mobile customers, 28 million fixed-network lines, and 21 million broadband customers, Deutsche Telekom Group is one of the leading integrated telecommunications enterprises worldwide. Deutsche Telekom Group offers its consumers fixed-network/broadband, mobile, internet, and internet-based TV products and services, as well as ICT solutions for its business and corporate customers. The business activities of Deutsche Telekom Group in particular also comprise the business with other carriers (i.e. other telecommunications network operators) and over-the-top content providers (i.e. providers of IP-based and platform-independent services) such as Netflix, Amazon and Google.

Deutsche Telekom Group is an international group with a presence in over 50 countries. In the 2019 financial year Deutsche Telekom Group generated worldwide revenues of EUR 80.5 billion (around 70% of which outside Germany) with 210,533 staff worldwide (December 31, 2019).

Fixed-network business includes all voice and data communications activities based on fixed-network and broadband technology. This includes the sale of terminal equipment and other hardware, as well as the sale of services to resellers. Deutsche Telekom Group's mobile communications business offers mobile voice and data services to consumers and business customers; in addition, mobile devices and other hardware are sold. In addition, mobile services are sold to resellers and to companies that buy network services and market them to third parties (mobile virtual network operators, or MVNOs). Drawing on a global infrastructure of data centers and networks, Deutsche Telekom Group operates information and communication technology (ICT) systems for multinational corporations and public-sector institutions.

(B) Current Group structure

Deutsche Telekom Group is divided into five operating segments plus the Group Headquarters & Group Services segment.

Deutsche Telekom Group				
Group Headquarters & Group Services				
<b>Germany</b> Fixed-network and mobile communications	<b>United States</b> Mobile communications	<b>Europe</b> Fixed-network and mobile communications	<b>Systems Solutions</b> Global ICT solutions	<b>Group Development</b> Selected subsidiaries

### *Germany*

The Germany operating segment comprises all fixed-network and mobile activities for consumers and business customers in Germany. It also focuses on the wholesale business where it provides telecommunications services for carriers (i.e. telecommunications services operators) and for other operating segments of Deutsche Telekom Group. Separate sales entities for consumers and business customers allow the operating segment to take a customer-centric sales approach. The bundling of service activities places a further focus on customer satisfaction and quality assurance. Build-out of the mobile and fixed networks is managed by the Technology business area in the Germany operating segment. As a pioneer of digitalization, the Germany operating segment offers its customers an individual service and product portfolio that is innovative while at the same time secure and simple.

### *Europe*

The Europe operating segment comprises all fixed-network and mobile operations of the national companies in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, Slovakia, Austria, North Macedonia and Montenegro. Deutsche Telekom Group is an integrated provider of telecommunications services in all national companies listed above. In addition to consumer business, most of the national companies also offer ICT solutions for business customers. As part of our international wholesale business, the TGC Sub-Area, which currently still belongs to the Europe segment, sells wholesale telecommunications services to our operating segments as well as to third parties.

### *Systems Solutions*

As a leading ICT service provider, the Systems Solutions operating segment offers business customers a portfolio of integrated products and solutions. With offerings for connectivity, digital business, cloud & infrastructure and security, in addition to strategic partnerships, Deutsche Telekom Group offers its customers help and guidance to implement digital business models. In order to achieve this, an extensive transformation program has been in the process of implementation since 2018. Under this program, organization and processes have been realigned, capacities adjusted and a new strategy for the portfolio developed. A total of ten portfolio units are responsible for both the traditional IT and telecommunications business and growth areas (Public Cloud, Internet of Things (IoT), Digital Solutions including Health, Security, SAP, Classified ICT and Road Charging).

### *United States*

The United States operating segment combines all mobile activities in the U.S. market. T-Mobile US is the third-largest provider in the United States. The extraordinary development of its business has been built on the back of the various

Un-carrier initiatives launched in the last few years. In December 2019, T-Mobile US launched the first nation-wide 5G network in the United States. On April 29, 2018, T-Mobile US announced the conclusion of a business combination agreement with Sprint Corp. The transaction was completed on April 1, 2020. T-Mobile US expects that the business combination with Sprint will result in an expansion of the nation-wide 5G network, the acceleration of innovation and a strengthening of competition.

#### *Group Development*

The objective of the Group Development operating segment is to actively manage entities and investments and increase their value, with the aim of giving them the level of entrepreneurial freedom they need and thus promoting their strategic further development. In this context, the GD Towers unit was established within the segment, which comprises Deutsche Funkturm (DFMG) and the Dutch cell towers business. In addition, T-Mobile Netherlands took over Tele2 Netherlands on January 2, 2019. The enlarged T-Mobile Netherlands entity is now in a strong position enabling it to offer customers combined fixed-network and mobile communications services products. Deutsche Telekom Capital Partners (DTCP) and the Group functions of Mergers & Acquisitions and Strategic Portfolio Management have also been assigned to Group Development. In August 2019, the equity investment in Ströer SE & Co. KGaA was transferred to Deutsche Telekom Trust e.V., the Group's own trust, where it is to be used as plan assets to secure the existing pension obligations.

#### *Group Headquarters & Group Services*

Group Headquarters & Group Services ("**GHS**") comprises all Group units that cannot be allocated directly to one of the operating segments, and also reports on the Technology & Innovation Board department. As the organization that sets the direction and provides momentum, GHS defines strategic aims for the Group, ensures they are met, and becomes directly involved in selected Group projects. GHS provides services to the entire Group; in addition to typical services provided by Deutsche Telekom Services Europe, such as financial accounting, human resources services and operational procurement, Group Services also includes agency services, which are provided by the personnel service provider Vivento. Further units are Group Supply Services (GSUS) for real estate management and strategic procurement, and Mobility Solutions, which is a full-service provider for fleet management and mobility services.

The Technology & Innovation Board department unites the cross-segment technology, innovation and IT activities of the Germany, Europe and Systems Solutions operating segments. These include Deutsche Telekom IT, which focuses on the Group's internal national IT projects, and the central innovation unit, Product Innovation and Customer Experience (PIC), which works closely with the operating segments to promote new areas such as digitalization, big data, software defined networks, virtualization and cloud services. The Innovation Hub (IHUB) pools the expertise required for future innovation projects to ensure flexible innovation development. In addition, the NWI Sub-Area and the Strategy & Technology Innovation (S&TI) and Pan-Net units are allocated to the Technology & Innovation Board department. The NWI Sub-Area manages and operates a global network to offer voice and data communication services to wholesale customers. S&TI ensures efficient and customized research and provision of technologies, platforms and services for mobile and fixed-network communications. Pan-Net is responsible for

the shared pan-European network and for developing and providing services for the European national companies.

(C) Principal shareholdings of Deutsche Telekom AG

The principal shareholdings of Deutsche Telekom AG are presented in the table below:

Name and registered office		Deutsche Telekom share %	Net revenue <sup>c</sup> millions of EUR	Profit (loss) from operations <sup>c</sup> millions of EUR	Shareholders' equity <sup>c</sup> millions of EUR	Average number of employees
Telekom Deutschland GmbH, Bonn, Germany	<b>Dec. 31, 2019/2019</b>	100.00	21,617	4,736	6,723	3,573
	Dec. 31, 2018/2018	100.00	21,342	4,692	6,423	4,121
T-Mobile US, Inc., Bellevue, Washington, USA <sup>a, b</sup>	<b>Dec. 31, 2019/2019</b>	62.85	40,420	5,488	30,327	46,544
	Dec. 31, 2018/2018	63.34	36,522	4,634	25,897	45,729
T-Systems International GmbH, Frankfurt/Main, Germany	<b>Dec. 31, 2019/2019</b>	100.00	5,048	(362)	935	12,149
	Dec. 31, 2018/2018	100.00	5,086	(454)	1,109	12,481
Hellenic Telecommunications Organization S.A. (OTE), Athens, Greece <sup>a</sup>	<b>Dec. 31, 2019/2019</b>	45.96	3,927	241	2,902	18,033
	Dec. 31, 2018/2018	45.00	3,861	429	3,239	19,507
Magyar Telekom Telecommunications Public Limited Company, Budapest, Hungary <sup>a, b</sup>	<b>Dec. 31, 2019/2019</b>	59.72	2,049	257	2,316	8,468
	Dec. 31, 2018/2018	59.72	2,060	241	2,326	9,166
T-Mobile Netherlands Holding B.V., The Hague, Netherlands <sup>a, b</sup>	<b>Dec. 31, 2019/2019</b>	75.00	1,910	57	1,872	1,892
	Dec. 31, 2018/2018	100.00	1,322	192	1,467	1,211
T-Mobile Polska S.A., Warsaw, Poland <sup>a, b</sup>	<b>Dec. 31, 2019/2019</b>	100.00	1,486	93	1,505	4,569
	Dec. 31, 2018/2018	100.00	1,525	(552)	1,462	4,816
T-Mobile Czech Republic a.s., Prague, Czech Republic <sup>a, b</sup>	<b>Dec. 31, 2019/2019</b>	100.00	1,088	289	1,956	3,369
	Dec. 31, 2018/2018	100.00	1,047	274	1,924	3,516
Hrvatski Telekom d.d., Zagreb, Croatia <sup>a, b</sup>	<b>Dec. 31, 2019/2019</b>	51.42	1,039	137	2,276	5,511
	Dec. 31, 2018/2018	51.14	1,049	185	2,303	5,424
T-Mobile Austria Holding GmbH, Vienna, Austria <sup>a, b</sup>	<b>Dec. 31, 2019/2019</b>	100.00	1,276	30	3,488	2,120
	Dec. 31, 2018/2018	100.00	1,055	41	3,474	1,548
Slovak Telekom a.s., Bratislava, Slovakia <sup>a, b</sup>	<b>Dec. 31, 2019/2019</b>	100.00	785	161	1,543	3,482
	Dec. 31, 2018/2018	100.00	761	149	1,532	3,568

<sup>a</sup> Consolidated subgroup.

<sup>b</sup> Indirect shareholding of Deutsche Telekom AG.

<sup>c</sup> IFRS figures of the respective subgroup.

(D) Group strategy "Leading European Telco"

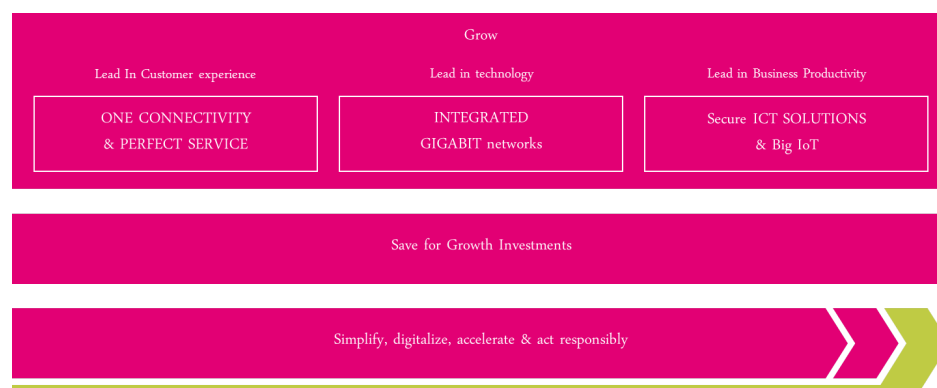
Since 2014, Deutsche Telekom AG has been aligning its corporate activities with the "Leading European Telco" strategy – with the aim of becoming Europe's leading telecommunications provider.

Deutsche Telekom Group's claim to leadership ranges across three dimensions: customer experience, technology and business customer productivity. From these dimensions, three specific areas for action are derived with which the foundation for future organic growth is to be laid. This is because only through growth can the earnings performance be sustainably secured and the demands of investors be met. This growth target is supported by two areas for action, namely "Save for Growth Investments" and "Simplify, Digitalize, Accelerate, Act Responsibly", which provide the framework for the activities of Deutsche Telekom AG. The aspect "Act Responsibly" was added to the latter target in financial year 2019. Sustainability and

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social responsibility have been an essential part of the entrepreneurial activities of Deutsche Telekom AG for years (e.g. first climate protection target already in 1995). By modifying the strategy target, this is now also to be expressly adopted as a core element of the Group's strategy.



(iv) Business development in 2017, 2018 and 2019

(A) Deutsche Telekom Group

In financial years 2017 to 2019, Deutsche Telekom Group reported the following key figures. These figures were derived from the Group financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). More detailed information on the business development of Deutsche Telekom AG and Deutsche Telekom Group, as well as a full description of the activities and key financial figures can be found in particular in the 2019 annual report, which is available on the website of Deutsche Telekom AG under the internet address [www.telekom.com/hv](http://www.telekom.com/hv).

<b>Deutsche Telekom Group</b> (billion EUR)	<b>2019/ December 31, 2019</b>	<b>2018/ December 31, 2018</b>	<b>2017/ December 31, 2017</b>
Net revenue	80.5	75.7	75.0
EBITDA	27.1	21.8	24.0
Profit (loss) from operations (EBIT)	9.5	8.0	9.4
Net profit	3.9	2.2	3.5
Balance sheet total	170.7	145.4	141.3
Shareholders' equity	46.2	43.4	42.5
Net cash from operating activities	23.1	17.9	17.2

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Number of employees, annual average (calculated as full-time equivalents without trainees/interns) (in thousands)	213	216	216
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In 2019, Deutsche Telekom Group generated net revenue of EUR 80.5 billion, which was 6.4% or EUR 4.9 billion up on the prior-year level. Even adjusted for positive net exchange rate effects of EUR 1.9 billion, primarily from the translation of U.S. dollars into euros, and for positive effects of changes in the composition of the Group in the amount of EUR 0.7 billion, primarily from the acquisition of UPC Austria and Tele2 Netherlands, revenue increased by EUR 2.2 billion or 2.8%. At 50.2%, the United States operating segment again provided the largest contribution to net revenue of the Group and thus exceeded the prior-year level by 1.9 percentage points. The foreign quota of the Group's net revenue increased from 67.8% to 69.5%. EBITDA increased by EUR 5.3 billion to EUR 27.1 billion. All operating segments made a positive contribution to this development. In 2019, the Group's EBIT amounted to EUR 9.5 billion, which was EUR 1.5 billion or 18.2% higher than in the previous year. Depreciation, amortization and impairment losses amounted to a total of EUR 17.7 billion and were thus EUR 3.8 billion higher than in the previous year, which is in particular due to depreciation charges for capitalized right-of-use assets (*aktivierte Nutzungsrechte*) on account of the first-time application of the IFRS 16 accounting standard. Net profit increased by EUR 1.7 billion to EUR 3.9 billion as compared to the previous year. Tax expenses amounted to EUR 2.0 billion as compared to EUR 1.8 billion in the previous year. Profit attributable to non-controlling interests increased by EUR 0.2 billion to EUR 1.4 billion as compared to 2018, mainly in the USA operating segment.

The average number of employees of Deutsche Telekom Group decreased by 1.6% in 2019 as compared to 2018. In Germany, this number fell by 4.2%. Abroad, the average number of employees slightly rose by 0.6%.

(B) Deutsche Telekom AG

In financial years 2017 to 2019, Deutsche Telekom AG (according to the audited single-entity financial statements) reported the following key figures determined in accordance with German GAAP as specified in the German Commercial Code (*Handelsgesetzbuch*; "HGB"):

<b>Deutsche Telekom AG</b> (billion EUR)	<b>2019/ December 31, 2019</b>	<b>2018/ December 31, 2018</b>	<b>2017/ December 31, 2017</b>
Net revenue	3.4	3.5	3.6
Profit (loss) from operations	(0.9)	(2.1)	(2.0)
Financial income (expense), net	3.1	6.5	7.2

Net profit for the year	1.7	4.2	4.9
Balance sheet total	124.1	122.2	121.3
Shareholders' equity	58.5	60.0	58.9
Number of employees, annual average (calculated as full-time equivalents without trainees/interns) (in thousands)	18.0	20.1	21.8

As the headquarters of Deutsche Telekom Group, Deutsche Telekom AG performs strategic and cross-segment management functions and provides services for other Group companies. The profits and losses of the subsidiaries and Group financing measures have a material effect on Deutsche Telekom AG's business development.

Net revenue primarily includes revenue from the leasing of employees to intra-group employers and employers outside the Group, from the leasing (*Vermietung und Verpachtung*) of properties and buildings to German subsidiaries and from the fixed-network business. Revenue from the fixed-network business includes in particular wholesale services for international carriers, in the context of which Deutsche Telekom AG provides services such as international voice and data connections to the carriers.

From 2017 to 2019, a slight decline in net revenue was reported for each year as compared to the previous year. This development primarily resulted from lower costs being passed on to Group companies.

The loss from operations, however, improved as compared to the previous years. The improvement primarily resulted from lower other operating expenses and lower personnel costs as compared to the previous year. Lower other operating income and declining net revenue countered this development.

The decline in net profit for the year reported in the period under review was, in addition to factors from the operating business having an effect, significantly characterized by the development of profit and loss transfers from subsidiaries and special factors contained therein.

In addition to shareholders' equity, the balance sheet is mainly determined by noncurrent assets and receivables due from and liabilities owed to Group companies. Loans recognized under financial assets as well as receivables due from and liabilities owed to affiliated companies primarily resulted from financing relationships between Deutsche Telekom AG and its subsidiaries.

During financial years 2017 to 2019, the balance sheet total slightly increased. This was in particular due to an increase in cash and cash equivalents and financial liabilities. Compared to the previous year, the asset side was primarily characterized by the intra-group debt restructuring of receivables from cash management to long-term loan receivables. The liability side was primarily characterized by an increase in financial liabilities. By contrast, shareholders' equity and other liabilities decreased.

The development of shareholders' equity in the period from 2017 to 2019 was in particular affected by the amount of dividend distributions for the respective previous year and net profit for the relevant financial year.

From 2017 to 2019, the average number of employees showed a decline in each year, which was primarily caused by civil servants opting for the early retirement scheme and other staff restructuring measures.

(v) Capital and shareholders; stock exchange trading

(A) Capital and treasury shares

*Share capital*

Deutsche Telekom AG's share capital amounts to EUR 12,189,334,005.76. It is divided into 4,761,458,596 registered no par value shares.

*Authorized capital*

Pursuant to § 5 (2) of the articles of incorporation as most recently amended on May 17, 2018 (entered in the commercial register on June 26, 2018), the Board of Management is authorized to increase the share capital with the approval of the Supervisory Board by up to EUR 3,600,000,000 by issuing up to 1,406,250,000 registered no par value shares against cash and/or non-cash contributions in the period up to May 30, 2022. This authorization may be exercised as a whole or on one or more occasions in partial amounts. The Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude fractional amounts from shareholders' subscription rights. Further, the Board of Management is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights when increasing the share capital against non-cash contributions in order to issue new shares for mergers or acquisitions of companies, parts of companies, or interests in companies, including increasing existing investment holdings, or other assets eligible for contribution in conjunction with such acquisitions, including receivables from the company. However, the overall proportion of the share capital accounted for by new shares for which subscription rights are excluded on the basis of these authorizations, together with the proportion of the share capital accounted for by shares or accounted for by option and/or conversion rights and obligations from bonds issued or sold after the start of May 31, 2017, with subscription rights being excluded, must not exceed 20% of the share capital; the share capital available on May 31, 2017, on the date of registry of the authorization, or on the date of issuing the new shares is decisive, taking the lowest value for the share capital out of these three dates. The shareholders' subscription rights are also deemed to be excluded if the shares are issued or sold by corresponding or analogous application of § 186 (3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*; "**AktG**"). Further, the Board of Management is authorized, subject to the approval of the Supervisory Board, to determine the further content of share rights and the conditions under which shares are issued (authorized capital 2017).

*Contingent capital*

Pursuant to § 5 (3) of the articles of incorporation, the company's share capital is furthermore conditionally increased by up to EUR 1,200,000,000.00, divided into up to 468,750,000 no par value shares (contingent capital 2018). The contingent capital



increase will be implemented only to the extent that (a) the holders or creditors of bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or combinations of these instruments) with options or conversion rights, which are issued or guaranteed by Deutsche Telekom AG or its direct or indirect majority holdings by May 16, 2023, on the basis of the authorization resolution granted by the ordinary shareholders' meeting on May 17, 2018, make use of their option and/or conversion rights or (b) those obligated as a result of bonds with warrants, convertible bonds, profit participation rights, and/or participating bonds (or combinations of these instruments), which are issued or guaranteed by Deutsche Telekom AG or its direct or indirect majority holdings by May 16, 2023, on the basis of the authorization resolution granted by the ordinary shareholders' meeting on May 17, 2018, fulfill their option or conversion obligations (including in the event that, in exercising a repayment option when the final due date of the bond is reached, Deutsche Telekom AG grants shares in Deutsche Telekom AG completely or partially in lieu of payment of the amount due) and other forms of fulfillment are not used. The new shares will participate in profits starting at the beginning of the financial year in which they are issued as the result of the exercise of any option or conversion rights or the fulfillment of any option or conversion obligations. The Supervisory Board is authorized to amend § 5 (3) of the articles of incorporation in accordance with the particular usage of the contingent capital and after the expiry of all option or conversion periods.

#### *Treasury shares*

By resolution of the shareholders' meeting dated May 25, 2016, the Board of Management is authorized to acquire treasury shares accounting for a total amount of the share capital of up to EUR 1,179,302,878.72 up to May 24, 2021 subject to the following proviso: The shares acquired under this authorization, together with other treasury shares previously acquired by the company and still held by it or attributable to it in line with §§ 71d and 71e AktG, at no point exceed 10% of the company's share capital. Further, the requirements of § 71 (2) sentences 2 and 3 AktG must be observed. The shares must not be acquired for the purpose of trading in treasury shares. The authorization may be exercised in whole or in part. During the term of the authorization, share purchases may be effected in partial tranches on different purchase dates up to the maximum purchase volume. The shares may also be acquired by Group companies controlled by Deutsche Telekom AG within the meaning of § 17 AktG or by third parties for the account of Deutsche Telekom AG or for the account of Group companies controlled by Deutsche Telekom AG within the meaning of § 17 AktG. Share purchases will be effected in compliance with the principle of equal treatment (*Gleichbehandlungsgrundsatz*) (§ 53a AktG) via the stock exchange. Instead, they can also be effected by way of a public purchase or share exchange offer to all shareholders, which must also be in compliance with the principle of equal treatment, subject to a permitted exclusion of the shareholders' right to offer shares.

The shares may be used for one or several purposes provided for in the authorization resolved under agenda item 6 of the shareholders' meeting dated May 25, 2016. The shares may in this context also be used for purposes which exclude subscription rights. Moreover, there is the option to sell the shares via the stock exchange or by way of an offer to all shareholders or to redeem them without a further resolution of the shareholders' meeting being required.

Pursuant to the resolution of the shareholders' meeting dated May 25, 2016, the Board of Management is also authorized to acquire treasury shares also by using equity derivatives.

Deutsche Telekom AG currently holds 18,431,545 treasury shares (no par value shares).

(B) Shareholders and in particular relationships with the Federal Republic and KfW

The Federal Republic holds an interest of 14.5% in Deutsche Telekom AG; the interest of Kreditanstalt für Wiederaufbau (KfW) attributable to the Federal Republic amounts to 17.4%. The remaining 68.1% of Deutsche Telekom AG shares are in free float, with 52.2% held by institutional investors (e.g. 4.92% by BlackRock, Inc., pursuant to its most recent voting rights notification in September 2017) and 15.9% held by private investors (as of December 31, 2019).

Due to increased attendance at shareholders' meetings, the Federal Republic has not had a majority of votes at Deutsche Telekom AG's shareholders' meetings since 2016. A control relationship can thus no longer be assumed, but only a decisive influence of the Federal Republic on Deutsche Telekom AG. Therefore, the Federal Republic and the companies controlled and jointly controlled by the Federal Republic, but not the companies over which the Federal Republic can exercise a significant influence, are classified as affiliated companies of Deutsche Telekom. In business transactions, Deutsche Telekom AG in each case acts as independent party directly *vis-à-vis* these companies as well as *vis-à-vis* authorities and other governmental agencies. Deutsche Telekom AG participates in frequency auctions of the German Federal Network Agency (*Bundesnetzagentur*). Acquisitions regarding licenses in mobile spectra may result in obligations to extend the network.

The Federal Post and Telecommunications Agency, Bonn (*Bundesanstalt für Post und Telekommunikation*; the "**Federal Agency**") has been assigned certain tasks by law that relate to cross-company issues at Deutsche Telekom AG as well as Deutsche Post AG, Bonn, and Deutsche Postbank AG, Bonn. The Federal Agency's responsibilities include the continuation of the Civil Service Health Insurance Fund (*Postbeamtenkrankenkasse*), the Recreation Service (*Erholungswerk*), the Deutsche Bundespost Institution for Supplementary Retirement Pensions for Salaried Employees and Wage Earners (*Versorgungsanstalt der Deutschen Bundespost*), and the Welfare Service (*Betreuungswerk*) for Deutsche Telekom AG, Deutsche Post AG and Deutsche Postbank AG. The coordination and administrative tasks are performed on the basis of agency agreements (*Geschäftsbesorgungsverträge*). Up to and including the 2012 financial year, Deutsche Telekom AG maintained a joint pension fund, the Federal Pension Service for Post and Telecommunications, Bonn (*Bundes-Pensions-Service für Post und Telekommunikation e.V.*; "**BPS-PT**"), together with Deutsche Post AG and Deutsche Postbank AG for civil-servant pension plans. The German Act on the Reorganization of the Civil Service Pension Fund (*Gesetz zur Neuordnung der Postbeamtenversorgungskasse*; "**PVKNeuG**") transferred the functions of BPS-PT relating to civil-servant pensions (organized within the Civil Service Pension Fund) to the existing Federal Agency effective January 1, 2013. The civil-servant pension functions are therefore performed by the Civil Service Pension Fund as an integral part of the Federal Agency. This joint Civil Service Pension Fund works for the funds of all three companies and also handles the financial administration of the pension plan for the Federal Republic on a trust basis. For the 2019 financial year, Deutsche Telekom AG made payments in the amount of

EUR 113 million (2018: EUR 123 million; 2017: EUR 94 million). Furthermore, payments were made to the Civil Service Pension Fund in accordance with the provisions of the PVKNeuG.

The Federal Republic and the companies controlled and jointly controlled by the Federal Republic are customers or suppliers of Deutsche Telekom AG and as such have mutual contractual relationships with Deutsche Telekom AG.

(vi) The Board of Management and the Supervisory Board

(A) The Board of Management

Pursuant to § 6 of the articles of incorporation, Deutsche Telekom AG's Board of Management consists of two members at least. The Supervisory Board may determine a larger number of Board of Management members.

The Board of Management's schedule of responsibilities provides for eight Board departments. Four of these departments comprise the central management areas, i.e. the

- Board of Management chair

and the Board departments

- Finance;
- Human Resources and Legal Affairs; and
- Technology & Innovation.

Four other Board departments are segment-related, i.e.:

- Germany;
- Europe;
- T-Systems; and
- USA and Group Development.

The Board of Management currently comprises the following members, whose responsibilities are as follows:

- Timotheus Höttges, Chairman of the Board of Management;
- Adel Al-Saleh, Board Member T-Systems;
- Birgit Bohle, Board Member Human Resources and Legal Affairs as well as Labor Director;
- Srinivasan Gopalan, Board Member Europe;
- Dr. Christian P. Illek, Board Member Finance;

- Thorsten Langheim, Board Member USA and Corporate Development;
- Claudia Nemat, Board Member Technology & Innovation;
- Dr. Dirk Wössner, Board Member Germany.

Pursuant to § 7 of the articles of incorporation, Deutsche Telekom AG is legally represented by two members of the Board of Management or by one member of the Board of Management acting jointly with a holder of statutory power of attorney (*Prokurist*).

(B) The Supervisory Board

The Supervisory Board of Deutsche Telekom AG consists of 20 members and is composed in line with the German Codetermination Act of 1976 (*Mitbestimmungsgesetz*; "**Codetermination Act**"). Ten members are elected by the employees, ten members are elected by the shareholders.

The Supervisory Board currently comprises the following members:

*Shareholders' representatives*

- Prof. Dr. Ulrich Lehner (Chairman), member of the Shareholders' Committee of Henkel AG & Co. KGaA, Düsseldorf;
- Dr. Rolf Bösing, State Secretary at the Federal Ministry of Finance, Berlin;
- Dr. Günther Bräunig, Chief Executive Officer of KfW, Frankfurt am Main;
- Lars Hinrichs, CEO of Cinco Capital GmbH, Hamburg;
- Dr. Helga Jung, former member of the Board of Management of Allianz SE, Munich;
- Prof. Dr. Michael Kaschke, former Chairman of the Executive Board of Carl Zeiss AG, Oberkochen, Chairman of the Supervisory Board of the Karlsruhe Institute for Technology (KIT), Karlsruhe;
- Dagmar Kollmann, member of several supervisory boards and advisory boards as well as the German Monopolies Commission;
- Harald Krüger, former Chairman of the Management Board of Bayerische Motoren Werke Aktiengesellschaft, Munich;
- Karl-Heinz Streibich, President of *acatech – Deutsche Akademie der Technikwissenschaften* (National Academy of Science and Engineering), Berlin;
- Margret Suckale, former member of the Board of Executive Directors of BASF SE, Ludwigshafen.

### *Employee representatives*

- Frank Sauerland (Deputy Chairman), Head of Collective Bargaining Policy Committee, TC/IT National Committee at the ver.di National Executive Committee, Berlin;
- Odysseus Chatzidis, Chairman of the European Works Council of Deutsche Telekom, Bonn;
- Constantin Greve, Chairman of the Central Works Council of Deutsche Telekom AG, Bonn;
- Nicole Koch, Chairwoman of the Works Council of Deutsche Telekom Privatkunden-Vertrieb GmbH, Bonn;
- Stefanie Kreusel, Senior Vice President, Customer & Public Relations at T-Systems International GmbH, Frankfurt am Main, Deputy Chairwoman of the Group Executive Staff Representation Committee of Deutsche Telekom AG, Bonn, Chairwoman of the Executive Staff Representation Committee of T-Systems International GmbH, Frankfurt am Main;
- Lothar Schröder, Trade Union Secretary, former member of the ver.di National Executive Committee, Berlin;
- Nicole Seelemann-Wandtke, Deputy Chairwoman of the Works Council of the Consumer Unit at Telekom Deutschland GmbH, Bonn;
- Sibylle Spoo, lawyer, Trade Union Secretary at the ver.di Federal Administration, Berlin;
- Karin Topel, Chairwoman of the Works Council of Deutsche Telekom Technik GmbH, Technical Branch Office Eastern District, Bonn.

Mr Josef Bednarski has resigned from office as member of the Supervisory Board of Deutsche Telekom AG to the end of April 30, 2020. By letter dated April 15, 2020, the Board of Management of Deutsche Telekom AG filed a petition with the commercial register of the Local Court of Bonn to appoint Ms Kerstin Marx, since May 1, 2020 Chairwoman of the Group Works Council at Deutsche Telekom AG, Bonn, as successor of Mr Bednarski to the Supervisory Board pursuant to § 104 (2) in conjunction with (3) no. 2 AktG.

#### (vii) Employees and employee representation

Deutsche Telekom AG employed a staff of 8,134 as at December 31, 2019 and of 9,139 as at December 31, 2018 (number of employees on a per capita basis; excluding trainees and interns). Deutsche Telekom Group employed a staff of 220,719 as at December 31, 2019 and of 225,918 as at December 31, 2018 (number of employees on a per capita basis; excluding trainees and interns).

Employee representation within Deutsche Telekom AG is structured as follows:

- As shown under Section 2.1(a)(vi)(B) above, Deutsche Telekom AG has a Supervisory Board of 20 members comprised equally of employee and shareholder

representatives in accordance with the Codetermination Act (10 employee representatives and 10 shareholder representatives). The employees of Deutsche Telekom AG have the right to vote and be elected to the Supervisory Board in accordance with German codetermination law. Furthermore, additional supervisory boards are in place at other Group companies, including Telekom Deutschland GmbH, in line with the relevant provisions.

- In addition to the works councils of the individual businesses (*Betriebe*), 10 central works councils are in place. Moreover, a group works council and a European works council have been formed.

(b) Telekom Deutschland GmbH

(i) Registered office, financial year, corporate purpose of Telekom Deutschland GmbH

Telekom Deutschland GmbH has its registered office in Bonn and its business address at Landgrabenweg 151, 53227 Bonn. It is registered in the commercial register of the Local Court of Bonn under HRB 5919. The financial year of Telekom Deutschland GmbH is the calendar year.

According to the articles of incorporation, the corporate purpose is to engage in all areas of telecommunications, mobile communications, information technology, multimedia, information and entertainment, security services, sales and brokerage services, e-banking, e-money, collection, factoring, and reception and surveillance services as well as any services connected with these areas and in related and supporting areas in Germany and abroad. Telekom Germany GmbH is entitled to enter into all transactions and to take all measures deemed appropriate to serve the corporate purpose. This includes the acquisition and disposal of undertakings and areas of activity of the company. Telekom Deutschland GmbH may set up branches in Germany and abroad and set up, acquire and participate in other undertakings of the same or a similar kind in Germany and abroad, as well as run such undertakings or confine itself to the administration of its participation. It may spin off its operations wholly or partly to affiliated undertakings.

(ii) History and development

In 1992, Telekom Deutschland GmbH was established by Deutsche Bundespost Telekom under the name De.Te.Mobil Deutsche Telekom Mobilfunk GmbH. It was later re-named DeTeMobil Deutsche Telekom MobilNet GmbH and, from 2002 onwards, T-Mobile Deutschland GmbH. Until 2010, its activities were primarily limited to the field of the German mobile communications business (T-Mobile). In 2010, the T-Home business area, which comprised the entire German fixed network, was transferred from Deutsche Telekom AG by way of spin-off by absorption pursuant to § 123 (3) no. 1 UmwG as a whole to T-Mobile Deutschland GmbH, which was subsequently re-named Telekom Deutschland GmbH.

As integrated telecommunications provider, the company pushed forward the integrated network extension in the subsequent years for broadband use in the fixed network with FTTC (fiber to the curb) and vectoring as well as in mobile communications by expanding LTE technology. In the context of convergence, hybrid routers were introduced in order to link the fixed network with mobile communications for customers. Simultaneously, the successful convergent "Magenta ONE" product was offered in the market. In recent years, Telekom Deutschland GmbH continued to focus on monetizing the extension of the network in the context of the large infrastructure investments to be made. In order to improve customer experience and optimize processes, the focus further lies on offers in the context of Magenta

ONE and Magenta TV as well as an improved service experience. In order to promote the Group's goal of becoming the "Leading European Telco" provider, end-to-end process responsibility was established in addition to digitalization in the areas of eSales and eServices and agile forms of cooperation were introduced.

(iii) Business activities and shareholdings

(A) Business activities

Telekom Deutschland GmbH makes an essential contribution to Deutsche Telekom AG's revenue and earnings. Telekom Deutschland GmbH serves 44.2 million mobile customers and 13.6 million broadband lines (as of December 31, 2019). In this connection, Telekom Deutschland GmbH covers 77.0% with high-speed lines and has an LTE PoP coverage (i.e. availability of LTE in relation to the population in Germany) of 97.6%. With these offers, Telekom Deutschland GmbH generates revenues of EUR 22 billion and an EBITDA of EUR 8.6 billion (as of December 31, 2019).

(B) Shareholdings

The principal shareholdings of Telekom Deutschland GmbH are presented in the table below:

<b>Name and registered office</b>	<b>Telekom Deutschland GmbH share %</b>
as at Dec. 31 2019	
congstar GmbH, Cologne (formerly: Tau Telekommunikationsdienste GmbH, Cologne)	100
Deutsche Telekom Außendienst GmbH, Bonn	100
Deutsche Telekom Geschäftskunden-Vertrieb GmbH, Bonn	100
Deutsche Telekom Individual Solutions & Products GmbH, Bonn	100
Deutsche Telekom Privatkunden-Vertrieb GmbH, Bonn	100
Deutsche Telekom Service GmbH, Bonn	100
Deutsche Telekom Technik GmbH, Bonn	100

(iv) Business development in 2017, 2018 and 2019

In financial years 2017 to 2019 (according to the audited single-entity financial statements), Telekom Deutschland GmbH reported the following key figures in accordance with German GAAP:

<b>Telekom Deutschland GmbH</b> (billion EUR)	<b>2019/ December 31, 2019</b>	<b>2018/ December 31, 2018</b>	<b>2017/ December 31, 2017</b>
Net revenue	21.8	21.7	21.6
Profit (loss) from operations	4.5	4.4	4.6
Profit to be transferred under a profit and loss transfer agreement	3.7	3.7	3.9
Balance sheet total	26.3	23.8	22.3
Shareholders' equity	2.1	2.1	2.1
Number of employees, annual average (calculated as full-time equivalents without trainees/interns) (in thousands)	3.2	3.6	8.6

Net revenue primarily relates to Consumers with mobile voice and data services including the sale of mobile handsets and fixed-network services, Business Customers with sales and support of both standardized and customer-specific telecommunications products in fixed-network and mobile communications, comprehensive IT products as well as integrated system and other services, and Wholesale, which provides network operators of the Group's other operating segments with wholesale telecommunications services and, in addition, provides and procures termination services.

In the period from 2017 to 2019, a slight increase in net revenue was reported, which primarily resulted from increased revenue from the mobile communications business. Higher IT and broadband revenues were unable to fully compensate for the decreased revenues in the traditional fixed-network business (primarily from voice components).

In the review period, profit from operations showed only slight fluctuations. The increase in financial year 2019 primarily resulted from increased net revenue with almost no changes in operating expenses as compared to the previous year.

The profit in the amount of EUR 3.7 billion to be transferred under a profit and loss transfer agreement is at the same level as in the previous year. The net interest result, which fell by EUR 0.1 billion as compared to the previous year, was set off by the positive effect resulting from the increase in profit from operations by EUR 0.1 billion as compared to the previous year.

The increase of the balance sheet total in financial years 2017 to 2019 was, on the asset side, primarily caused by the acquisition of 5G mobile licenses and investments in outside plant networks. The liability side shows a corresponding increase in liabilities, in particular in connection with the agreement of annual instalment payments made with the Federal Republic of Germany in the context of the acquisition of the 5G mobile licenses.



Due to an existing profit and loss transfer agreement with Deutsche Telekom AG, shareholders' equity remained unchanged in the review period.

The development of the average number of employees was mainly affected by restructuring measures in the context of the strategic realignment of the Germany operating segment, here in particular by the transfer of employees to other Group companies in the context of the "Simply Different" (*Einf@ch Anders*) project in financial years 2017 and 2018.

(v) Share capital and shareholder

The share capital of Telekom Deutschland GmbH currently amounts to EUR 1,515,000,000.00 and is divided into three shares with nominal amounts of EUR 520,000,000.00 (serial no. 1), EUR 980,000,000.00 (serial no. 2) and EUR 15,000,000.00 (serial no. 3). Sole shareholder of Telekom Deutschland GmbH is Deutsche Telekom AG.

(vi) Management and Supervisory Board

(A) Management

Pursuant to § 5 of the articles of incorporation, Telekom Deutschland GmbH's Management consists of two members at least. The Supervisory Board may determine a larger number of Management members.

Telekom Deutschland GmbH has seven areas of management: Spokesman of the Management, Consumer, Business, Service, Technology, Finance and Human Resources.

The Management currently comprises the following members, whose responsibilities are as follows:

- Dr. Dirk Wössner, Spokesman of the Management;
- Dr. Ferri Abolhassan, Managing Director Service;
- Walter Goldenits, Managing Director Technology;
- Michael Hagspihl, Managing Director Consumer;
- Hagen Rickmann, Managing Director Business;
- Simone Thiäner, Managing Director Human Resources, Labor Director;
- Klaus Werner, Managing Director Finance.

Pursuant to § 6 of the articles of incorporation, Telekom Deutschland GmbH is legally represented by two members of the Management or by one member of the Management acting jointly with a holder of statutory power of attorney.

(B) Supervisory Board

Telekom Deutschland GmbH's Supervisory Board comprises 12 members and is composed in line with the Codetermination Act. Six members are elected by the employees, six members are elected by the shareholders' meeting.

The Supervisory Board currently comprises the following members:

*Shareholder representatives*

- Timotheus Höttges (Chairman), Chairman of the Board of Management of Deutsche Telekom AG, Bonn;
- Dr. Andreas Bierwirth, CEO, T-Mobile Austria GmbH, Vienna, Austria;
- Birgit Bohle, Board Member Human Resources and Legal Affairs, Labor Director, Deutsche Telekom AG, Bonn;
- Wolfgang Kopf, Head of Policy & Regulation central department, Deutsche Telekom AG, Bonn;
- Dr. Guillaume Maisondieu, Head of Group Accounting & Customer Finance, Deutsche Telekom AG, Bonn; and
- Stefan Ramge, Director-General, Directorate-General Industrial Holdings, Federal Real Estate and Privatization, German Federal Ministry of Finance (*Bundesministerium der Finanzen*), Berlin..

*Employee representatives*

- Frank Sauerland (Deputy Chairman), Head of Collective Bargaining Policy Committee, TC/IT National Committee, ver.di National Executive Board;
- Roland Angst, Head of Business Customers, Vice President SME, Partner & Marketing, Telekom Deutschland GmbH, Bonn;
- Christina Brakat, Member of the Business Customer/Wholesale Works Council, Telekom Deutschland GmbH, Bonn;
- Reiner Ginko, Deputy Chairman of the Central Works Council, Works Council of the F/HR/MD business, Telekom Deutschland GmbH, Bonn;
- Jörg Hülsey, Chairman of the Central Works Council, Telekom Deutschland GmbH, Bonn; and
- Susanne Schöttke, Head of the Regional District North, ver.di.

(vii) Employees and employee representation

As of December 31, 2019, a staff of 3,684 (62,766 incl. subsidiaries) was employed by Telekom Deutschland GmbH and as of December 31, 2018, a staff of 3,734 (incl. 65,306 incl. subsidiaries) was employed by Telekom Deutschland GmbH (number of employees on a per capita basis; without trainees/interns).

Employee representation within Telekom Deutschland GmbH is structured as follows:

- As shown under Section 2.1(b)(vi)(B) above, Telekom Deutschland GmbH has a Supervisory Board of twelve members comprised equally of employee and shareholder representatives (six employee representatives and six shareholder representatives) in accordance with the Codetermination Act. The employees of Telekom Deutschland GmbH have the right to vote and be elected to the Supervisory Board in accordance with the Codetermination Act.
  - Pursuant to the collective allocation agreement (*Zuordnungstarifvertrag*) dated September 3, 2018 (effective since November 1, 2018), the operational structures at Telekom Deutschland GmbH are divided into three businesses (*Betriebe*), i.e. the "Cross-Sectional Functions (F / HR / MD) – TD" (*Querschnitt (F / HR / MD) – TD*), "Consumers – TD" (*Privatkunden – TD*) and "Business Customers Wholesale – TD" (*Geschäftskunden Wholesale – TD*), whose works councils each represent the employees working at the relevant business.
  - In addition to the works councils of the individual businesses, a central works council is in place (this follows from the collective agreement on codetermination (*Mitbestimmungstarifvertrag*) dated September 3, 2018 (effective since November 1, 2018)). The central works council appoints representatives to the group works council and the European works council of Deutsche Telekom Group.
- (viii) Other legal relations of Telekom Deutschland GmbH and its contractual relationships with Deutsche Telekom AG and with Group companies of Deutsche Telekom AG

(A) Articles of incorporation of Telekom Deutschland GmbH

The current articles of incorporation of Telekom Deutschland GmbH, in the most recently amended version registered with the commercial register on September 20, 2011, include the provisions typical of the legal form of limited liability company (*GmbH*). Unless otherwise provided for in the articles, the provisions of the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung; "GmbHG"*) and, as applicable, the Codetermination Act apply in particular. Further contractual arrangements appear to be superfluous, since Deutsche Telekom AG is the sole shareholder of Telekom Deutschland GmbH. Specifically:

- § 1 gives the company name, Telekom Deutschland GmbH (paragraph 1), the company's registered office, Bonn (paragraph 2), and stipulates that the financial year corresponds to the calendar year (paragraph 3).
- § 2 contains the corporate purpose of Telekom Deutschland GmbH as already described above under Section 2.1(b)(i) of this Report.
- § 3 sets out the share capital of Telekom Deutschland GmbH, which amounts to EUR € 1,515,000,000.
- § 4 lists the corporate bodies of the company. These are the Management, the shareholders' meeting and the Supervisory Board.
- Pursuant to § 5 (1), the company has two or more managing directors and, in the event that several managing directors have been appointed, will be

represented by two managing directors acting jointly or by one managing director acting jointly with a holder of full statutory power of attorney. Even if several managing directors have been appointed, the shareholders' meeting may authorize one or more managing directors to represent the company acting alone in the individual case without an amendment of the articles of incorporation being required. By resolution, the shareholders' meeting may also release one or more managing directors from the restrictions under § 181 of the German Civil Code (*Bürgerliches Gesetzbuch*; "**BGB**") regarding contracting with oneself (*Insichgeschäfte*) and dual representation (*Doppelvertretung*) on a general basis or in individual cases.

According to § 5 (2), the managing directors are appointed and dismissed by resolution of the Supervisory Board. The managing directors are appointed for a maximum of five years; a re-appointment is permissible for five years each.

Pursuant to § 5 (3), the managing directors are obligated to conduct the company's business in line with applicable laws, the articles of incorporation, the rules of procedure for the Supervisory Board and the Management and the shareholder and Supervisory Board resolutions. The managing directors must in particular (I) submit a written report to the Supervisory Board on the state of business and the company's situation at least once a quarter and generally keep it informed by applying the provisions of § 90 AktG *mutatis mutandis*, (II) prepare an annual budget for the coming financial year in advance and have this budget, and any significant changes to it, approved by the shareholders' meeting, (III) prepare the annual financial statements, (IV) prepare the rules of procedure for the Management, which also include the schedule of responsibilities, and submit it to the shareholders' meeting for approval, and (V) implement the resolutions passed by the Supervisory Board and/or the shareholders' meeting on business transactions subject to approval as stipulated in the respective rules of procedure or the articles of incorporation.

- § 6 governs the formation and the powers of the Supervisory Board.

§ 6 (1) provides for the number and election of the Supervisory Board members. According to this, the Supervisory Board comprises the number of Supervisory Board members required under § 7 (1) of the Codetermination Act. The Supervisory Board members representing the shareholders are elected by the shareholders' meeting and the Supervisory Board members representing the employees are elected in accordance with the provisions of the Codetermination Act.

§ 6 (2) stipulates that the members of the Supervisory Board will be appointed for a period ending no later than on the date the shareholder resolution formally approving the members' actions for the fourth financial year after the beginning of their term of office has been passed. The financial year in which their term of office begins will not be counted in this respect. Reelection is permitted.

Pursuant to § 6 (3), the shareholders' meeting may discharge the Supervisory Board members appointed by it at any time prior to the end of their term of office and without stating any reasons. In § 6 (4), it is made clear, however,

that the Codetermination Act with its related ordinances will apply to the early discharge of employee representatives on the Supervisory Board elected pursuant to the Codetermination Act.

Pursuant to the provisions of § 6 (5), members of the Supervisory Board may resign from office giving one month's written notice to the chairman of the Supervisory Board, while also notifying the Management. A resignation with a shorter notice period is possible with the approval of the chairman of the Supervisory Board.

According to § 6 (6), Supervisory Board positions that become vacant due to dismissal or resignation are to be refilled without undue delay

According to § 6 (7) and within the framework of and in compliance with the mandatory statutory provisions and the provisions of the articles of incorporation, the Supervisory Board will adopt rules of procedure.

According to § 6 (8), the Supervisory Board must monitor the Management, support it with advice, and promote the objectives of the company. Its tasks are based in detail on applicable law and the articles of incorporation and/or the rules of procedure for the Supervisory Board. The tasks of the Supervisory Board include in particular a) reviewing and commenting on the annual financial statements to be prepared by the Management, the proposed appropriation of net income, the report of the external auditor, and the approval of the actions of the managing directors, before a decision is made by the shareholders' meeting, b) appointing the external auditor and c) submitting recommendations to the shareholders' meeting on the selection of the external auditor for the annual financial statements.

According to § 6 (9), the Supervisory Board is authorized to inspect and examine the company's books and records as well as assets.

According to § 6 (10), the Supervisory Board will conclude the service contracts with the managing directors and may amend and supplement these contracts. The shareholders' meeting may prepare a list of general principles and remuneration guidelines in this regard which are to be observed by the Supervisory Board.

- § 7 clarifies that the Supervisory Board may appoint committees from among its members, granting them decision-making powers to the extent permissible under law.

Pursuant to § 7 (2), the provisions set forth in the Supervisory Board's rules of procedure apply accordingly to the procedure of the Supervisory Board committees with regard to convocation, passing of resolutions and the introduction and exercise of the right to a second vote.

- Pursuant to § 8, the members of the Supervisory Board are obligated to observe secrecy with regard to confidential data and secrets of the company, i.e., trade and business secrets, of which they become aware in the course of their activity as Supervisory Board members. This obligation will continue to apply even after they have resigned from office.

- The remuneration of the Supervisory Board members is the subject of the provisions in § 9. Pursuant to § 9 (1), the members of the Supervisory Board receive an annual remuneration of EUR 10,000, payable at the end of the financial year, as well as reimbursement of their expenses, unless the shareholders' meeting resolves otherwise.

Paragraph 2 further stipulates that the chairman of the Supervisory Board receives double and the deputy chairman one and a half times this amount. Supervisory Board members who were not in office for the entire financial year will receive one twelfth of the remuneration for each month or part thereof that they held their seat. Furthermore, the Supervisory Board members will receive an attendance fee amounting to EUR 500 for each meeting of the Supervisory Board or its committees that they have attended, unless the shareholders' meeting resolves otherwise. Pursuant to § 9 (3), the company will also reimburse value-added tax payable on remuneration and expenses.

- According to § 10 (1), the shareholders' meetings will be called by the chairman of the Supervisory Board or by the managing directors and will generally take place at the company's registered office. A shareholders' meeting must take place at least once a year. The members of the Supervisory Board must also be invited to the shareholders' meetings. The managing directors are obligated to attend the shareholders' meetings.

According to § 10 (2), the shareholders' meetings are to be called with at least two weeks' notice, stating the agenda and including documents on important points for discussion. In urgent cases only, the convening party may shorten the convocation period and convene the meeting orally, by telephone, by e-mail, or by fax.

Pursuant to § 10 (3), shareholder resolutions, except for resolutions amending the articles of incorporation pursuant to § 53 GmbHG, may also be adopted in writing, by video conference, telephone, e-mail and fax, or other telecommunications media, unless a shareholder objects to such procedure without undue delay. Resolutions adopted by video conference, telephone, or other oral means of communication must be recorded in the minutes in order to become effective.

According to § 10 (4), minutes are to be kept of each shareholders' meeting and each shareholder resolution and must be numbered consecutively. Copies of these minutes must then be sent to the members of the Supervisory Board and the shareholders' meeting.

§ 10 (5) sets out the items subject to resolutions of the shareholders' meeting. According to this, the shareholders' meeting will decide, insofar as no other procedure is stipulated by the articles of incorporation, on the subjects listed in § 46 GmbHG and in particular on a) the taking up of new fields of business and discontinuation of existing areas of activity, b) the annual budget, which is to be prepared in advance by the Management, and any significant changes to it, and the medium-term planning, c) the stipulation of principles for remuneration, variable pay and other benefits for the managing directors, including arrangements concerning old age, disability and surviving dependants pension, d) the approval of the Management's actions, e) the

approval of the actions of the Supervisory Board members, f) the selection of the external auditor for the annual financial statements, g) the adoption of the annual financial statements and resolutions on the appropriation of net income, h) the dissolution of the company, the appointment and dismissal of liquidators and the continuation of the dissolved company, i) the conclusion, amendment and termination of inter-company agreements, j) the acquisition, sale, encumbrance and other disposal of land, buildings and property rights as well as the construction of new buildings, k) the granting of loans, security, suretyships, and similar guarantees for the benefit of third parties (legal entities that are not affiliated companies as defined by §§ 15 *et seq.* AktG or natural persons) and l) the conclusion of lease agreements (*Miet- und Pachtverträge*) regarding real property with parties that are not affiliated companies (within the meaning of § 15 AktG).

- According to § 11 (1), the managing directors must prepare and sign the annual financial statements (annual balance sheet, income statement and notes) for the previous financial year within the first three months of each financial year and present them to the external auditor.

According to § 11 (2), the managing directors must submit the annual financial statements and the external auditor's report to the Supervisory Board without undue delay upon receipt thereof together with their proposals for the appropriation of net income.

According to § 11 (3), the managing directors must submit the annual financial statements and the external auditor's report to the shareholders' meeting for information at the same time as submitting them to the Supervisory Board. The financial statements documentation and the external auditor's reports must be handed over to each member of the Supervisory Board or, if so decided by the Supervisory Board, to the members of a committee. Once the Management has received the statement of comments of the Supervisory Board, it must submit this statement together with its own statement to the shareholders' meeting without undue delay for adoption of a resolution on the annual financial statements and the appropriation of net income.

According to § 11 (4), the Supervisory Board will award the audit assignment to the external auditor after selection by the shareholders.

- According to § 12, the announcements of the company will be published in the "electronic Federal Gazette" (today the "Federal Gazette" (*Bundesanzeiger*)) of the Federal Republic of Germany.
- § 13 stipulates that any shareholder changes that require the managing directors to submit a shareholder list to the commercial register must be notified to the managing directors in writing, and evidence must be provided.
- § 14 contains a severability clause. Pursuant to this clause, the validity of the remaining provisions will not be affected if individual provisions of the articles of incorporation should be or become invalid or if the articles of incorporation contain gaps. The shareholders will agree to replace any invalid provision with a valid provision that is in keeping with the meaning and purpose of the invalid provision. In the event of gaps, the shareholders will

agree on a provision that would reasonably have been agreed, in accordance with the meaning and purpose of the articles of incorporation, if the parties had considered the matter from the outset.

(B) Control agreement and profit and loss transfer agreement

A control agreement and a profit and loss transfer agreement, each dated December 4, 2000, were concluded between Telekom Deutschland GmbH (at the time doing business as DeTeMobil Deutsche Telekom MobilNet GmbH) and T-Mobile International AG still existing at the time. The inter-company agreements were both entered in the commercial register for Telekom Deutschland GmbH (at the time doing business as DeTeMobil Deutsche Telekom MobilNet GmbH) on January 4, 2001. The two inter-company agreements and the legal interests originally resulting at T-Mobile International AG have been transferred by T-Mobile International AG to Deutsche Telekom AG by way of transformation in the context of several restructurings within Deutsche Telekom Group.

Accordingly, both the control agreement and the profit and loss transfer agreement are today in place between Deutsche Telekom AG as the controlling company and Telekom Deutschland GmbH as the controlled company. While the control agreement remained unchanged, the profit and loss transfer agreement was amended by agreement dated February 2/11, 2011 and the amendment was entered in the commercial register on June 16, 2011.

*Control agreement*

The control agreement between Deutsche Telekom AG and Telekom Deutschland GmbH includes the following key provisions:

- Pursuant to § 1, Telekom Deutschland GmbH places the management of its enterprise under the control of Deutsche Telekom AG.
- § 2 stipulates that Deutsche Telekom AG has a right to issue instructions to the Management of Telekom Deutschland GmbH. Deutsche Telekom AG's Board of Management is entitled to issue any instructions as it considers expedient to the Management of Telekom Deutschland GmbH, represented by its chairman or, in his absence, by his deputy. The instructions must be given in writing or by fax, or, if they are given orally, must be confirmed without undue delay in writing or by fax.
- § 2 (2) clarifies that the right to issue instructions does not extend to amending, maintaining or terminating the control agreement.
- Pursuant to § 3, Deutsche Telekom AG is obligated to absorb losses, i.e., it must compensate any net loss for the year incurred by Telekom Deutschland GmbH during the term of the agreement, provided such loss is not absorbed by releasing amounts from other retained earnings that were allocated to these reserves during the term of the agreement (paragraph 1).
- § 3 (2) provides that the provisions of § 302 (3) AktG apply *mutatis mutandis* such that it is, as a rule, possible to waive or settle such a compensation claim three years after the termination of the control agreement is entered in the commercial register for Telekom Deutschland GmbH.



- § 3 (3) stipulates that the payment obligation arising from the settlement of accounts is due upon the approval of the relevant annual financial statements.
- § 4 (1) stipulates that the approvals of the shareholders' meeting of T-Mobile International AG (as the legal predecessor of Deutsche Telekom AG) and of the shareholders' meeting of Telekom Deutschland GmbH (at the time doing business as DeTeMobil Deutsche Telekom MobilNet GmbH) are required for the control agreement to be effective. Both such approvals were granted on December 7, 2000. In line with § 4 (2), the agreement became effective upon its entry in the commercial register for Telekom Deutschland GmbH (at the time doing business as DeTeMobil Deutsche Telekom MobilNet GmbH) on January 4, 2001.
- Pursuant to § 4 (3), the agreement was concluded, without prejudice to the right of termination for cause (*aus wichtigem Grund*), for a term ending at the end of the fifth year following the year in which the agreement initially became effective. Upon expiry of this term, it will be automatically extended for one year in each case, unless it is terminated before the beginning of the final year of its term by giving six months' written notice.

The control agreement has not yet been terminated, nor are there plans to terminate it.

#### *Profit and loss transfer agreement*

The profit and loss transfer agreement between Deutsche Telekom AG and Telekom Deutschland GmbH as amended by the agreement dated February 2/11, 2011, includes the following key provisions:

- Telekom Deutschland GmbH is obligated to transfer its entire profit to Deutsche Telekom AG during the term of the agreement in line with all of the provisions of § 301 AktG, as amended. § 301 AktG, as amended, also applies *mutatis mutandis* in all other respects (§ 1 (1) and (2) of the amended profit and loss transfer agreement).
- Deutsche Telekom AG is also obligated towards Telekom Deutschland GmbH to absorb any losses in accordance with all of the provisions of § 302 AktG, as amended (§ 2 (1) of the amended profit and loss transfer agreement). The claim for absorption of losses arises at the end of the financial year. It will fall due on this date as the value date (§ 2 (2) of the amended profit and loss transfer agreement).
- The profit and loss transfer agreement becomes effective upon being registered in the commercial register at the registered office of Telekom Deutschland GmbH and, with regard to the obligation to transfer profits, commences with retroactive effect as of January 1 of the financial year in which it was concluded; the amendments made to the profit and loss transfer agreement under the amendment agreement apply with retroactive effect as of the beginning of the financial year in which all requirements stipulated in the amendment agreement are fulfilled (§ 3 (1) of the amended profit and loss transfer agreement). In order to be effective, the profit and loss transfer agreement requires the approval of the shareholders' meeting of Deutsche Telekom AG and of the shareholders' meeting of Telekom Deutschland GmbH (§ 3 (2) of the amended profit and loss transfer agreement; both

approval resolutions have already been passed in respect of the original profit and loss transfer agreement).

- The profit and loss transfer agreement may be terminated by giving one month's written notice to the end of the relevant year, but no earlier than with effect as of the expiry of the year at the end of which the minimum period specified under tax law for the consolidated tax group for corporate income tax purposes established by the agreement has been completed (according to current legislation, such period is five years, § 14 (1) sentence 1 no. 3 in conjunction with § 17 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*)); in the absence of notice of termination, the agreement will be extended for one further year in each case, with the notice period remaining the same (§ 3 (3) of the amended profit and loss transfer agreement).
- The profit and loss transfer agreement may also be terminated for cause; such cause will in particular be deemed to exist in the event of the disposal or contribution of Telekom Deutschland GmbH by Deutsche Telekom AG or the merger, demerger or liquidation of either party (§ 3 (4) of the amended profit and loss transfer agreement).
- Should individual provisions of the profit and loss transfer agreement be or become invalid or impracticable, this will not affect the validity of the other provisions of the agreement; the invalid or impracticable provision is to be replaced by a provision that is permissible and comes as close as possible to the economic effect of the invalid or impracticable provision (§ 4 of the amended profit and loss transfer agreement).

The profit and loss transfer agreement has not yet been terminated, nor are there plans to terminate it.

(C) Other contractual intra-group relations

Telekom Deutschland GmbH and Deutsche Telekom AG maintain various supply and service relationships with other Group companies. These include, in particular, the following:

- Via its DTGC Business Area, Deutsche Telekom AG provides the services – as described in more detail in Section 2.2(b) – to Telekom Deutschland GmbH and Deutsche Telekom AG in turn procures services from Telekom Deutschland GmbH via its DTGC Business Area.
- Telekom Deutschland GmbH acts as an upstream supplier for various services provided by other Group companies. The Wholesale Center (*Zentrum Wholesale*) located at Telekom Deutschland GmbH serves as a supplier of various telecommunications services in Germany to T-Systems and the national companies of Deutsche Telekom Group. In this context, both regulated and unregulated telecommunications services are being offered for fixed-network and mobile communications. In addition to mere product offers, services are being provided in the field of connection circuit and network build-out for customers of the other subsidiaries in Germany. Telekom Deutschland GmbH in turn procures upstream services from other

Group companies, in particular T-Systems, for services provided to its customers.

- Telekom Deutschland GmbH also procures security services from T-Systems for its fixed-line and mobile network.
- Between Telekom Deutschland GmbH and Deutsche Telekom AG, a framework agreement is in place governing the access of Deutsche Telekom AG and other Group companies to the entire product range of Telekom Deutschland GmbH's business customer operations.
- The Group-wide real estate management and strategic procurement are performed by the Group Supply Services (GSUS) unit of Deutsche Telekom AG. Via this unit, Deutsche Telekom AG also makes properties available for use by Telekom Deutschland GmbH. In addition, Telekom Deutschland GmbH avails itself of the Group Supply Services (GSUS) unit for (other) procurement services.
- Deutsche Telekom AG's Mobility Solutions unit serves as full-service provider for fleet management and mobility services within the Group. The services of this unit are also used by Telekom Deutschland GmbH.
- Telekom Deutschland GmbH's IT infrastructure is largely provided by Deutsche Telekom IT GmbH.
- Telekom Deutschland GmbH uses the employment opportunities in public service for civil servants offered by Telekom Placement Services.
- Telekom Deutschland GmbH uses patents and utility models which Deutsche Telekom AG holds centrally for Deutsche Telekom Group.
- Telekom Deutschland GmbH uses brands, design models and domains which Deutsche Telekom AG holds centrally for Deutsche Telekom Group.

(ix) Further plans regarding Telekom Deutschland GmbH

As discussed in Section 1 above, the telecommunications-specific portfolio units, i.e. the two portfolio units TC Services and Classified ICT (with the exception of certain activities in the Classified IT project business), which have so far been located at T-Systems and assigned to the Systems Solutions operating segment, are to be transferred to Telekom Deutschland GmbH or its subordinated Group companies and assigned to the Germany operating segment. A corresponding split-off and takeover agreement is intended to be concluded between T-Systems International GmbH and a wholly-owned subsidiary of Telekom Deutschland GmbH in notarized form in June 2020. The objective is to pool the business customer activities located in Germany in the telecommunications field, both nationally and internationally, centrally at one place within Deutsche Telekom Group. The relevant activities at the level of the other national companies will remain unaffected. The spin-off of the DTGC Business Area is in line with these plans, but they are not the reason for the spin-off. Rather, the strategic considerations described in Section 2.3 are the main drivers for the spin-off.

At the level of Telekom Deutschland GmbH, it is intended that Telekom Deutschland GmbH will conclude a sale and transfer agreement with Deutsche Telekom Technik GmbH having its registered office in Bonn (registered in the commercial register of the Local Court of Bonn

under HRB 5919 and having its business address at Landgrabenweg 151, 53227 Bonn) under which the NWI Business Unit is to be transferred from Telekom Deutschland GmbH to Deutsche Telekom Technik GmbH, subject to the condition precedent of completion of the spin-off by way of entry in the commercial register for Deutsche Telekom AG, with such transfer to take effect "one legal second" (*eine juristische Sekunde*) after the spin-off. The objective is to pool, within the Germany operating segment, the technology areas for telecommunications services at Deutsche Telekom Technik GmbH. The subject of the sale and transfer agreement referred to above is to transfer title to and/or grant a right of use of the material tangible and intangible operating resources of the NWI Sub-Area, with the result that the employment contracts allocated to the NWI Business Unit under employment law will be transferred to Deutsche Telekom Technik GmbH upon completion of this sale and transfer agreement.

## 2.2 Assets and liabilities to be spun off

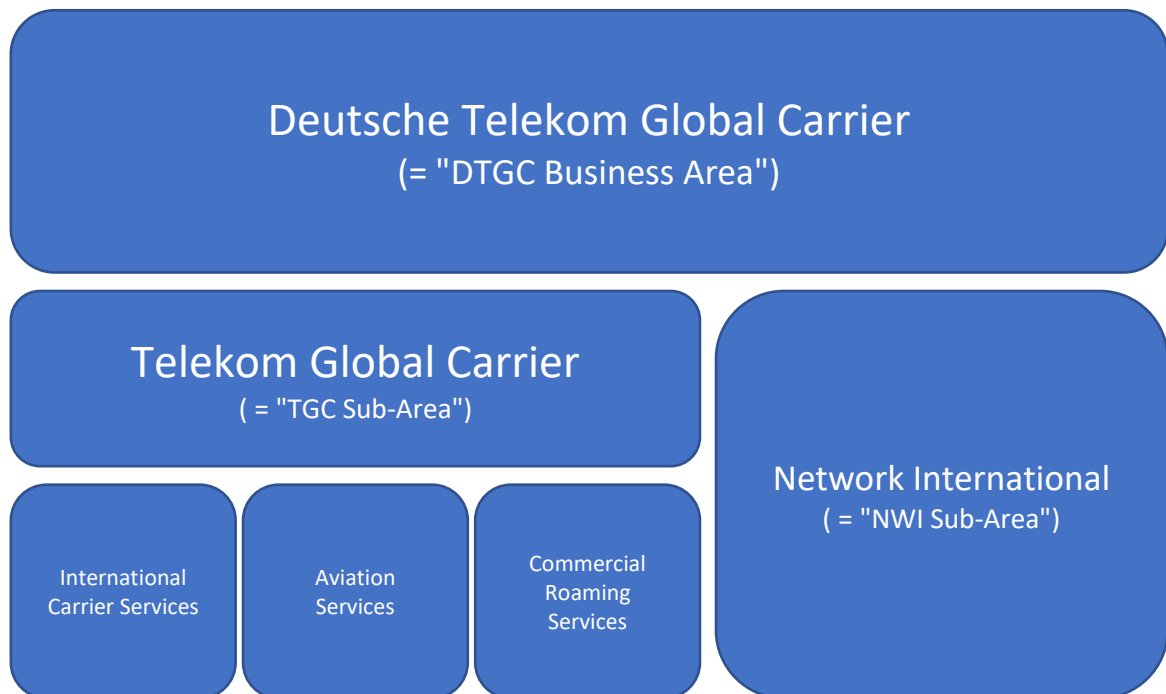
### (a) Overview

The subject matter of the spin-off is the DTGC Business Area. The assets and liabilities to be spun off are defined in the Spin-Off Agreement as the "**Spin-Off Assets**". According to this definition, the Spin-Off Assets comprise:

- all tangible and all acquired and self-created intangible assets and liabilities, including contractual and other legal relationships and interests of all kinds, receivables and liabilities, uncertain liabilities, contingent liabilities and future and conditional receivables and liabilities the legal basis for which has already been created, irrespective of whether or not these must be or can be reported in the balance sheet or have already been reported in the balance sheet (above and hereinafter the "Assets" or, where individual assets are referred to, the "Asset") attributable to the DTGC Business Area, unless hereinafter expressly excluded from the transfer;
- including the equity interests of Deutsche Telekom AG in T-Mobile Hotspot GmbH and Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság; and
- including all other Assets expressly attributed to the Spin-Off Assets in the Spin-Off Agreement.

The DTGC Business Area consists of two sub-areas, namely the TGC Sub-Area and the NWI Sub-Area.

The TGC Sub-Area in turn comprises the fields of International Carrier Services, Commercial Roaming Services and Aviation Services. The following diagram shows the structure of the DTGC Business Area.



From an employment-law perspective, the DTGC Business Area comprises the "Telekom Global Carrier" business unit (*Betriebsteil*) within the meaning of German employment law (the "**TGC Business Unit**") and the "Network Infrastructure" business unit within the meaning of German employment law (the "**NWI Business Unit**").

As at December 31, 2019, a total of 342 staff were working at 13 locations (Berlin, Bonn, Bremen, Darmstadt, Düsseldorf, Frankfurt, Gaimersheim, Gersthofen, Koblenz, Leinfelden-Echterdingen, Norden, Oldenburg, Westerland) of the DTGC Business and as at December 31, 2018, a total of 313 staff (number of employees on a per capita basis; without trainees and interns). Of this number, 124 staff as at December 31, 2019, and 123 staff as at December 31, 2018 were attributable to the TGC Business Unit, and 218 staff (incl. six in the passive phase of partial retirement) as at December 31, 2019 and 190 staff as at December 31, 2018 were attributable to the NWI Business Unit.

Under German works constitution law, TGC is a sub-area of the "Europe" business of Deutsche Telekom AG. A works council is in place at the Europe business.

Under German works constitution law, the NWI Business Unit is a sub-area of the VTI business of Deutsche Telekom AG. A works council is in place at the VTI business.

(b) The DTGC Business Area in detail

(i) The TGC Sub-Area

The TGC Sub-Area or, from an employment-law perspective, TGC Business Unit mainly provides services in the fields of International Carrier Services, Commercial Roaming Services and Aviation Services as follows:

- (A) International Carrier Services comprises the sale of Deutsche Telekom Group's wholesale telecommunication services (national and international networks) to carriers (telecommunication network operators) abroad to be used by their customers as well as the purchase of wholesale telecommunication services for Deutsche Telekom Group from foreign carriers. In addition, the TGC Sub-Area or, from an employment-law perspective, TGC Business Unit serves both carriers and over-the-top content providers (IP-based and platform-independent service providers) as well as major business customers in the voice and data field either directly or via T-Systems.

The Spin-Off Assets to be attributed, within the DTGC Business Area, to the TGC Sub-Area and there to the International Carrier Services unit in particular comprises agreements with carriers on the sale and procurement of wholesale telecommunications services, agreements on the provision of voice and data services to carriers, over-the-top content providers and large business customers, as well as receivables and liabilities under such agreements.

- (B) Commercial Roaming Services comprises the negotiation of discounts for standard roaming fees and revenues (resulting from mobile communication in the networks of Deutsche Telekom Group's foreign subsidiaries) and network access terms and conditions for machine-to-machine communications with mobile network operators and mobile providers that buy network services and independently market them to third parties. In addition to negotiating, structuring and implementing the discount contracts, the TGC Sub-Area or, from an employment-law perspective, TGC Business Unit ensures the settlement of cash flows from these reciprocal contractual relationships as well as monthly and quarterly forecasts.

The Spin-Off Assets to be attributed, within the DTGC Business Area, to the TGC Sub-Area and there to the Commercial Roaming Services unit in particular comprise agreements with mobile network operators and mobile providers that buy network services and independently market them to third parties, agreements on the granting of discounts for standard roaming fees and on network access terms and conditions for machine-to-machine communications, broker agreements and agreements on the settlement of cash flows as well as receivables and liabilities under such agreements.

- (C) Aviation Services on the one hand comprises the operation of an internet service provider (ISP) platform as well as the marketing of such platform in particular to air carriers. In addition, Aviation Services operates a European ground network containing complementary ground components (CGC), i.e. ground components complementing a mobile satellite service, and makes available this ground network as part of the European Aviation Network of a cooperation partner.

The Spin-Off Assets to be attributed, within the DTGC Business Area, to the TGC Sub-Area and there to the Aviation Services unit therefore in particular comprise tangible fixed assets.

- (D) The TGC Sub-Area also includes all shares in two companies, namely T-Mobile Hotspot GmbH with its registered office in Bonn and Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság with its registered office in Budapest (Hungary).

*T-Mobile Hotspot GmbH*

T-Mobile HotSpot GmbH with its registered office in Bonn (business address: Friedrich-Ebert-Allee 140, 53113 Bonn), entered in the commercial register of the Local Court of Bonn under HRB 16010, is a wholly-owned direct subsidiary of Deutsche Telekom AG. Its purpose is to produce hotspots and provide the related services, mainly at an international level, in particular to provide an internet services provider (ISP) platform including authentication, authorization and accounting (AAA). Currently this includes the business fields (I) Aviation, (II) Airline Lounges and (III) Automotive (in-car hotspots).

To this end, T-Mobile Hotspot GmbH holds the ISP licenses necessary for the operation of hotspot or ISP services outside Germany.

*Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság*

Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság with its registered office in Budapest (business address: Kórház u. 6-12, 1033/Budapest (Hungary)), entered in the companies register of the Registration Court of Budapest under registration number 01-09-269874, is a wholly-owned direct subsidiary of Deutsche Telekom AG in the legal form of a limited liability company under Hungarian law. This company provides services in the fields of marketing, sales support, product management and business process management. These services are provided predominantly to the TGC Sub-Area.

(ii) NWI Sub-Area

The NWI Sub-Area or, from an employment-law perspective, NWI Business Unit develops, plans, builds and operates Deutsche Telekom AG's international network infrastructure and provides the services used by the TGC Sub-Area. The NWI Sub-Area or, from an employment-law perspective, NWI Business Unit offers these services on its own platforms in Germany and abroad and is responsible for smooth traffic of the relevant technologies and services via own or rented line capacities in Germany and abroad. For network infrastructure and platforms abroad, the NWI Sub-Area or, from an employment-law perspective, NWI Business Unit uses the relevant local entities of Deutsche Telekom Group.

The Spin-Off Assets to be attributed, within the DTGC Business Area, to the NWI Sub-Area include in particular platforms and network components as well as the hard- and software required for their operation, as follows:

- (A) The platforms include in particular the voice and signaling platforms, e.g. the platforms Next Generation Voice international (NGVi), Number Portability international (NPi), virtual Signaling Transfer Point (vSTP), next generation Signaling Transfer Point (ngSTP), the Diameter platform (DRA), the Wifi Roaming platform and SS7 Firewall.
- (B) The network components include in particular submarine cable facilities as well as the International Network Management Center in Frankfurt.

The NWI Sub-Area also maintains contractual relationships with suppliers and service providers outside and within the Group as well as other partners. These include in particular capacity agreements, "Telehaus" contracts, submarine cable consortium agreements,

maintenance agreements, hardware agreements, rental agreements, service agreements and license agreements.

(iii) HR and finance functions

The TGC Sub-Area and the NWI Sub-Area both have their own HR and finance functions. These are located at the Europe and Technology & Innovation Board departments.

(c) Cross-segment service relationships of the DTGC Business Area within Deutsche Telekom AG

The DTGC Business Area uses various services provided by GHS (Group Headquarters & Group Services). Material service relationships therefore exist in the following fields:

(i) Brands and design models

The DTGC Business Area currently uses various brands that are registered in the name of Deutsche Telekom AG and are held by Deutsche Telekom AG. They are part of the Group branding strategy with a joint corporate identity and a joint corporate design. They are developed for Group-wide use at Deutsche Telekom AG and managed with the goal of ensuring a uniform market presence and a uniform brand image both nationally and internationally. Such strategic brand management requires Group-wide standardized administration and management of the entire brand portfolio. The same applies to design models.

(ii) Patents and utility models

The DTGC Business Area has no patents of its "own" that are assigned directly to it. It rather makes use of services from Patent Management which is part of GHS. The same applies to utility models.

(iii) Domains

The DTGC Business Area does not own any domains. It currently uses various domains that are registered in the name of Deutsche Telekom AG and are owned by Deutsche Telekom AG. Domain management is carried out in line with the central responsibility of Deutsche Telekom AG for the Group as a whole, in the same way as described above for brands and design models. Domains are used on the basis of authorization by Deutsche Telekom AG, which follows the uniform communication goals of the Group as a whole.

(iv) Properties and buildings, strategic procurement

Although the DTGC Business Area uses certain properties, no properties or hereditary building rights (*Erbbaurechte*) have been assigned to it. Real estate management and strategic procurement are performed within GHS by Group Supply Services (GSUS). This unit makes the properties used by the DTGC Business Area available to it, and the DTGC Business Area can also avail itself of this unit for (other) procurement services.

(v) Fleet management and mobility services

Mobility Solutions, which is located within GHS, serves as full-service provider for fleet management and mobility services within the Group. The services of this unit are also used by the DTGC Business Area.



(vi) Vivento

Vivento, a personnel services provider allocated to GHS, on the one hand is in charge of securing external employment opportunities for employees, mainly civil servants, predominantly in the public sector. On the other hand, Vivento also seeks to strategically place them internally, with the aim of retaining professional expertise within the Group and to reduce the use of external staff. The DTGC Business Area can also avail itself of these services offered by Vivento.

(vii) Other service relationships

Furthermore, the DTGC Business Area maintains service relationships with other areas of Deutsche Telekom AG regarding IT-related services and services by the central management departments (such as the legal and tax department and similar services), among other things.

(d) Segment allocation and allocation within the schedule of responsibilities of the Board of Management

The two sub-areas of the DTGC Business Area are currently allocated to different segments. The TGC Sub-Area is allocated to the Europe operating segment. The NWI Sub-Area is allocated to the Group Headquarters & Group Services (GHS) segment.

The TGC Sub-Area and the NWI Sub-Area are currently allocated to different Board departments. The TGC Sub-Area is allocated to the Europe Board department. The NWI Sub-Area is allocated to the Technology & Innovation Board department. Despite this allocation to different Board departments, the DTGC Business Area as a whole is led by a uniform management located immediately below Board of Management level.

(e) Economic significance of the Spin-Off Assets for Deutsche Telekom AG

(i) Overview of economic significance

The carrying amount of the assets included in the Spin-Off Assets is less than 1% of the balance sheet total of Deutsche Telekom AG. However, the DTGC Business Area is of great strategic significance for Deutsche Telekom Group. The infrastructure of the DTGC Business Area makes a significant contribution to enhancing international supply capability, which is of great importance in particular to business customers. Only a powerful international network infrastructure, which results from close cooperation with the international carriers, offers a basis on which offers can be developed for business customers that allow Deutsche Telekom AG to distinguish itself from its competitors.

(ii) Business development in 2019

In the Europe segment, the TGC Sub-Area reported a net revenue of EUR 646 million, EBITDA of EUR 70 million and a balance sheet total of EUR 729 million.

In the Group Headquarters & Group Services segment, the NWI Sub-Area reported a net revenue of EUR 0 million, EBITDA of EUR 4 million and a balance sheet total of EUR 84 million.

(iii) Spin-Off Balance Sheet

Set out below is the (unaudited) spin-off balance sheet for the DTGC Business Area (the "**Spin-Off Balance Sheet**"), which has been derived from the closing balance sheet, i.e. the

balance sheet of Deutsche Telekom AG as at December 31, 2019, as also attached to the Spin-Off Agreement as Annex 4.4. The Spin-Off Balance Sheet shows all of the assets and liabilities to be spun off accounted for in the balance sheet. Moreover, it reflects additional assets and liabilities to be accounted for in the balance sheet which are based on the arrangements made in the Spin-Off Agreement, in particular the receivable under § 8 (5) of the Spin-Off Agreement, or which otherwise result from the spin-off.

**"DTGC Business Area"**

**Spin-Off Balance Sheet as at December 31, 2019**

<b>Assets</b>	Dec. 31, 2019	EUR
	EUR	EUR
<b>A. Noncurrent assets</b>		
<b>I. Intangible assets</b>		
Concessions, industrial property rights and similar rights and assets		
1. as well as licenses relating to such rights and assets, in each case acquired for consideration	4,769,621.00	
2. Advance payments	8,828,140.91	
		13,597,761.91
<b>II. Property, plant and equipment</b>		
1. Other equipment, operating and office equipment	47,267,022.00	
2. Advance payments and construction in progress	11,726,019.58	
		58,993,041.58
<b>III. Financial assets</b>		
Shares in affiliated companies		5,389,456.54
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>		
1. Trade receivables	28,767,266.97	
2. Receivables due from affiliated companies	567,026,381.19	
3. Receivables due from companies in which equity interests are held	931,880.75	
4. Other assets	127,794,510.11	
		724,520,039.02
<b>C. Prepaid expenses and deferred charges</b>		
		1,521,867.60
		<u>804,022,166.65</u>

This document is a convenience translation of the German original.

In case of discrepancy between the English and German versions, the German version shall prevail.

	Dec. 31, 2019	
<b>Shareholders' equity and liabilities</b>	EUR	EUR
<b>A. Shareholders' equity</b>		
<b>I. Capital stock</b>	0.00	
<b>II. Capital reserves</b>	341,875,653.38	
<b>III. Net profit for the year</b>	<u>0.00</u>	341,875,653.38
<b>B. Provisions</b>		
1. Provisions for pensions and similar obligations	17,277,792.00	
2. Other provisions	<u>34,946,332.93</u>	52,224,124.93
<b>C. Liabilities</b>		
1. Trade payables	60,850,326.67	
2. Liabilities owed to affiliated companies	163,827,531.14	
3. Liabilities owed to companies in which equity interests are held	1,037,665.69	
4. Other liabilities	181,849,529.15	407,565,052.65
<b>D. Deferred income</b>		2,357,335.69
		<u>804,022,166.65</u>

The intangible assets shown in the Spin-Off Balance Sheet primarily include software licenses and rights of use as well as advance payments.

Property, plant and equipment primarily comprise platforms and network components as well as hardware required for their operation. The platforms include in particular voice and signaling platforms, e.g. the platforms Next Generation Voice international (NGVi), Number Portability international (NPi), virtual Signaling Transfer Point (vSTP), next generation Signaling Transfer Point (ngSTP), the Diameter platform (DRA), the Wifi Roaming platform and SS7 Firewall.

The network components include in particular the submarine cable systems, including the technical facilities and the main distributors at the submarine cable terminals on German shores, as well as technical equipment and machinery and other property, plant and equipment items located at the "Frankfurt International Network Management Center" (*Internationales Netzmanagementzentrum Frankfurt*).

The financial assets include all of the shares in each of T-Mobile HotSpot GmbH, Bonn, with a carrying amount of EUR 5.1 million and in Magyarcom Szolgáltató Kommunikációs

Korlátolt Felelősségű Társaság, Budapest (Hungary), with a carrying amount of EUR 0.3 million.

The trade receivables contained in the Spin-Off Balance Sheet relate to receivables due from international carriers for the provision of wholesale telecommunications services.

Receivables due from affiliated companies primarily comprise receivables from intra-group cash management and receivables from intra-group service relationships arising in the context of the spin-off. Upon completion of the spin-off, the receivables due from Telekom Deutschland GmbH will lapse in the balance sheet of Telekom Deutschland GmbH as a result of confusion of rights (*in Folge der Konfusion untergehen*).

Other assets primarily include the receivables due from foreign mobile providers for refunds resulting from the roaming discount business.

In order to secure the obligations under pension schemes, long-term time accounts and lifetime working time accounts as well as partial retirement schemes, Deutsche Telekom AG has created CTA plan assets, which will not be spun off under property law. As compensation for the existing, but not transferred CTA assets of the transferring employees, substitute assets will be reflected in the Spin-Off Balance Sheet by correspondingly increasing the receivables from intra-group cash management and reported under the receivables due from affiliated companies.

Prepaid expenses and deferred charges primarily include advance payments made to the Federal Post and Telecommunications Agency for the transferring civil servants and advance payments made under submarine cable consortium agreements.

Shareholders' equity shows the value by which the carrying amounts of the assets including the receivable under § 8 (5) of the Spin-Off Agreement exceed the carrying amounts of the liabilities of the Spin-Off Assets.

Pension provisions include the provisions for pensions attributable to the transferring active employees, which are transferred in the context of the spin-off to Telekom Deutschland GmbH.

Other provisions include provisions for outstanding invoices, personnel-related obligations (in particular obligations from variable remuneration, partial retirement schemes, long-term accounts and lifetime working time accounts) as well as provisions for removal obligations.

The trade payables contained in the Spin-Off Balance Sheet primarily result from the purchase of wholesale telecommunications services from international carriers.

Liabilities owed to affiliated companies primarily relate to liabilities from intra-group service relationships. Upon completion of the spin-off, the liabilities owed to Telekom Deutschland GmbH will lapse in the balance sheet of Telekom Deutschland GmbH as a result of confusion of rights.

Other liabilities primarily include liabilities owed to foreign mobile providers from the roaming discount business.

## 2.3 Motivation for and objectives of the spin-off

### (a) Background

Deutsche Telekom Group, as a global provider of telecommunications services, sees potential for growth in the business customer market, primarily at an international level. In this context the following trends may be observed, which necessitate a strategic and organizational adjustment: internationalization, standardization, switch to IP-based products and security. In detail:

#### (i) Internationalization

In the business customer market, internationalization is a key trend that can be identified not only in large corporate groups but for several years now has increasingly gained momentum also in medium-sized enterprises. The demand for global presence and globally available products becomes stronger in the market, because new customer segments generate significant demand. As in particular medium-sized customers are unwilling to divide their network into many different segments, depending on the supply capabilities of different telecommunications providers, it is to be feared that a provider with a low level of global supply capability will also lose the German business. In order for Deutsche Telekom AG to remain competitive, it is therefore decisive that the Group has a presence on a global scale, so as to be able to successfully compete also in the German market.

#### (ii) Standardization

As a by-effect of internationalization, the products demanded by customers are equally undergoing major change: While a few years ago especially large groups demanded solutions dovetailed to their specific needs, the approach now increasingly is to use standardized products. Individual solutions continue to be in demand only for critical applications such as high availability for important production sites. In the past, for example, international sites of business customers were connected via secure fixed lines, so-called MPLS lines, in dedicated cable paths. Today, such connections between different sites are effected by way of SD-WAN (software-defined wide area networks) via public internet lines, which is more cost-effective but offers a comparable level of security. While MPLS was provided in a more solution-based and individualized way, SD-WAN applications are structured and operated in a standardized and automated manner. As a result, the differences in demand from smaller and larger enterprises as regards certain product functionalities gradually disappear. Consequently, a closer integration of the different customer segments is driven by market trends.

#### (iii) Switch to IP-based products

The traditional products from the voice and data field, such as ISDN, are gradually replaced by IP-based products (key word Voice over IP). In the past, for example, business customers used local ISDN telephone systems in order to connect office workplaces across locations within their own enterprise. With the availability of IP-based systems, these functionalities can now be offered in a more cost-effective manner in cloud-based telephone systems within the Deutsche Telekom network. These software-based products are not limited to a particular geographical location and can thus be used and configured without any limitation both nationally and internationally. This trend exists not only in Germany but in particular also in other industrialized countries. Consequently, this trend can be seen not only in the consumer business but also in the intercarrier market.

(iv) Network security

In addition, security aspects are of ever increasing importance in particular for business customers, not only for networks in Germany, but also and particularly in other countries. This trend, too, can be seen not only in the consumer business but also in the intercarrier market.

(b) Key reasons for the spin-off

Deutsche Telekom AG launched extensive projects in 2019 in order to optimize the business with business customers (business-to-business or "**B2B**") in the Group as a whole. Besides T-Systems as a separate Group entity and brand, all areas operating in the B2B sector have been reviewed. In this context, the business models and the organizational allocation of the DTGC Business Area have thus also been examined for optimization potential from this overall perspective. This examination resulted in three major topic areas being identified: (i) improved realization of market potentials through closer cooperation with the B2B sales units in the Germany operating segment, in particular with Telekom Deutschland GmbH and its subsidiaries; (ii) pooled approach to international telecommunications providers, e.g. by closer involvement of other national companies; and (iii) cost optimization (resulting from the aforementioned topic areas) by realizing potential synergies. In detail:

(i) Improved realization of market potentials

By relocating the telecommunications-related business areas of T-Systems into the Germany operating segment, the account structures for major customers will also be pooled at Telekom Deutschland GmbH or its subsidiaries. The major customers are largely active on an international scale, and thus global supply capability is an important criterion for the customer's selection of suppliers. By way of organizational pooling, the demands for coverage in the relevant regions or countries as identified by the sales teams can be closely coordinated with the network coverage strategy of the DTGC Business Area. In this way, it can be ensured that the demand from major business customers can be met by offering additional (own or purchased) connections abroad.

(ii) Pooled approach to international telecommunications providers

When expanding its own network capacities, Deutsche Telekom Group takes both strategic and economic aspects into account. Consequently, it does not always make sense to aim for global coverage with own capacities, and thus considerable capacities are leased from foreign telecommunications providers at all times. This business is volume-driven, which means that, besides other criteria, the volume of leased capacities has a large impact on the purchase price (this does not apply to regulated services). By way of organizational pooling it can be ensured that the needs which Deutsche Telekom Group has for itself or for its business customers as a whole (i.e. not only for major customers but also for medium-sized enterprises, which are increasingly active on an international scale) can be pooled for the purposes of demand and negotiation.

(iii) Synergy effects

Both of these optimization potentials result in revenue potentials on the one hand and cost saving potentials on the other. By merging the infrastructure part of DTGC and the units that already today are responsible for large parts of the infrastructure (the so-called global IP factory, T-GIP) in Telekom Deutschland GmbH, investments in and use of infrastructure resources may be coordinated more efficiently and developed in an economically more targeted manner using the same controlling model. The spin-off will not be a reason to lay

off staff; instead, freed-up capacities are to be used in order to intensify sales efforts with the aim of generating higher revenues.

#### 2.4 Reasons why alternative solutions are not pursued instead of the spin-off

As part of the preparations of the spin-off, Deutsche Telekom AG and Telekom Deutschland GmbH have extensively considered potential alternatives.

##### (a) Separate continuation of Telekom Deutschland GmbH and the DTGC Business Area of Deutsche Telekom AG

The reasons set out in Section 2.3 show that it would be disadvantageous for Deutsche Telekom Group to continue the status quo. The market trends described above have remained stable over the past years, so that now is the right time for making organizational adjustments in order to ensure the continued international competitive strength of Deutsche Telekom Group.

##### (b) Transfer by way of individual succession

As an alternative to the spin-off under the UmwG, it would be possible to carry out a spin-off outside of the UmwG involving a transfer of the related assets and liabilities by way of individual succession (*Einzelrechtsnachfolge*), e.g. by contributing the DTGC Business Area into Telekom Deutschland GmbH as a non-cash contribution. However, individual succession would require a large number of individual legal transfer acts (assignments, transfers of title, assumptions of contracts, etc.), which would lead to considerable additional expense. In particular, the contracts with third parties that are attributable to the Spin-Off Assets would not automatically be transferred to Telekom Deutschland GmbH, in contrast to the intended spin-off under § 123 (3) no. 1 UmwG. Deutsche Telekom AG and Telekom Deutschland GmbH would thus be forced to reach agreement with each individual contracting party concerning the transfer of the specific contractual relationship to Telekom Deutschland GmbH. In addition to the considerable additional organizational effort, such a procedure would also result in legal uncertainty, since it would be uncertain whether all of the contracting parties would consent to the transfer of the contracts. A spin-off under the UmwG, in contrast, is an established and transparent procedure for restructuring complex assets and liabilities within a corporate group.

It is true that in the case of a spin-off under the Transformation Act, Deutsche Telekom AG will be jointly and severally (*gesamtschuldnerisch*) liable alongside Telekom Deutschland GmbH for a period of five years (or ten years for pension obligations pursuant to the German Act on the Improvement of Company Pension Schemes (*Gesetz zur Verbesserung der betrieblichen Altersversorgung*; "**Company Pensions Act**")) also for liabilities which were established prior to the effective date of the spin-off and are transferred to Telekom Deutschland GmbH by way of the spin-off (§ 133 UmwG). However, due to the existing control agreement and the existing profit and loss transfer agreement between Deutsche Telekom AG and Telekom Deutschland GmbH (see Section 2.1.(b)(viii)(B)), such follow-up liability ultimately does not have a relevant economic effect, because under § 302 AktG Deutsche Telekom AG is in any event liable under the control agreement and the profit and loss transfer agreement for any losses incurred by Telekom Deutschland GmbH (see Section 2.1(b)(viii)(B)).

As a result, the spin-off under the UmwG would not place Deutsche Telekom AG in a worse position with regard to any liabilities owed to third parties than it would be in the event of an individual transfer of rights.

(c) Split-off of the DTGC Business Area

In the same way as with a spin-off, the objective of transferring the DTGC Business Area to Telekom Deutschland GmbH by way of universal succession (*Gesamtrechtsnachfolge*) could also be achieved by way of a split-off (*Abspaltung*) under the Transformation Act. However, a split-off would involve the obligation to grant the shareholders of Deutsche Telekom AG shares in Telekom Deutschland GmbH. This would result in a shift in the Group structure such that Telekom Deutschland GmbH would no longer be a wholly-owned subsidiary of Deutsche Telekom AG. Such a change to the Group structure is not an objective of the transaction. For the shareholders of Deutsche Telekom AG, splitting their – so far uniform – holding in Deutsche Telekom AG into a listed (and thus liquid) investment in Deutsche Telekom AG and a participation in unlisted Telekom Deutschland GmbH would not entail any advantages; rather, they would experience a certain limitation as regards their economic disposal options.

(d) Merger of Telekom Deutschland GmbH into Deutsche Telekom AG

In order to bring together the DTGC Business Area and the relevant areas of Telekom Deutschland GmbH, another option theoretically available would be to merge Telekom Deutschland GmbH into Deutsche Telekom AG. Such a merger would, however, result in Telekom Deutschland GmbH ceasing to exist as a legal entity. Pooling the activities of the fixed-network and mobile communications business for consumers and business customers in Germany in a separate legal entity located downstream of Deutsche Telekom AG has, however, proven its worth and should not be abandoned.

(e) Split-off of the relevant areas of Telekom Deutschland GmbH to Deutsche Telekom AG

In order to bring together the DTGC Business Area and the relevant areas of Telekom Deutschland GmbH, another option theoretically available, besides a merger, would be to split off the relevant areas of Telekom Deutschland GmbH to Deutsche Telekom AG. In contrast to a merger, such split-off would not result in Telekom Deutschland GmbH ceasing to exist as a legal entity. Nor would new shares in Deutsche Telekom AG or Telekom Deutschland GmbH have to be issued. However, the proven pooling of the activities of the fixed-network and mobile communications business for consumers and business customers in Germany in a separate legal entity located downstream of Deutsche Telekom AG could not be continued in this case either.

(f) Joint venture solutions

Joint venture solutions where the cooperation between the DTGC Business Area and Telekom Deutschland GmbH would be based on agreements under the law of obligations (*schuldrechtliche Vereinbarungen*) are far from offering the advantages that a combination in a single legal entity would provide; in comparison to the spin-off they would therefore be less than ideal. Transferring the DTGC Business Area and the relevant business areas of Telekom Deutschland GmbH to a new, separate company would require additional asset transfers and further increase the administrative effort to be made within the Group, and would thus be less efficient than a spin-off.

(g) Conclusion

Taking all aspects into account, the Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland GmbH have therefore reached the conclusion that the proposed spin-off by absorption pursuant to § 123 (3) no. 1 UmwG is the solution that is preferable in legal, practical and financial terms.



## 2.5 Organization, segment and management structure following the spin-off

### (a) Deutsche Telekom AG and its Group

Following the spin-off, Deutsche Telekom AG will continue to be the ultimate holding company of Deutsche Telekom Group and to manage the Group as a strategic management holding company headquartered in Bonn.

Following the spin-off, both the TGC Sub-Area and the NWI Sub-Area will be allocated to the Germany operating segment. Both the TGC Sub-Area and the NWI Sub-Area will thus also fall within the Germany operating Board department. Allocating the entire DTGC Business Area to one segment and Board department will result in organizational streamlining.

Beyond the changed allocation of the DTGC Business Area in terms of segment and Board department, no other changes will be made in connection with the spin-off as regards the Board of Management of Deutsche Telekom AG. As set out in Section 1, in addition to the present spin-off, the telecommunications-specific portfolio units, i.e. the two portfolio units TC Services and Classified ICT (with the exception of certain activities in the Classified IT project business), which have so far been located at T-Systems and assigned to the Systems Solutions operating segment, are to be transferred to Telekom Deutschland GmbH or its subordinated Group companies and assigned to the Germany operating segment. In order to reflect this transfer, the allocation of responsibilities within the Board of Management is to be amended accordingly.

### (b) Telekom Deutschland GmbH

The Management of Telekom Deutschland GmbH will not be changed in any way in connection with the spin-off. The TGC Sub-Area and the NWI Sub-Area will be integrated into the existing organizational structure of Telekom Deutschland GmbH as follows.

In terms of organization, the TGC Sub-Area will be allocated to the Managing Director Business Customers of Telekom Deutschland GmbH.

The management of the TGC Sub-Area will accordingly be assumed by the Managing Director Business Customers of Telekom Deutschland GmbH. Consequently, there will be a direct reporting line from the TGC Sub-Area to the Managing Director Business Customers of Telekom Deutschland GmbH.

For the NWI Sub-Area, it is intended at the level of Telekom Deutschland GmbH that Telekom Deutschland GmbH will conclude a sale and transfer agreement with Deutsche Telekom Technik GmbH under which the NWI Business Unit is to be transferred from Telekom Deutschland GmbH to Deutsche Telekom Technik GmbH, subject to the condition precedent of completion of the spin-off by way of entry in the commercial register for Deutsche Telekom AG, with such transfer to take effect "one legal second" after the spin-off (see Section 2.1(b) above). The equity interest held by Telekom Deutschland GmbH in Deutsche Telekom Technik GmbH is allocated to the remit of the Managing Director Technology. A control and profit and loss transfer agreement is in place between Telekom Deutschland GmbH and Deutsche Telekom Technik GmbH under which the Management of Telekom Deutschland GmbH may issue instructions to the management of Deutsche Telekom Technik GmbH, in future also in respect of the NWI Business Unit. The NWI Sub-Area is thus allocated to area of responsibility of the Managing Director Technology of Telekom Deutschland GmbH. In addition, a virtual reporting line of the NWI Sub-Area to the Managing Director Business Customers will be established in order to ensure the successful market approach in the field of the TGC Sub-Area also in the future. The efficient use of the international resources (network infrastructure, international locations, administrative functions, etc.) both by the international carrier business and for business

customers will be ensured by the allocation of the NWI Sub-Area to the area of responsibility of the Managing Director Technology, as set out above as.

## 2.6 Costs and risks of the spin-off

### (a) Costs

The costs of the measures required in connection with the preparation and implementation of the spin-off are estimated at roughly EUR 1 million. These costs relate in particular to:

- legal, business and tax advisory services;
- costs for the services of certified accountants (*Wirtschaftsprüfer*);
- costs of advance tax rulings (*verbindliche Auskünfte*);
- notarial, court and publication costs;
- costs of holding the shareholders' meetings resolving on the approval of the spin-off, in particular additional costs for preparing and holding the ordinary shareholders' meeting of Deutsche Telekom AG;
- costs of the capital increase required to be performed at Telekom Deutschland GmbH; and
- costs of the necessary adaptation of the IT systems used in accounting and HR as well as costs for employee-related integration measures.

The greatest part of these costs will be incurred already before the date of the shareholders' meeting, i.e. June 19, 2020.

### (b) Risks

The Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland GmbH have analyzed the potential risks that may result from the spin-off.

The risk analysis for the TGC Sub-Area has led to the conclusion that no business risks (or, if at all, risks involving minor amounts) will result for the TGC Sub-Area from the spin-off to Telekom Deutschland GmbH. The degree of probability with which it is to be expected that contractual relationships with customers could be terminated, in individual cases, following the spin-off, as well as the financial consequences for the TGC Sub-Area, are judged to be low, or minor in terms of amount.

As regards the NWI Sub-Area, it is not expected that the spin-off will be associated with any risks. All contractual relationships will remain in place owing to the partial universal succession. All platforms and network components can be operated in the same way as before also after the completion of the spin-off.

Owing to the transfer of all employment contracts to Telekom Deutschland GmbH or Deutsche Telekom Technik GmbH, no risk is incurred as regards continued operations or in terms of a knowledge drain, either. It is possible, however, that employees exercise their right to object to the transfer of business, with the result that these employment contracts will remain with Deutsche Telekom AG.

### 3. IMPLEMENTATION OF THE SPIN-OFF

The implementation of the spin-off will be described in the following sections by presenting firstly the principles of a spin-off by absorption (see Section 3.1), and secondly the spin-off procedure with the major steps in the spin-off (see Section 3.2).

#### 3.1 Spin-off by absorption

A spin-off by absorption (*Ausgliederung zur Aufnahme*) under the Transformation Act allows to transfer one or more assets in each case "as a whole" by way of what is referred to as partial universal succession (*partielle Gesamtrechtsnachfolge*) from the transferor entity – in this case, Deutsche Telekom AG – to one or more existing transferee entities – in this case, Telekom Deutschland GmbH – in return for the granting of shares in the transferee entity to the transferor entity (spin-off by absorption pursuant to § 123 (3) no. 1 UmwG). Partial universal succession means that Telekom Deutschland GmbH becomes the universal successor of Deutsche Telekom AG in part, that is with regard to the Spin-Off Assets, on the date the spin-off becomes effective by entry in the commercial register for Deutsche Telekom AG. This makes it unnecessary to transfer each individual asset or each individual liability or other legal interest by a separate individual act of transfer.

#### 3.2 Spin-off procedure and major steps in the spin-off

The spin-off of the Spin-Off Assets of Deutsche Telekom AG to Telekom Deutschland GmbH will be effected by way of a spin-off by absorption pursuant to § 123 (3) no. 1 UmwG in conjunction with §§ 124 *et seq.*, 138 *et seq.*, 141 *et seq.* UmwG in return for the granting of a new share in the amount of EUR 60,000,000.00 to Deutsche Telekom AG. The major steps in the spin-off and its legal bases are described in the following sections.

##### (a) Conclusion of the Spin-Off Agreement, preparatory resolutions by corporate bodies and other measures

The spin-off is subject to the conclusion of the Spin-Off Agreement. On February 10 and 12, 2020, the Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland GmbH respectively adopted a final draft of the Spin-Off Agreement within the meaning of § 125 sentence 1 UmwG in conjunction with § 4 (2) UmwG. This agreement sets out the details of the transfer of Deutsche Telekom AG's DTGC Business Area to Telekom Deutschland GmbH. With the adoption of the final draft of the Spin-Off Agreement, both the Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland GmbH, on February 10, 2020 and February 12, 2020, respectively, also passed a resolution on the spin-off of the assets and liabilities listed in the Spin-Off Agreement and in this context on the conclusion of the Spin-Off Agreement.

The Supervisory Board of Deutsche Telekom AG and the Supervisory Board of Telekom Deutschland GmbH, on September 4, 2019 and on October 25, 2019, respectively, approved the transfer of the DTGC Business Area from Deutsche Telekom AG to Telekom Deutschland GmbH. Moreover, the Supervisory Board of Deutsche Telekom AG instructed the Board of Management of Deutsche Telekom AG by resolution dated February 18, 2020, in line with § 32 of the Codetermination Act, to approve the Spin-Off Agreement in the shareholders' meeting of Telekom Deutschland GmbH.

According to § 125 sentence 2 UmwG, a spin-off is not required to be reviewed by expert auditors pursuant to §§ 9 to 12 UmwG and such a review will therefore not be conducted.

Pursuant to § 125 sentence 1 in conjunction with § 6 UmwG, the Spin-Off Agreement requires notarization, which took place on April 20, 2020 (roll of deeds no. 520/2020 of Benno Garschina, notary with his office in Bonn-Bad Godesberg). The content of the notarized Spin-Off Agreement

corresponds to the final draft adopted on February 10 and 12, with merely obvious typing errors being corrected and formal details required under notarization law being added. The Annexes referenced in the Spin-Off Agreement were notarized in advance on April 16, 2020 under reference deed (roll of deeds no. 511/2020 of Benno Garschina, notary with his office in Bonn-Bad Godesberg (the "**Reference Deed**")). They form part of the Spin-Off Agreement.

The Spin-Off Agreement will be explained in more detail in Section 5 below.

The Spin-Off Agreement, as it is to be submitted to the ordinary shareholders' meeting of Deutsche Telekom AG for approval on June 19, 2020, will be filed with the commercial register at the Local Court of Bonn pursuant to § 125 sentence 1 UmwG in conjunction with § 61 (1) UmwG prior to the calling of the ordinary shareholders' meeting. The material content of the Spin-Off Agreement will be presented in the invitation to the general shareholders' meeting, which will be published in the German Federal Gazette on May 13, 2020.

In line with the requirement of § 126 (3) UmwG, the Spin-Off Agreement in the version of the final draft adopted on February 10/12, 2020 was submitted to the competent works councils of Deutsche Telekom AG, i.e. the works councils "Europe" and "Technology & Innovation" as well as the central works council and the group works council of Deutsche Telekom AG and to the competent works councils of Telekom Deutschland GmbH, i.e. the works councils "Business Customers Wholesale – TD" (*Geschäftskunden Wholesale – TD*) and "Cross-Sectional Functions (F/HR/MD) – TD" (*Querschnitt (F/HR/MD) – TD*) as well as the central works council of Telekom Deutschland GmbH, in each case on February 19, 2020, i.e. of more than one month prior to the relevant shareholders' meeting and thus within the stipulated period. In addition, on February 19, 2020, the final draft of the Spin-Off Agreement was also submitted to the works councils "Center Core (C C)" (*Zentrum Core (Z C)*) and "Technical Branch West, Management Board DT Technik" (*Technik Niederlassung West, Management Board DT Technik*) as well as to the central works council of Deutsche Telekom Technik GmbH.

- (b) Shareholders' Meeting of Deutsche Telekom AG and shareholders' meeting of Telekom Deutschland GmbH

The Spin-Off Agreement will take effect only upon approval by the shareholders' meeting of Deutsche Telekom AG and by the shareholders' meeting of Telekom Deutschland GmbH.

It is envisaged that the Spin-Off Agreement will be submitted to the ordinary shareholders' meeting of Telekom Deutschland AG for approval on June 19, 2020 in accordance with § 125 sentence 1 UmwG in conjunction with § 13 UmwG. In the agenda resolved by it for the ordinary shareholders' meeting of Deutsche Telekom AG of April 20, 2020, the Board of Management of Deutsche Telekom AG has included as agenda item 7 the "Resolution on the approval of the Spin-Off and Takeover Agreement dated April 20, 2020 between Deutsche Telekom AG and Telekom Deutschland GmbH with its registered office in Bonn". Both the Board of Management and the Supervisory Board of Deutsche Telekom AG resolved to propose to the shareholders' meeting, under the above-mentioned agenda item 7, to approve the "Spin-Off and Takeover Agreement concluded between Deutsche Telekom AG and Telekom Deutschland GmbH on April 20, 2020 under notarial deed (roll of deeds no. 520/2020) of Benno Garschina, notary with his office in Bonn-Bad Godesberg". The Spin-Off Agreement, as well as this Spin-Off Report, the annual financial statements and Group financial statements of Deutsche Telekom AG to be displayed in accordance with § 125 sentence 1 UmwG in conjunction with § 63 UmwG, the combined management and Group management reports of Deutsche Telekom AG as well as the annual financial statements of Telekom Deutschland GmbH to be displayed in accordance with § 125 sentence 1 UmwG in conjunction with § 63 UmwG will be made available during the shareholders' meeting on June 19, 2020. All of these documents will be available on the website of Deutsche Telekom AG at [www.telekom.com/hv](http://www.telekom.com/hv) from the time the shareholders' meeting is

called and also during the entire shareholders' meeting. Consequently, the obligation under § 125 sentence 1 UmwG and § 63 (4) UmwG to make the documents available for inspection at the premises of Deutsche Telekom AG will lapse.

Provided that the shareholders' meeting of Deutsche Telekom AG approves the Spin-Off Agreement on June 19, 2020, it is planned to obtain the approval of the Spin-Off Agreement from the shareholders' meeting of Telekom Deutschland GmbH in the course of August 2020 at the latest. The Supervisory Board of Deutsche Telekom AG on February 18, 2020 already resolved, in line with § 32 of the Codetermination Act, on its instruction to the Board of Management of Deutsche Telekom AG concerning the corresponding exercise of Deutsche Telekom AG's voting rights in the shareholders' meeting of Telekom Deutschland GmbH.

Pursuant to § 125 sentence 1 UmwG in conjunction with §§ 13 (1), 50 (1), 65 (1) UmwG, the approval resolution to be adopted by the shareholders' meeting of Deutsche Telekom AG requires a majority of at least three-fourths of the share capital represented at the adoption of the resolution and, pursuant to § 133 (1) AktG, additionally the simple majority of the votes cast, and the approval resolution to be adopted by Telekom Deutschland GmbH requires a majority of at least three-fourths of the votes cast).

(c) Capital increase at Telekom Deutschland GmbH

The transfer of the Spin-Off Assets of Deutsche Telekom AG to Telekom Deutschland GmbH will be effected by way of a spin-off by absorption pursuant to § 123 (3) no. 1 UmwG in return for the granting of a share in the amount of EUR 60,000,000.00. For this purpose, the shareholders' meeting of Telekom Deutschland GmbH will pass a resolution on increasing the share capital from EUR 1,515,000,000.00 by EUR 60,000,000.00 to EUR 1,575,000,000.00 by way of issuing a new share with a nominal amount of EUR 60,000,000.00. It is envisaged that the relevant resolution will be adopted at the shareholders' meeting of Telekom Deutschland GmbH together with the approval of the Spin-Off Agreement. Pursuant to § 53 (1) GmbHG, the resolution must be adopted with a majority of at least three-fourths of the votes cast. The new share will be assumed by Deutsche Telekom AG. Accordingly, even after the spin-off becomes effective, Deutsche Telekom AG will still be the sole shareholder of Telekom Deutschland GmbH. The capital will be increased against non-cash contribution. The contribution effected by Deutsche Telekom AG consists of the spun-off assets and liabilities. In line with the current practice of the register court at the Local Court of Bonn, a non-cash capital increase report is not required for the entry of the non-cash capital increase. It can therefore be assumed that no non-cash capital increase report will be submitted.

Pursuant to § 125 sentence 1 and § 53 UmwG, the spin-off may only be entered in the commercial register for Telekom Deutschland GmbH once the increase in the share capital of Telekom Deutschland GmbH has been entered in the commercial register for Telekom Deutschland GmbH.

(d) Filing and registration of the spin-off

The spin-off will become effective only once it has been entered in the commercial register at the registered office of the transferor entity – in this case, Deutsche Telekom AG – with the proviso that entry in the commercial register at the registered office of the transferor entity – in this case Deutsche Telekom AG – may only occur once entry in the commercial register of the transferee entity – in this case, Telekom Deutschland GmbH – has occurred.

Pursuant to § 125 sentence 1 in conjunction with § 17 (2) UmwG, the filing of the spin-off for entry in the commercial register for Deutsche Telekom AG must include a balance sheet of Deutsche Telekom AG as the closing balance sheet. As a result of the selection of January 1, 2020 as the Spin-Off Date, the annual balance sheet of Deutsche Telekom AG as of December 31, 2019 will be the closing balance sheet within the meaning of § 17 (2) UmwG.

The entries in the commercial register will be made in the following order:

- entry of the capital increase in the commercial register for Telekom Deutschland GmbH;
- entry of the spin-off in the commercial register for Telekom Deutschland GmbH;
- entry of the spin-off in the commercial register for Deutsche Telekom AG.

Upon entry of the spin-off in the commercial register for Deutsche Telekom AG as the transferor entity, the spin-off will become effective with the effects described in Section 4. below.

It is planned to file the application for registration of the spin-off with the commercial register in such a manner that the balance sheet contained in Deutsche Telekom AG's annual financial statements as at December 31, 2019, which have been audited and endorsed with an unqualified audit certificate by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, can be used as closing balance sheet. Pursuant to § 4 GesRuaCovBekG it is sufficient, in deviation from § 17 (2) sentence 4 UmwG, for the admissibility of the registration if the balance sheet used as closing balance sheet has been prepared as at a record date no more than twelve months prior to the filing for registration. In view of the provision of § 20 (6) sentences 1 and 2 of the German Transformation Tax Act (*Umwandlungssteuergesetz*; "**UmwStG**"), according to which the transfer date for tax purposes may not be more than eight months prior to filing of the spin-off for entry in the commercial register, filing is currently envisaged to take place by August 31, 2020 at the latest with the aim to register the spin-off by October 1, 2020 at the latest.

In the event that legal action is timely filed to challenge the approval resolution passed by the shareholders' meeting of Deutsche Telekom AG, such action, irrespective of its prospects of success, will as a matter of principle prevent the spin-off from being entered in the commercial register and thus from taking effect. As both the Board of Management of Deutsche Telekom AG and the Management of Telekom Deutschland GmbH, when filing the resolution with the commercial register, must declare pursuant to § 125 sentence 1 UmwG in conjunction with § 16 (2) sentence 1 UmwG that no legal action has been filed or timely filed to challenge the validity of the spin-off resolution, or that any such legal action has been finally dismissed or withdrawn (so-called "negative confirmation" (*Negativerklärung*)), which is not possible in case legal action is timely filed, this would potentially cause delays.

Even in the absence of such negative confirmation, the spin-off may be registered despite an action challenging the approval resolution, provided that the competent Higher Regional Court (*Oberlandesgericht*) of Cologne has determined by order that the initiation of such action does not constitute an obstacle to entry of the spin-off in the commercial register (so-called "clearance order" (*Freigabebeschluss*) pursuant to § 125 sentence 1 UmwG in conjunction with § 16 (3) UmwG). Such clearance order will be issued pursuant to § 125 sentence 1 UmwG in conjunction with § 16 (3) UmwG if (i) the action is inadmissible or evidently unfounded, (ii) the claimant has failed to furnish documentary evidence within one week following service of the application to establish that the claimant has been holding a pro rata share of at least EUR 1,000.00 in the share capital of Deutsche Telekom AG since the date the calling notice of the shareholders' meeting was published, or (iii) an early effectiveness of the spin-off appears to have priority as the court finds at its free discretion that the material disadvantages for the entities participating in the spin-off and their shareholders, as presented by Deutsche Telekom AG, outweigh the disadvantages for the claimant shareholder, unless the case involves a particularly serious violation of the law.

As Deutsche Telekom AG is the sole shareholder of Telekom Deutschland GmbH, it is not to be expected that an action claiming defective resolution (*Beschlussmängelklage*) would be filed against the approval resolution of the shareholders' meeting of Telekom Deutschland GmbH.

- (e) No merger control

The implementation of the intra-group spin-off is not subject to merger control. Deutsche Telekom AG and Telekom Deutschland GmbH are deemed to constitute a single undertaking under anti-trust law and/or merger control law.

#### 4. LEGAL, TAX AND ECONOMIC EFFECTS OF THE SPIN-OFF

##### 4.1 Legal effects of the spin-off

- (a) Corporate-law effects of the spin-off

- (i) Transfer of the Spin-Off Assets

The transfer of the Spin-off Assets to Telekom Deutschland GmbH will be effected by way of partial universal succession in return for the granting of a share in Telekom Deutschland GmbH.

The corporate-law effects of the spin-off ensue from the Transformation Act. According to this act, the entry of the spin-off in the commercial register for Deutsche Telekom AG has in particular the following corporate-law effects:

The portion to be spun off of the assets and liabilities of Deutsche Telekom AG as the transferor entity will be transferred in its entirety to Telekom Deutschland GmbH as the transferee entity (referred to as partial universal succession, see § 131 (1) no. UmwG).

Deutsche Telekom AG as the transferor entity will become the owner of a new share in Telekom Deutschland GmbH as the transferee entity in accordance with the stipulations in the Spin-Off Agreement (§ 131 (1) no. 3 sentence 3 UmwG).

The Spin-Off Agreement furthermore provides in § 8 (5) that upon the spin-off taking effect, a disbursement claim of Telekom Deutschland GmbH against Deutsche Telekom AG will be constituted, with economic effect as of the Spin-Off Date, which in terms of its amount reflects the credit balance of the DTGC Business Area from the internal cash management of the company as well as claims provided for in § 12 (5) and (6) of the Spin-Off Agreement. In addition, personnel-related obligations will arise at Telekom Deutschland GmbH as a result of the spin-off and the related transfer of employees (see Section 5.6(a) below).

- (ii) Joint and several liability pursuant to § 133 UmwG and provision of security pursuant to § 22 UmwG

According to the provisions of § 133 (1) UmwG, Deutsche Telekom AG and Telekom Deutschland GmbH, as entities participating in the spin-off, are jointly and severally liable for the liabilities of Deutsche Telekom AG as the transferor entity that were established prior to the date the spin-off becomes effective.

With the spin-off taking effect, the asset and liability position of the transferor entity will change. In order to protect the creditors of the company effecting the spin-off, § 133 (1) UmwG provides that the companies involved in the spin-off will initially be fully liable as joint and several debtors (*Gesamtschuldner*) for all liabilities created up to the entry of the spin-off in the commercial register for Deutsche Telekom AG (i.e. for the claims of "existing creditors"). This allows the existing creditors of Deutsche Telekom AG to choose whether to assert their claims against Deutsche Telekom AG or against Telekom Deutschland GmbH.

This applies irrespective of whether or not the relevant liability has been attributed to Telekom Deutschland GmbH under the Spin-Off Agreement. This statutory provision is to prevent a reduction of the liable assets available to the existing creditors of Deutsche Telekom AG occurring as a consequence of the spin-off. The attribution of a liability to Telekom Deutschland GmbH as transferee entity is, however, of significance because in this way Telekom Deutschland GmbH becomes the "principal debtor" of such liability and will thus remain liable for an unlimited time. The liability of Deutsche Telekom AG (as joint debtor), in contrast, will end five years (or ten years for pension obligations under the Company Pensions Act) after publication of the entry in the commercial register for Deutsche Telekom AG, unless the relevant claims have been established in a manner as stipulated in § 197 (1) nos. 3 to 5 BGB or enforcement action has been taken by or applied for with a court or authority during this period. In the case of liabilities under public law, the issuance of an administrative act is sufficient (referred to as limitation in time of continuing liability (*Nachhaftungsbegrenzung*) pursuant to § 133 (3) UmwG). For liabilities that remain with Deutsche Telekom AG as transferor entity under the Spin-Off Agreement, in contrast, Deutsche Telekom AG will remain the "principal debtor". In this case, too, Deutsche Telekom AG and Telekom Deutschland GmbH will initially be fully liable, but Telekom Deutschland GmbH as the transferee entity will be released from joint liability after the expiry of five years (or ten years for pension obligations under the Company Pensions Act). Moreover, the creditors of the entities involved in the spin-off whose claims have not yet fallen due may, in certain circumstances, demand the provision of security from the entity that owes the claim under § 133 (1) sentence 2 UmwG in conjunction with § 125 sentence 1 and § 22 UmwG.

A distinction has to be made, though, between the liability in external relationships (*im Außenverhältnis*), which initially rests with both entities involved in the spin-off, and the question of which entity is to be liable as between these two entities (*im Innenverhältnis*). In this connection, § 29 of the Spin-Off Agreement contains the customary provision according to which, as between the parties, only that company is to bear a particular liability to which such liability was attributed under the Spin-Off Agreement.

If, therefore, claims are asserted against Deutsche Telekom AG for liabilities under legal relationships that were transferred to Telekom Deutschland GmbH under the Spin-Off Agreement, Telekom Deutschland GmbH will be obligated under § 29 (a) of the Spin-Off Agreement to indemnify Deutsche Telekom AG upon first demand against the relevant obligation. The same applies if claims for the provision of security are asserted against Deutsche Telekom AG by the creditors of such obligations.

Conversely, Deutsche Telekom AG will be obligated under § 29 (b) of the Spin-Off Agreement to indemnify Telekom Deutschland GmbH upon first demand against the relevant obligation if and insofar as claims are asserted against Telekom Deutschland GmbH for liabilities under legal relationships which have not been transferred to Telekom Deutschland GmbH under the Spin-Off Agreement. The same applies, again, if claims for the provision of security are asserted against Telekom Deutschland GmbH by the creditors of such obligations.

From an economic perspective, nothing will change for Deutsche Telekom AG, even insofar as liabilities are transferred to Telekom Deutschland GmbH, because a control agreement and a profit and loss transfer agreement are in place between Deutsche Telekom AG and Telekom Deutschland GmbH (see Section 2.1(b)(viii)(B) above). Any claims asserted by third parties against Telekom Deutschland GmbH under the liabilities transferring to Telekom Deutschland GmbH by way of the spin-off would, owing to the indemnification claim of Deutsche Telekom AG against Telekom Deutschland GmbH arising under § 29 (a) of the Spin-Off Agreement, have to be recognized as expense at Telekom Deutschland GmbH and would thus



reduce the profit to be transferred to Deutsche Telekom AG or increase a net loss for the year that Deutsche Telekom AG would have to absorb. During the term of the control agreement and the profit and loss transfer agreement, the economic burden of any claims asserted against Telekom Deutschland GmbH would thus in any event be borne by Deutsche Telekom AG.

(iii) Group structure following the spin-off

Following the spin-off, Deutsche Telekom AG will continue to be the ultimate holding company of Deutsche Telekom Group and to manage the Group as a strategic management holding company (see Section 2.5(a) above). The corporate purpose of Deutsche Telekom AG as stipulated in the articles of incorporation remains unchanged. Any future structural changes at the level of Telekom Deutschland GmbH that affect the corporate purpose of Deutsche Telekom AG or that represent a fundamental decision for the shareholders' meeting of the parent company in line with the case law developed by the German Federal Court of Justice (*Bundesgerichtshof*) known as the Holz Müller/Gelatine doctrine require the involvement of the shareholders' meeting of Deutsche Telekom AG.

The management of the operative business in the DTGC Business Area will in future be incumbent on the Management of Telekom Deutschland GmbH. The Board of Management of Deutsche Telekom AG remains authorized to exert an influence on the operational management of the DTGC Business Area in future, down to decisions on day-to-day business, based on the right to issue instructions to which it is entitled on the basis of the control agreement in place between Deutsche Telekom AG and Telekom Deutschland GmbH.

(b) Consequences of the spin-off for the employees and their representative bodies

The consequences of the spin-off for the employees and their representative bodies are set out in § 24 of the Spin-Off Agreement. The content of this clause is reproduced in Section 5.6(a) below.

(c) Consequences of the spin-off for civil servants

The consequences of the spin-off for the civil servants are set out in § 25 of the Spin-Off Agreement. The content of this clause is reproduced in Section 5.6(b) below.

4.2 Tax effects of the spin-off

(a) Tax effects at the level of Deutsche Telekom AG and Telekom Deutschland GmbH

(i) Income tax

(A) Deutsche Telekom AG

*Income tax-neutrality of the spin-off*

The spin-off of the DTGC Business Area to Telekom Deutschland GmbH does not trigger any income tax liability for Deutsche Telekom AG: for income tax purposes, it will be recognized outside profit or loss at book values.

In its advance ruling (*verbindliche Auskunft*) dated December 13, 2019, the Bonn City Center Tax Office (*Finanzamt Bonn-Innenstadt*) confirmed that the DTGC Business Area is a business unit (*Teilbetrieb*) within the meaning of § 20 UmwStG. The Bonn City Center Tax Office has additionally confirmed that the further conditions set out

in § 20 (2) sentence 2 UmwStG for recognizing the spun-off assets and liabilities at their tax base have been satisfied.

Pursuant to § 20 (2) sentence 2 UmwStG, Telekom Deutschland GmbH is thus entitled to recognize the contributed business assets and liabilities at their tax base after having filed a corresponding application. Telekom Deutschland GmbH will actually exercise this option and will file the required application no later than at the time of the first filing of its closing tax accounts as of December 31, 2019 (§ 20 (2) sentence 3 UmwStG). In accordance with § 20 (3) sentence 1 UmwStG, the carrying amount for tax purposes of the business assets and liabilities recognized at the level of Telekom Deutschland GmbH will be deemed Deutsche Telekom AG's selling price for tax purposes of the spun-off business assets and liabilities and its acquisition cost for tax purposes for the new share in Telekom Deutschland GmbH received.

The spin-off will be effective for income tax purposes retroactively as of December 31, 2019, 24:00 hrs. Pursuant to § 20 (5) sentence 1 UmwStG, the income, assets and liabilities of Deutsche Telekom AG and Telekom Deutschland GmbH will be determined as if the contributed business assets and liabilities had been transferred to Telekom Deutschland GmbH on expiration of the effective transfer date for tax purposes (December 31, 2019, 24:00 hrs) in accordance with § 20 (6) sentences 1 and 2 UmwStG provided that a corresponding application is filed. The taxable profit or loss of the spun-off DTGC Business Area will thus be attributable to Telekom Deutschland GmbH effective as of January 1, 2020.

*Consolidated tax group for income tax purposes consisting of Deutsche Telekom AG and Telekom Deutschland GmbH*

A control agreement dated December 4, 2000 and a profit and loss transfer agreement dated December 4, 2000 (as amended by agreement dated February 2/11, 2011) are in place between Deutsche Telekom AG as the controlling entity and Telekom Deutschland GmbH as the controlled entity, creating a consolidated tax group for income tax purposes consisting of these two entities. In its advance ruling dated December 13, 2019, the Bonn City Center Tax Office confirmed that the valid existence of the control agreement and the profit and loss transfer agreement in place between Deutsche Telekom AG as the controlling entity and Telekom Deutschland GmbH as the controlled entity will not be affected by the spin-off of the DTGC Business Area.

As a result, the taxable profit or loss of Telekom Deutschland GmbH, including the taxable profit or loss attributable after January 1, 2020 to the DTGC Business Area spun off to Telekom Deutschland GmbH, will be attributable for tax purposes to Deutsche Telekom AG pursuant to § 14 (1) of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*; "**KStG**") and § 2 (2) of the German Trade Tax Act (*Gewerbesteuersteuergesetz*; "**GewStG**"). Consequently, the profit or loss for income tax purposes of the spun-off DTGC Business Area of Deutsche Telekom AG will continue to be attributed to Deutsche Telekom AG after the Spin-Off Date, despite the spin-off of the DTGC Business Area to Telekom Deutschland GmbH.

*Tainting periods for the new share in Telekom Deutschland GmbH*

If and to the extent that Deutsche Telekom AG were to dispose of the new share in Telekom Deutschland GmbH received in the course of the spin-off within a period of seven years from the contribution date, Deutsche Telekom AG would be liable under

§ 22 (1) sentence 1 UmwStG to pay tax retroactively on any gain resulting from the contribution of the DTGC business unit to Telekom Deutschland GmbH ("contribution gain I"; if applicable, the retroactive taxation of a contribution gain would go along with a step-up in basis at Telekom Deutschland GmbH as the transferee entity). The contribution gain I is the amount by which the fair market value of the contributed business assets and liabilities at the contribution date, net of the cost of the transfer of the assets and liabilities, exceeds the value recognized by Telekom Deutschland GmbH for the contributed business assets and liabilities, reduced by one-seventh for each full year expired since the contribution date.

The same principle would apply to the shares in Telekom Deutschland GmbH held to date by Deutsche Telekom AG if the spin-off resulted in the transfer of hidden reserves to these shares ("existing shares") (§ 22 (7) UmwStG). Such transfer is to be prevented by at least one new share congruent in value.

The contribution gain I is also taxable in the case of the other events listed in § 22 (1) sentence 6 UmwStG (additional realization events).

At present, Deutsche Telekom AG has no intention of either disposing of the new share in Telekom Deutschland GmbH granted as consideration for the spin-off of the DTGC Business Area or of any of the existing shares, or of realizing any of the events listed in § 22 (1) sentence 6 UmwStG in respect of these shares. As a result, on the basis of the current plans, the income tax-neutrality of the spin-off will not fall away retroactively, either. The corresponding evidence regarding the attribution of the shares will be submitted to the tax authorities within a period of seven years from the contribution date, as required by § 22 (3) UmwStG.

#### *No tainting periods for shares spun off to Telekom Deutschland GmbH*

Two equity investments in corporations will be spun off together with the DTGC Business Area, see Section 2.2(b)(i)(D) above. These are without exception equity investments in corporations that Deutsche Telekom AG could have disposed of by way of tax-privileged disposals pursuant to § 8b (2) KStG. These shares are therefore not subject to tainting periods pursuant to § 22 (2) UmwStG or § 8b (4) KStG (old version) or § 21 UmwStG (old version).

#### *(Intercompany) transactions in the retroactivity period*

Agreements that are effective under civil law will be concluded between Telekom Deutschland GmbH and Deutsche Telekom AG for the existing (intercompany) service relationships between Deutsche Telekom AG's DTGC Business Area and Deutsche Telekom AG's other business areas. To the extent that these agreements cannot be validly concluded, the contracting parties will place each other in such a position as between themselves as if the legal closing of such agreements had already occurred upon the Spin-Off Date. This is designed to ensure that (intra-group) supply and service relationships between Deutsche Telekom AG and Telekom Deutschland GmbH are deemed to be settled at arm's length prices already in the "for account phase" under commercial law.

(B) Telekom Deutschland GmbH

Telekom Deutschland GmbH will exercise the option available to it pursuant to § 20 (2) sentence 2 UmwStG to recognize the contributed business assets and liabilities at their tax base as taken over from Deutsche Telekom AG.

Telekom Deutschland GmbH will file the application required for this purpose pursuant to § 20 (2) sentence 3 UmwStG no later than at the time of the first filing of its closing tax accounts as of December 31, 2019 with the competent tax office.

Telekom Deutschland GmbH will succeed to the tax status of Deutsche Telekom AG with regard to the business assets and liabilities contributed by Deutsche Telekom AG (pursuant to § 23 (1) in conjunction with § 12 (3) first half-sentence, § 4 (2) sentence 3 UmwStG).

The taxable profit or loss of Telekom Deutschland GmbH, including the taxable profit or loss attributable after January 1, 2020 to the DTGC Business Area spun off to Telekom Deutschland GmbH, will be attributable for tax purposes to Deutsche Telekom AG pursuant to § 14 (1) KStG and § 2 (2) GewStG owing to the existence of a consolidated tax group for income tax purposes.

(ii) Value-added tax

The spin-off of the DTGC Business Area to Telekom Deutschland GmbH is not subject to value added tax. This is firstly due to the fact that there is a consolidated VAT group consisting of Deutsche Telekom AG as the parent and Telekom Deutschland GmbH as the subsidiary. Secondly, the spin-off of the DTGC Business Area to Telekom Deutschland GmbH represents a disposal of a business in its entirety for VAT purposes, which is not a taxable transaction pursuant to § 1(1a) of the German VAT Act (*Umsatzsteuergesetz*).

As long as the consolidated VAT group consisting of Deutsche Telekom AG and Telekom Deutschland GmbH exists, any services provided by Deutsche Telekom AG to Telekom Deutschland GmbH and, conversely, any services provided by Telekom Deutschland GmbH to Deutsche Telekom AG, are intercompany sales (*Innenumsätze*) not subject to VAT. Any services provided by Telekom Deutschland GmbH to third parties are recorded for VAT purposes at Deutsche Telekom AG as the parent of the consolidated VAT group.

(iii) Real property transfer tax

As part of the spin-off of Deutsche Telekom AG's DTGC Business Area to Telekom Deutschland GmbH, no real property or rights equivalent to real property or equity interests in companies holding real property in Germany will be transferred by Deutsche Telekom AG to Telekom Deutschland GmbH. The spin-off therefore does not trigger any real estate transfer tax.

(iv) Advance ruling

The status of the DTGC Business Area as a business unit and the associated ability to spin off DTGC in a tax-neutral transaction have been approved by the tax authorities in the advance ruling dated December 13, 2019.

(b) Tax consequences for the shareholders of Deutsche Telekom AG

The spin-off of the DTGC Business Area to Telekom Deutschland GmbH does not have any tax consequences for the shareholders of Deutsche Telekom AG.

4.3 Economic and accounting effects of the spin-off

(a) General

It is intended to complete the spin-off by registration in the commercial register pursuant to § 131 (1) UmwG within a timeframe which brings about an economic effect retroactively as of the beginning (00:00 hrs) of the Spin-Off Date, i.e. January 1, 2020, in line with the contractual provisions. If possible, the option to change the Spin-Off Date, provided for in the Spin-Off Agreement by way of utmost precaution, should not be used.

As from the beginning of January 1, 2020, all actions and transactions by Deutsche Telekom AG relating to the Spin-Off Assets will be deemed carried out for the account of Telekom Deutschland GmbH. Risks, benefits and burdens of the DTGC Business Area will also be deemed transferred to Telekom Deutschland GmbH as of this date.

In view of this, the accounting effects of the spin-off of the DTGC Business Area from Deutsche Telekom AG to Telekom Deutschland GmbH are presented on the basis of the following balance sheets of Deutsche Telekom AG and Telekom Deutschland GmbH as of December 31, 2019 and, respectively, the pro forma balance sheets as of January 1, 2020, taking into account the assets and liabilities of the DTGC Business Area to be transferred or arising in the context of the spin-off, in each case before and after the spin-off.

The spin-off of the DTGC Business Area pursuant to § 123 (3) no. 1 UmwG will result in an increase in the value of Deutsche Telekom AG's investment in Telekom Deutschland GmbH and at the same time in a reduction of the (net) amounts of the assets and liabilities reported in the other balance sheet items, due to the assets and liabilities transferred. For the purposes of accounting under German GAAP, the increase in cost recorded at Deutsche Telekom AG will be measured using the fair value of the new share in Telekom Deutschland GmbH, which is yet to be determined by an expert valuer (in line with the IDW S1 standard). The resulting effect in the balance sheet under German GAAP (increase of shareholders' equity through realization of hidden reserves) will account for less than 1% of the balance sheet total of Deutsche Telekom AG. At Telekom Deutschland GmbH, the carrying amounts of the assets and liabilities will be rolled forward on the basis of the values reported in the closing balance sheet of Deutsche Telekom AG prepared under German GAAP as of December 31, 2019.

The spin-off of the DTGC Business Area constitutes an intra-group transfer of units included in Deutsche Telekom's Group financial statements. This transfer under German corporate law thus will have no effects on the financial information on the results of operations and financial position contained in the Group financial statements. This means that the revenues, results of operations and asset position of Deutsche Telekom Group will not be affected by the spin-off as such.

(b) Balance sheet as of December 31, 2019 and pro forma balance sheet as of January 1, 2020 of Deutsche Telekom AG

The following shows the balance sheet of Deutsche Telekom AG as the transferor entity as of December 31, 2019 (before the spin-off) and the pro forma balance sheet as of January 1, 2020 (after the spin-off), taking into account the assets and liabilities of the DTGC Business Area to be transferred or arising in the context of the spin-off in accordance with the Spin-Off Agreement.

<b>Assets</b>	<b>Deutsche Telekom AG (before spin-off)</b>	<b>DTGC</b>	<b>Deutsche Telekom AG (after spin-off)</b>
millions of EUR	Dec. 31, 2019	Dec. 31, 2019	Jan. 1, 2020
<b>A. Noncurrent assets</b>			
<b>I. Intangible assets</b>			
1. Concessions, industrial property rights and similar rights and assets as well as licenses relating to such rights and assets, in each case acquired for consideration	170	5	165
2. Advance payments	47	9	38
<b>Total intangible assets</b>	<b>217</b>	<b>14</b>	<b>203</b>
<b>II. Property, plant and equipment</b>			
1. Land and equivalent rights and buildings including buildings on land owned by third parties	2,146	-	2,146
2. Technical equipment and machinery	46	-	46
3. Other equipment, operating and office equipment	91	47	44
4. Advance payments and construction in progress	30	12	18
<b>Total property, plant and equipment</b>	<b>2,313</b>	<b>59</b>	<b>2,254</b>
<b>III. Financial assets</b>			
1. Shares in affiliated companies	78,384	5	78,721
2. Loans to affiliated companies	32,309	-	32,309
3. Investments	322	-	322
4. Other loans	5	-	5
<b>Total financial assets</b>	<b>111,020</b>	<b>5</b>	<b>111,357</b>
<b>Total noncurrent assets</b>	<b>113,550</b>	<b>78</b>	<b>113,814</b>
<b>B. Current assets</b>			
<b>I. Receivables and other assets</b>			
1. Trade receivables	29	29	-
2. Receivables due from affiliated companies	6,665	567	6,432
3. Receivables due from companies in which equity interests are held	1	1	-
4. Other assets	1,313	128	1,185
<b>Total receivables and other assets</b>	<b>8,008</b>	<b>725</b>	<b>7,617</b>
<b>II. Cash in hand, credit balances with the German Bundesbank or credit institutions, and cheques</b>	<b>2,076</b>	<b>-</b>	<b>2,076</b>
<b>Total current assets</b>	<b>10,084</b>	<b>725</b>	<b>9,693</b>
<b>C. Prepaid expenses and deferred charges</b>	<b>463</b>	<b>1</b>	<b>462</b>
<b>D. Difference between plan assets and corresponding liabilities</b>	<b>13</b>	<b>-</b>	<b>13</b>
<b>Total assets</b>	<b>124,110</b>	<b>804</b>	<b>123,982</b>

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Shareholders' equity and liabilities		Deutsche Telekom AG (before spin-off)	DTGC	Deutsche Telekom AG (after spin-off)
millions of EUR		Dec. 31, 2019	Dec. 31, 2019	Jan. 1, 2020
<b>A.</b>	<b>Shareholders' equity</b>			
<b>I.</b>	Capital stock	12,189	-	12,189
	Less arithmetical value of treasury shares	(47)	-	(47)
	Issued capital	12,142	-	12,142
	Contingent capital EUR 1,200 million			
<b>II.</b>	Capital reserves	31,334	342	31,334
<b>III.</b>	Retained earnings	9,545	-	9,545
<b>IV.</b>	Unappropriated net income	5,460	-	5,460
	<b>Total shareholders' equity</b>	<b>58,481</b>	<b>342</b>	<b>58,481</b>
<b>B.</b>	<b>Provisions</b>			
	1. Provisions for pensions and similar obligations	3,780	17	3,763
	2. Tax provisions	411	-	411
	3. Other provisions	2,602	35	2,567
	<b>Total provisions</b>	<b>6,793</b>	<b>52</b>	<b>6,741</b>
<b>C.</b>	<b>Liabilities</b>			
	1. Bonds	5,884	-	5,884
	2. Liabilities owed to banks	5,044	-	5,044
	3. Trade payables	216	61	155
	4. Liabilities owed to affiliated companies	42,436	164	42,606
	5. Liabilities owed to companies in which equity interests are held	13	1	12
	6. Other liabilities	5,111	182	4,929
	<b>Total liabilities</b>	<b>58,704</b>	<b>408</b>	<b>58,630</b>
<b>D.</b>	<b>Deferred income</b>	<b>132</b>	<b>2</b>	<b>130</b>
	<b>Total shareholders' equity and liabilities</b>	<b>124,110</b>	<b>804</b>	<b>123,982</b>

The intangible assets primarily comprise advance payments, licenses and rights of use relating to software.

The land and buildings of Deutsche Telekom AG are essentially used within the Group as office space and space for technical equipment.

In the context of the spin-off, all shares in T-Mobile HotSpot GmbH, Bonn, with a carrying amount of EUR 5.1 million, and in Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság, Budapest (Hungary), with a carrying amount of EUR 0.3 million, will be transferred. All other shares in affiliated companies will remain with Deutsche Telekom AG. The spin-off will also result in a new share in Telekom Deutschland GmbH being reported, which will be granted as consideration for the

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transfer of the net assets of the DTGC Business Area. In the balance sheet under German GAAP, this new share in Telekom Deutschland GmbH is to be recognized at its fair value. Since the fair value has not yet been determined by the expert valuer, the carrying amount of the Spin-Off Assets, i.e. EUR 342 million, has been used for the purposes of the pro forma balance sheet.

The loans to affiliated companies comprise loan receivables due from various subsidiaries in Germany and abroad.

Trade receivables are due from international carriers and will be transferred in full in the context of the spin-off.

Receivables due from affiliated companies in particular comprise current receivables in the context of intra-group cash management, financial receivables and intra-group trade receivables.

The other assets of Deutsche Telekom AG in particular comprise income tax receivables, accrued interest and receivables under derivatives. The receivables due from foreign mobile providers for refunds in the roaming discount business are to be transferred in the context of the spin-off.

The shareholders' equity of Deutsche Telekom AG will be increased by the fair-value recognition of the new share in Telekom Deutschland GmbH in the balance sheet under German GAAP and the related realization of hidden reserves, which will be recognized as income in accounting under German GAAP. Since the fair value has not yet been determined by the expert valuer, the new share has been recognized at the carrying amount of the Spin-Off Assets, i.e. EUR 342 million, for the purposes of the pro forma balance sheet. Under this assumption, the shareholders' equity remains unchanged.

The pension obligations owed to employees are based on direct and indirect pension commitments. The pension provisions for active employees who will transfer to Telekom Deutschland GmbH as part of the spin-off of the DTGC Business Area will also be transferred.

The tax provisions comprise provisions for income taxes and other taxes.

The other provisions in particular comprise personnel-related obligations, provisions for threatened losses under derivatives and provisions for outstanding invoices. The spun-off other provisions relate to provisions for outstanding invoices, personnel-related obligations and provisions for removal obligations.

The bonds comprise standard bonds and zero-coupon treasury notes.

The liabilities owed to banks primarily comprise long-term loans and *Schuldschein* loans as well as short-term borrowings.

The liabilities owed to international carriers from the procurement of wholesale telecommunications services which are comprised in the trade payables will form part of the spin-off.

The liabilities owed to affiliated companies in particular comprise financial liabilities and current liabilities from intra-group cash management. The financial liabilities are primarily owed to Deutsche Telekom International Finance B.V., Maastricht.

The other liabilities primarily comprise liabilities under collateral, liabilities under early retirement schemes for civil servants, accrued interest, liabilities under *Schuldschein* loans and liabilities under derivatives. The other liabilities to be transferred primarily comprise liabilities owed to foreign mobile providers in the roaming discount business.



(c) Balance sheet as of December 31, 2019 and pro forma balance sheet as of January 1, 2020 of Telekom Deutschland GmbH

The following shows the balance sheet of Telekom Deutschland GmbH as the transferee entity as of December 31, 2019 (before the absorption) and the pro forma balance sheet as of January 1, 2020 (after the absorption), taking into account the assets and liabilities of the DTGC Business Area to be absorbed or arising in accordance with the Spin-Off Agreement.

Assets	Telekom Deutschland GmbH (before spin-off)	DTGC	Telekom Deutschland GmbH (after spin-off)
millions of EUR	Dec. 31, 2019	Dec. 31, 2019	Jan. 1, 2020
<b>A. Noncurrent assets</b>			
<b>I. Intangible assets</b>			
1. Concessions, industrial property rights and similar rights and assets as well as licenses relating to such rights and assets, in each case acquired for consideration	5,298	5	5,303
2. Advance payments	198	9	207
<b>Total intangible assets</b>	<b>5,496</b>	<b>14</b>	<b>5,510</b>
<b>II. Property, plant and equipment</b>			
1. Land and equivalent rights and buildings including buildings on land owned by third parties	20	-	20
2. Technical equipment and machinery	15,200	-	15,200
3. Other equipment, operating and office equipment	39	47	86
4. Advance payments and construction in progress	1,462	12	1,474
<b>Total property, plant and equipment</b>	<b>16,721</b>	<b>59</b>	<b>16,780</b>
<b>III. Financial assets</b>			
1. Shares in affiliated companies	963	5	968
2. Investments	7	-	7
3. Loans to companies in which equity interests are held	2	-	2
4. Other loans	129	-	129
<b>Total financial assets</b>	<b>1,101</b>	<b>5</b>	<b>1,106</b>
<b>Total noncurrent assets</b>	<b>23,318</b>	<b>78</b>	<b>23,396</b>
<b>B. Current assets</b>			
<b>I. Inventories</b>			
1. Raw materials and supplies	3	-	3
2. Work in progress	2	-	2
3. Goods	341	-	341
<b>Total inventories</b>	<b>346</b>	<b>-</b>	<b>346</b>
<b>II. Receivables and other assets</b>			
1. Trade receivables	1,793	29	1,822
2. Receivables due from affiliated companies	216	567	654
3. Receivables due from companies in which equity interests are held	-	1	1
4. Other assets	413	128	541

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	<b>Total receivables and other assets</b>	<b>2,422</b>	<b>725</b>	<b>3,018</b>
<b>III.</b>	<b>Cash in hand, credit balances with the German Bundesbank or credit institutions, and cheques</b>	<b>3</b>	<b>-</b>	<b>3</b>
	<b>Total current assets</b>	<b>2,771</b>	<b>725</b>	<b>3,367</b>
<b>C.</b>	<b>Prepaid expenses and deferred charges</b>	<b>226</b>	<b>1</b>	<b>227</b>
<b>D.</b>	<b>Difference between plan assets and corresponding liabilities</b>	<b>6</b>	<b>-</b>	<b>6</b>
	<b>Total assets</b>	<b>26,321</b>	<b>804</b>	<b>26,996</b>

Shareholders' equity and liabilities		Telekom Deutschland GmbH (before spin-off)	DTGC	Telekom Deutschland GmbH (after spin-off)
millions of EUR		Dec. 31, 2019	Dec. 31, 2019	Jan. 1, 2020
<b>A.</b>	<b>Shareholders' equity</b>			
<b>I.</b>	Capital stock	1,515	60	1,575
<b>II.</b>	Capital reserves	588	282	870
	<b>Total shareholders' equity</b>	<b>2,103</b>	<b>342</b>	<b>2,445</b>
<b>B.</b>	<b>Provisions</b>			
	1. Provisions for pensions and similar obligations	246	17	263
	2. Tax provisions	1	-	1
	3. Other provisions	703	35	738
	<b>Total provisions</b>	<b>950</b>	<b>52</b>	<b>1,002</b>
<b>C.</b>	<b>Liabilities</b>			
	1. Liabilities owed to banks	855	-	855
	2. Advance payments received on orders	28	-	28
	3. Trade payables	3,083	61	3,144
	4. Liabilities owed to affiliated companies	18,267	164	18,302
	5. Liabilities owed to companies in which equity interests are held	8	1	9
	6. Other liabilities	365	182	547
	<b>Total liabilities</b>	<b>22,606</b>	<b>408</b>	<b>22,885</b>
<b>D.</b>	<b>Deferred income</b>	<b>662</b>	<b>2</b>	<b>664</b>
	<b>Total shareholders' equity and liabilities</b>	<b>26,321</b>	<b>804</b>	<b>26,996</b>

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Assets and liabilities will be taken over with the carrying amounts reported by Deutsche Telekom AG in the closing balance sheet being rolled forward and will be reported in the balance sheet of Telekom Deutschland GmbH under German GAAP with the relevant carrying amounts being rolled forward.

Intangible assets, before and after the spin-off, essentially contain mobile licenses for different frequency ranges and rights of use relating to standard and customized software.

Technical equipment and machinery primarily comprise the outside plant network and transmission equipment.

The transferred shares in affiliated companies include all shares in T-Mobile HotSpot GmbH, Bonn, with a carrying amount of EUR 5.1 million and the shares in Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság, Budapest (Hungary), with a carrying amount of EUR 0.3 million.

The trade receivables comprise receivables from consumers as well as small and medium-sized business customers and receivables from the wholesale business for the provision of telecommunications and value-added services in Germany. In the context of the spin-off, receivables due from international carriers for the provision of wholesale telecommunications services will be assumed by Telekom Deutschland GmbH.

The assumed receivables due from affiliated companies in particular comprise the receivables constituted under § 8 (5) of the Spin-Off Agreement from intra-group cash management as well as trade receivables.

In the course of the spin-off the share capital of EUR 1,515 million will be increased by EUR 60 million to EUR 1,575 million by way of issuing a new share with a nominal amount of EUR 60 million. This share will be assumed by Deutsche Telekom AG. The capital will be increased against non-cash contribution in the form of the assets and liabilities transferred to Telekom Deutschland GmbH in the course of the spin-off. The amount of EUR 282 million by which the transferred net assets exceed the nominal amount of the newly created share will be transferred to capital reserves.

Provisions for pensions and similar obligations include pension commitments by Telekom Deutschland GmbH to its employees as well as the pension commitments to active employees of the DTGC Business Area which are assumed in connection with the spin-off.

The other provisions of Telekom Deutschland GmbH mainly comprise provisions for outstanding invoices for goods and services, provisions for removal obligations as well as provisions for bonuses and dealer commissions. The other provisions of the transferred DTGC Business Area essentially relate to provisions for outstanding invoices, personnel-related obligations and provisions for removal obligations.

The trade payables primarily result from goods and services purchased in the mobile and fixed-network business as well as from the purchase of 5G mobile licenses. In the context of the spin-off, in particular liabilities owed to international carriers for the procurement of wholesale telecommunications services will be assumed by Telekom Deutschland GmbH.

The liabilities owed to affiliated companies primarily comprise loan liabilities owed to affiliated companies as well as current liabilities from intra-group cash management. The liabilities assumed in the context of the spin-off in particular comprise liabilities from intra-group service relationships.

- (d) Effects on the net assets and results of operations of Deutsche Telekom AG and Telekom Deutschland GmbH

As a result of the spin-off of the DTGC Business Area, the services described in Section 2.2(b)(i) and Section 2.2(b)(ii) will no longer be provided by Deutsche Telekom AG. The business reflected in the revenue and earnings figures presented (see Section 2.2(a)(ii) above) will thus be discontinued by Deutsche Telekom AG after completion of the spin-off and will accrue to Telekom Deutschland GmbH; consequently, it will have an effect on the revenue and earnings figures reported by the legal entities concerned. However, owing to the profit and loss transfer agreement with Telekom Deutschland GmbH, the spin-off will not change the overall earnings contribution of the DTGC Business Area to Deutsche Telekom AG. The spin-off itself will thus have effects on the presentation of Deutsche Telekom AG's income statement, but the future net profit for the year will remain unaffected by the spin-off as such (except for the effects from the planned fair-value recognition of the new share in Telekom Deutschland GmbH in the balance sheet under German GAAP).

Following the spin-off the revenue and earnings level of Telekom Deutschland GmbH as previously described in the current development of business will be increased by the elements described for DTGC.

The assets and liabilities to be spun off to Telekom Deutschland GmbH will be derecognized from Deutsche Telekom AG's balance sheet. In return, Deutsche Telekom AG will receive a new share in Telekom Deutschland GmbH, which will be reported in Deutsche Telekom AG's balance sheet under "shares in affiliated companies". The value of the item newly recognized at Deutsche Telekom AG corresponds to the fair value of the new share in Telekom Deutschland GmbH, which is yet to be determined by an expert valuer. The difference between the fair value of the new share in Telekom Deutschland GmbH and the balance of the carrying amounts of the assets and liabilities transferred or arising will be reflected in a realization of hidden reserves, which will be recognized as income in accounting under German GAAP of Deutsche Telekom AG.

- (e) Future delivery and service relationships of Deutsche Telekom AG on the one hand and Telekom Deutschland GmbH on the other hand

Insofar as the DTGC Business Area sources supplies and services from other areas of Deutsche Telekom AG, Telekom Deutschland GmbH (where the DTGC Business Area will then be located) will depend on these supplies and services once the spin-off has taken effect. The same applies *vice versa* to the other areas of Deutsche Telekom AG insofar as they currently source supplies and services from the DTGC Business Area. The Spin-Off Agreement therefore ensures in § 21 that after the spin-off the areas remaining with Deutsche Telekom AG will continue to be provided with the necessary supplies and services by the DTGC Business Area, which will then form part of Telekom Deutschland GmbH, and that *vice versa* Telekom Deutschland GmbH will be provided by Deutsche Telekom AG with the supplies and services necessary for the DTGC Business Area. If Telekom Deutschland GmbH concludes a sale and transfer agreement with Telekom Deutschland Technik GmbH concerning the partial onward transfer of the NWI Sub-Area to Telekom Deutschland Technik GmbH, as planned, Telekom Deutschland GmbH will contractually ensure in such agreement that it will receive the services from Deutsche Telekom Technik GmbH which it will have to provide to Deutsche Telekom AG under the Spin-Off Agreement. A corresponding arrangement will be made, reversely, in favor of Deutsche Telekom Technik GmbH in the planned sale and transfer agreement.

Material cross-segment service relationships of the DTGC Business Area within Deutsche Telekom AG are described in Section 2.2(c). In part, comparable service relationships already exist today between Deutsche Telekom AG and Telekom Deutschland GmbH, which will merely be extended in scope following the spin-off. On the other hand, the supply and service relationships

existing today between Deutsche Telekom AG and Telekom Deutschland GmbH which are attributable to the DTGC Business Area will fall away after the spin-off.

## 5. EXPLANATION OF THE SPIN-OFF AGREEMENT

The Spin-Off Agreement was notarized on April 20, 2020 pursuant to §§ 125 sentence 1, 6 UmwG having the contents required under § 126 (1) UmwG. It will be filed with the commercial register at the Local Court of Bonn pursuant to § 125 sentence 1 UmwG in conjunction with § 61 (1) UmwG, prior to the calling of the ordinary shareholders' meeting. The wording of the Spin-Off Agreement as well as a description of the material content of the Annexes of the Spin-Off Agreement will be included in the invitation to the shareholders' meeting on June 19, 2020, which will be published in the German Federal Gazette on May 13, 2020.

The Spin-Off Agreement and its Annexes contain the provisions explained in more detail below:

### 5.1 Reference Deed

At the top of the Spin-Off Agreement, the parties to the notarization of the Spin-Off Agreement make reference pursuant to § 13a of the German Notarisation Act (*Beurkundungsgesetz*) to the Reference Deed, i.e. the Annexes to the Spin-Off Agreement, confirm that they are familiar with the Reference Deed and waive the right to have the Reference Deed read out (again). The Reference Deed hereby forms part of the deed regarding the Spin-Off Agreement.

### 5.2 Part 1 of the Spin-Off Agreement – § 1 (Preamble)

#### (a) § 1 (Preamble)

§ 1 (1) and (2) of the Spin-Off Agreement set out the legal entities involved in the Spin-Off, stating company name and registered office as required by §126 (1) no. 1 UmwG.

§ 1 (3) of the Spin-Off Agreement briefly describes the position of Deutsche Telekom AG as parent company of Deutsche Telekom Group and the Group's range of services. See Section 2.1 (a)(iii)(A) above for further information on the range of services.

In §1 (4) to (7) of the Spin-Off Agreement, the business area of Deutsche Telekom AG to be spun off is then described as follows:

§ 1 (4) of the Spin-Off Agreement describes that the DTGC Business Area consists of a) the TGC Sub-Area comprising the "Telekom Global Carrier" business unit (*Betriebsteil*) under German employment law, and b) the NWI Sub-Area comprising the "Network Infrastructure" business unit under German employment law.

§ 1 (5) of the Spin-Off Agreement shows that the TGC Sub-Area or, from an employment-law perspective, TGC Business Unit mainly provides services in the fields of International Carrier Services, Commercial Roaming Services and Aviation Services, with the individual services being described in more detail in § 1 (5) of the Spin-Off Agreement. See also Section 2.2(b)(i) above of this Report.

§ 1 (6) of the Spin-Off Agreement further explains that the TGC Sub-Area also includes all shares in two companies, T-Mobile Hotspot GmbH with its registered office in Bonn and Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság with its registered office in Budapest (Hungary).

§ 1 (7) of the Spin-Off Agreement shows that the NWI Sub-Area or, from an employment-law perspective, NWI Business Unit develops, plans, builds and operates Deutsche Telekom AG's international network infrastructure and provides the services used by the TGC Sub-Area. See also Section 2.2(b)(ii) above of this Report.

§ 1 (4) to (7) of the Spin-Off Agreement thus contains the definitions of the transferring business area and the corresponding sub-areas and business units used uniformly in the further contractual provisions. For additional information on the transferring areas and units, see Section 2.2 above of this Report.

§ 1 (8) of the Spin-Off Agreement places the Spin-Off intended by the Spin-Off Agreement in the context of further restructurings of Deutsche Telekom Group's service range and explains the essential motivation for the Spin-Off, which is already explained in more detail above in the Preamble and Section 2.3 of this Report. § 1 (8) of the Spin-Off Agreement in particular also explains that at Telekom Deutschland GmbH level, it is planned to transfer the NWI Business Unit on to Deutsche Telekom Technik GmbH in order to pool the technology areas for telecommunications services in the Germany operating segment. However, this transfer is not the subject of the Spin-Off Agreement, but is to be effected by separate agreement between Telekom Deutschland GmbH and Deutsche Telekom Technik GmbH.

§ 1 (9) of the Spin-Off Agreement then outlines the Spin-Off of the DTGC Business Area from Deutsche Telekom AG to Telekom Deutschland GmbH. The transfer of the DTGC Business Area will be effected by way of a spin-off by absorption pursuant to § 123 (3) no. 1 UmwG in conjunction with §§ 124 *et seq.*, 138 *et seq.* and 141 *et seq.* UmwG as a whole and in return for a new share in Telekom Deutschland GmbH.

§ 1 (10) of the Spin-Off Agreement clarifies that the transfer of assets and liabilities governed by the Spin-Off Agreement does not include any business areas of Deutsche Telekom AG other than the DTGC Business Area described in § 1 (4) to (7) of the Spin-Off Agreement, which will therefore remain with Deutsche Telekom AG. All shares held by Deutsche Telekom AG in companies other than the two companies specified in § 1 (6) of the Spin-Off Agreement will also remain with Deutsche Telekom AG.

Pursuant to § 1 (11) of the Spin-Off Agreement, the DTGC Business Area is to be transferred from Deutsche Telekom AG to Telekom Deutschland GmbH as a business unit for tax purposes (*steuerlicher Teilbetrieb*). The Spin-Off Agreement therefore provides in particular for the transfer of all assets and liabilities of Deutsche Telekom AG which are used by the DTGC Business Area and form part of the essential operating basis for the DTGC Business Area as a business unit for tax purposes or are attributable to the DTGC Business Area in accordance with economic criteria. To the extent that any assets and liabilities which form part of the essential operating basis (*wesentliche Betriebsgrundlage*) for the DTGC Business Area as a business unit for tax purposes are not exclusively used by the DTGC Business Area, the transfer is to be replaced by a long-term right of use granted by way of an agreement under the law of obligations, as specified in more detail in §§ 20 (6) and 21 (2) of the Spin-Off Agreement. These provisions made by the parties must be understood against the background that the DTGC Business Area is to be contributed from Deutsche Telekom AG to Telekom Deutschland GmbH as business unit for tax purposes pursuant to § 20 UmwStG at its tax base and thus in an income tax-neutral manner. Were it not possible to carry out the spin-off in an income tax-neutral manner, it would not be carried out since the resulting income tax burden would be prohibitive. The provisions described below are to be interpreted on this basis as well.

### 5.3 Part 2 of the Spin-Off Agreement (General Provisions)

#### (a) § 2 (Spin-off by absorption)

Pursuant to § 2 of the Spin-Off Agreement, Deutsche Telekom AG as transferor entity transfers by way of spin-off by absorption pursuant to § 123 (3) no. 1 UmwG in conjunction with §§ 124 *et seq.*, 138 *et seq.*, 141 *et seq.* UmwG those parts of its assets and liabilities which are specified in §§ 4 to 18 of the Spin-Off Agreement as Spin-Off Assets as a whole to Telekom Deutschland GmbH with its registered office in Bonn as transferee entity in return for a new share in Telekom Deutschland GmbH. This provision, together with the provisions of §§ 4 to 18 and 22 of the Spin-Off Agreement, serves to meet the requirement concerning the content of the Spin-Off Agreement stipulated in § 126 (1) no. 2 UmwG. This transfer is defined in the Spin-Off Agreement as the "Spin-Off". The details of the arrangements for granting the new share in Telekom Deutschland GmbH as consideration for the transfer of parts of the assets and liabilities of Deutsche Telekom AG are set out in § 22 of the Spin-Off Agreement.

As already set out in Section 4.1(a) of this Report, the transfer by way of spin-off by absorption pursuant to the Transformation Act leads to a partial universal succession. This means that Telekom Deutschland GmbH becomes the universal successor of Deutsche Telekom AG in part, that is with regard to the Spin-Off Assets, on the date the Spin-Off becomes effective by entry in the commercial register for Deutsche Telekom AG. This makes it unnecessary to transfer each individual asset or each individual liability or other legal interest.

#### (b) § 3 (Spin-Off Date, closing balance sheet, accounting)

§ 3 (1) of the Spin-Off Agreement specifies the spin-off date within the meaning of § 126 (1) no. 6 UmwG to be the beginning (00:00 hrs) of January 1, 2020 and defines this date as the "Spin-Off Date" for the purposes of the Spin-Off Agreement. Notwithstanding the fact that the Spin-Off becomes effective only upon entry thereof in the commercial register for Deutsche Telekom AG, all actions and transactions by Deutsche Telekom AG relating to the Spin-Off Assets will be deemed carried out for the account of Telekom Deutschland GmbH from the beginning of January 1, 2020. Risks, benefits and burdens of the DTGC Business Area will also be deemed transferred to Telekom Deutschland GmbH as of this date. Thus, Deutsche Telekom AG and Telekom Deutschland GmbH will treat each other in economic terms as if the Spin-Off Assets had been transferred to Telekom Deutschland GmbH already on the Spin-Off Date. § 27 (Change of the Spin-Off Date) of the Spin-Off Agreement contains a provision regarding a postponement of the Spin-Off Date, which will be explained in more detail below (see Section 5.7 (b) below). It is intended to file the application for registration of the spin-off in such a way that the registration will take place on October 1, 2020. While § 27 of the Spin-Off Agreement, by way of utmost precaution, permits a possible change of the Spin-Off Date, such change is currently not intended by the parties.

In order to implement the provision under § 3 (1) of the Spin-Off Agreement, § 3 (2) of the Spin-Off Agreement provides that until the Spin-Off takes effect, Deutsche Telekom AG will prepare separate accounts for the DTGC Business Area internally as if the Spin-Off had already taken effect on the Spin-Off Date.

Pursuant to § 3 (3) of the Spin-Off Agreement, the Spin-Off is effected on the basis of Deutsche Telekom AG's balance sheet as at December 31, 2019 (24:00 hrs), as contained in the annual financial statements, which has been audited and endorsed with an unqualified audit certificate by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, as closing balance sheet within the meaning of § 17 (2) UmwG in conjunction with § 125 sentence 1 UmwG. The closing balance sheet (as part of the annual financial statements) is attached to the Spin-Off Agreement as Annex 3.3.

§ 3 (4) of the Spin-Off Agreement clarifies that the transfer date for tax purposes pursuant to § 20 (6) sentences 1 and 2 UmwStG is thus December 31, 2019 (24:00 hrs) and defines this date as the "Transfer Date for Tax Purposes" for the purposes of the Spin-Off Agreement.

§ 3 (5) sentence 1 of the Spin-Off Agreement clarifies that Telekom Deutschland GmbH will take over the assets and liabilities transferred to it rolling forward the carrying amounts as reported by Deutsche Telekom AG in the closing balance sheet and will report these assets and liabilities in its commercial balance sheets with the relevant carrying amounts rolled forward from Deutsche Telekom AG, to the extent permitted by law. The Spin-Off will thus be carried out without the realization of hidden reserves (*ohne Aufdeckung stiller Reserven*) in the commercial balance sheet of Telekom Deutschland GmbH. The amount by which the carrying amount of the Spin-Off Assets (i.e. the carrying amounts of the assets minus the carrying amounts of the liabilities without equity) exceeds the capital increase amount pursuant to § 22 of the Spin-Off Agreement, after adding the amount of the receivable owed to Telekom Deutschland GmbH by Deutsche Telekom AG under § 8 (5) of the Spin-Off Agreement, which will be constituted as of the Completion Date (within the meaning of § 19 (1) of the Spin-Off Agreement), and taking into account any liabilities resulting from the Spin-Off at Telekom Deutschland GmbH, must be contributed pursuant to § 3 (5) sentence 3 of the Spin-Off Agreement to the capital reserves of Telekom Deutschland GmbH pursuant to § 272 (2) no. 1 of the German Commercial Code (*Handelsgesetzbuch*). It is planned that Telekom Deutschland GmbH will apply for rolling forward carrying amounts for tax purposes (*steuerliche Buchwertfortführung*) pursuant to § 20 (2) sentence 2 UmwStG. Deutsche Telekom AG as transferor entity and Telekom Deutschland GmbH as transferee entity are obliged to reflect in their tax balance sheets any subsequent amendments of the tax balance values, e.g. due to a tax field audit.

#### 5.4 Part 3 of the Spin-Off Agreement (Spin-Off Assets)

##### (a) § 4 (Subject of the Spin-Off)

Pursuant to § 4 (1) (a) of the Spin-Off Agreement, Deutsche Telekom AG will transfer to Telekom Deutschland GmbH as a whole all tangible and all acquired and self-created intangible assets including contractual and other legal relationships and legal positions of all kinds, receivables and liabilities, uncertain liabilities, contingent liabilities and future and conditional receivables and liabilities the legal basis for which has already been created, irrespective of whether or not these must be or can be reported in the balance sheet or have already been reported in the balance sheet attributable to the DTGC Business Area, unless expressly excluded from the transfer under the Spin-Off Agreement. These tangible and intangible assets are defined in the Spin-Off Agreement as the "Assets" or individually as an "Asset".

Pursuant to § 4 (1) (b) and (c) of the Spin-Off Agreement, the transferred Assets in particular also include the equity interests attributed to the Spin-Off Assets under § 7 of the Spin-Off Agreement and all other Assets expressly attributed to the Spin-Off Assets in the following provisions of the Spin-Off Agreement. The Assets pursuant to § 4 (1) (a) to (c) of the Spin-Off Agreement are defined in the Spin-Off Agreement as the "Spin-Off Assets".

§ 4 (2) of the Spin-Off Agreement moreover clarifies, as regards the assessment under employment law, that the Spin-Off of the DTGC Business Area's Assets includes the TGC Business Unit and the NWI Business Unit.

In line with § 1 (11) of the Spin-Off Agreement and against the background that the DTGC Business Area is to be contributed by Deutsche Telekom AG to Telekom Deutschland GmbH as a business unit for tax purposes pursuant to § 20 UmwStG at its tax base and thus in an income tax-neutral manner, § 4 (3) of the Spin-Off Agreement provides that the Spin-Off Assets include in particular all Assets which form part of the essential operating basis for the DTGC Business Area as a business unit for tax



purposes and are exclusively used by the DTGC Business Area or are attributable to the DTGC Business Area in accordance with economic criteria.

§ 20 (6) of the Spin-Off Agreement provides that where only part of an Asset is attributable to the DTGC Business Area and such Asset has not been expressly specified in the Spin-Off Agreement as forming part of the Spin-Off Assets, such Asset will not be transferred to Telekom Deutschland GmbH.

§ 4 (4) of the Spin-Off Agreement further specifies the items of the Spin-Off Assets stating that, unless expressly determined otherwise in the Spin-Off Agreement, the Spin-Off Assets in particular also include the assets and liabilities reported in the Spin-Off Balance Sheet for the DTGC Business Area derived from the closing balance sheet and attached as Annex 4.4 to the Spin-Off Agreement and further explains that the Spin-Off Balance Sheet so derived, which is defined as the "Spin-Off Balance Sheet" for the purposes of the agreement, shows additional assets and liabilities which are based on the arrangements made between the parties in the Spin-Off Agreement (in particular in § 8 (5) of the Spin-Off Agreement) or which otherwise result from the Spin-Off.

In order to further specify the Spin-Off Assets, § 4 (5) of the Spin-Off Agreement provides that, unless expressly determined otherwise in the following provisions of the Spin-Off Agreement, the Spin-Off Assets also include in particular all Assets shown in Deutsche Telekom AG's SAP-based "One.Finance" accounting system, the central business system and the interface systems of Deutsche Telekom AG, as of the Spin-Off Date either under company code (*Buchungskreis*) 1025, and there under cost centers other than those beginning with D1B05, or under company code 1032, under cost centers beginning with D1H0206 and D1H0306. These cost centers under company codes 1025 and 1032 only list Assets in the "One.Finance" accounting system which are attributable to the DTGC Business Area, so that the company codes specified in § 4 (5) of the Spin-Off Agreement thus show the transferring assets and liabilities – at least to the extent that they were recorded in the "One.Finance" accounting system as of the Spin-Off Date. To the extent that the "One.Finance" accounting system should have shown Assets as of 1 January 2020 which are expressly excluded under the Spin-Off Agreement from the Spin-Off Assets, such Assets will, due to the restriction "unless expressly determined otherwise hereinafter", not be transferred under § 4 (5) of the Spin-Off Agreement.

§ 4 (6) of the Spin-Off Agreement then defines Assets which in any event are not included in the Spin-Off Assets and are thus also not covered by the transfer. The issue is thus how to delimit the Spin-Off Assets, which delimitation is carried out by using a negative list. The items which are, in any event, excluded from the Spin-Off Assets under § 4 (6) of the Spin-Off Agreement include in particular (a) all brands, design models, patents and utility models as well as domain names of Deutsche Telekom AG. In particular these brands, design models, patents and utility models as well as domain names of Deutsche Telekom AG are not used exclusively by the DTGC Business Area. Also excluded are (b) all ownership rights in properties and buildings as well as hereditary building rights of Deutsche Telekom AG, which have not been allocated to the DTGC Business Area either, but to the separate "Group Supply Services (GSUS)" business unit. In addition, (c) all lease agreements (*Miet- und Pachtverträge*) for properties and buildings concluded between Deutsche Telekom AG and GMG Generalmietgesellschaft mbH with its registered office in Cologne are excluded. These lease agreements are also attributed to the separate "Group Supply Services (GSUS)" business unit. Also excluded are (d) all equity interests of Deutsche Telekom AG under corporate law excluding the equity interests expressly allocated to the Spin-Off Assets under § 7 of the Spin-Off Agreement. This is because only the equity interests in T-Mobile HotSpot GmbH and Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság allocated to the Spin-Off Assets under § 7 of the Spin-Off Agreement are attributed to the DTGC Business Area, as described in Section 2.2 of this Report. In addition, § 4 (6) of the Spin-Off Agreement provides for the exclusion of (e) the control agreement dated December 4, 2000 in place between Deutsche Telekom AG and Telekom Deutschland GmbH with all resulting rights and obligations and (f) the profit and loss transfer agreement dated December

4, 2000 (amended by agreement dated February 2/11, 2011) in place between Deutsche Telekom AG and Telekom Deutschland GmbH with all resulting rights and obligations from the transfer as these two agreements are to continue in future and are not limited to the DTGC Business Area. Moreover, (g) all obligations existing under the commitments relating to payments and benefits under company pension arrangements (current pensions, vested expectancies (*unverfallbare Anwartschaften*) and similar obligations, in particular arising from transition payments made in the event of early retirement (*Vor- und Frühruhestand*)) made by Deutsche Telekom AG towards employees who were not attributable to the DTGC Business Area on the Spin-Off Date and their dependents, and (h) rights and obligations existing under the commitments relating to payments and benefits under company pension arrangements made by Deutsche Telekom AG towards employees (former employees with claims for company pensions (*Betriebsrente*) and employees with vested pension expectancies (*Versorgungsanwärter mit unverfallbaren Anwartschaften*)) who already retired prior to the Spin-Off Date, will be excluded from the Spin-Off Assets.

Individual items which are included in the Spin-Off are also specified in more detail under §§ 5 to 16 of the Spin-Off Agreement and are broken down by the relevant Assets; this more detailed specification is presented below.

Those assets and liabilities which are transferred to Telekom Deutschland GmbH as the transferee entity are thereby exactly specified within the meaning of § 126 (1) no. 9 and (2) UmwG. In particular the intangible assets to be transferred (§ 5 of the Spin-Off Agreement), the tangible fixed assets to be spun off (§ 6 of the Spin-Off Agreement), the shares in affiliated companies to be spun off (§ 7 of the Spin-Off Agreement), the receivables to be spun off (§ 8 of the Spin-Off Agreement), the inventories and other current assets to be spun off (§ 9 of the Spin-Off Agreement), the legal relationships to be spun off which are underlying the accrued items (§ 10 of the Spin-Off Agreement), the liabilities and obligations, risks and expenses to be spun off (§ 11 of the Spin-Off Agreement), the liabilities under company pension arrangements, partial retirement and long-term time accounts, lifetime working time accounts and insolvency protection to be spun off (§ 12 of the Spin-Off Agreement), the legal relationships to be spun off which are underlying the deferred income items (§ 13 of the Spin-Off Agreement), the agreements and other legal relationships to be spun off (§ 14 of the Spin-Off Agreement), the Public-Law Legal Relationships to be spun off (§ 15 of the Spin-Off Agreement) as well as the transferring relationships under litigation and other proceedings (§ 16 of the Spin-Off Agreement) are specified in more detail – in some cases by reference to corresponding Annexes to the Spin-Off Agreement pursuant to § 126 (2) sentence 3 UmwG.

§§ 4 to 16 of the Spin-Off Agreement follow a consistent system: At first, § 4 of the Spin-Off Agreement contains the general delimitation provision already explained above. §§ 5 to 16 of the Spin-Off Agreement then expressly define Assets which are included in the Spin-Off Assets. These specific provisions do not constitute an exhaustive list of the Spin-Off Assets. Even if no express reference is made to individual Assets or Assets in their entirety, they may still form part of the Spin-Off Assets. In particular, this will always be the case if an Asset is covered by § 4 of the Spin-Off Agreement and is not, at the same time, covered by a provision under which it is expressly excluded from the Spin-Off Assets. § 4 (6), § 14 (6) and § 20 (6) sentence 1 of the Spin-Off Agreement contain provisions which list individual Assets or Assets in their entirety which are not covered. These provisions serve to precisely delimit the Spin-Off Assets, which delimitation is carried out by using a negative list. The relevant provisions concern individual Assets or Assets in their entirety which are not or only partly attributable to the DTGC Business Area according to the understanding of the parties, and are thus not to be included in the Spin-Off Assets and are listed for the purpose of clarification that they are not transferred. This negative list is not exhaustive.

(b) § 5 (Intangible assets)

§ 5 (1) of the Spin-Off Agreement specifies the intangible assets forming part of the Spin-Off Assets. This provision states that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all intangible assets attributable to the DTGC Business Area, in particular those Assets which form part of the Spin-Off Assets pursuant to § 5 (2) to (5) of the Spin-Off Agreement, as well as the legal relationships related to these intangible assets, in particular license and use agreements.

§ 5 (2) of the Spin-Off Agreement specifies as part of intangible assets forming part of the Spin-Off Assets, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, all industrial property rights or copyrights attributable to the DTGC Business Area, including related licenses and rights of use. The software separately listed in § 5 (4) of the Spin-Off Agreement is, however, excluded from this provision.

§ 5 (2) sentence 2 of the Spin-Off Agreement clarifies with respect to the industrial property rights and copyrights in addition to the general fall-back provision under § 20 of the Spin-Off Agreement that, should a transfer of industrial property rights and copyrights not be possible, Deutsche Telekom AG will grant Telekom Deutschland GmbH an exclusive right of use in the industrial property rights and/or copyrights which are exclusively attributable to the DTGC Business Area. In all other respects, Deutsche Telekom AG and Telekom Deutschland GmbH, as between themselves, will treat each other as if the relevant industrial property right or copyright had been transferred to Telekom Deutschland GmbH as of the Spin-Off Date (i.e. full attribution of income and expenses to Telekom Deutschland GmbH). In the cases of joint use of industrial property rights and copyrights, such rights will not be transferred but Telekom Deutschland GmbH will be granted a right of use. In all other respects, Deutsche Telekom AG and Telekom Deutschland GmbH, as between themselves, will treat each other as if the relevant industrial property right or copyright, in the scope as it is used by the DTGC Business Area, had been transferred to Telekom Deutschland GmbH as of the Spin-Off Date (i.e. prorated attribution of income and expenses to Telekom Deutschland GmbH).

§ 5 (3) to (5) of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets further include (i) all know-how attributable to the DTGC Business Area, in particular process know-how as well as production and manufacturing know-how, (ii) all rights (including licenses and rights of use) in software attributable to the DTGC Business Area, in particular all rights (including licenses and rights of use) in the software listed in Annex 5.4 of the Spin-Off Agreement, and (iii) all content of technical data bases, customer data bases (including customer master data) and other data bases attributable to the DTGC Business Area.

§ 5 (6) of the Spin-Off Agreement contains the parties' obligation to take all steps that are otherwise necessary in order to enable Telekom Deutschland GmbH in future to use the intangible assets designated as Spin-Off Assets under the Spin-Off Agreement. By way of supplement, § 5 (7) of the Spin-Off Agreement contains the parties' obligation to take all necessary steps in order to enable Telekom Deutschland GmbH to (continue to) use these intangible assets in future to the extent that the DTGC Business Area uses intangible assets which are not allocated to the Spin-Off Assets under the Spin-Off Agreement, and in particular under § 4 (3) of the Spin-Off Agreement. Insofar as this possibility of using these intangible assets can be granted by Deutsche Telekom AG, § 5 (7) of the Spin-Off Agreement makes reference to the provisions in § 21 of the Spin-Off Agreement.

(c) § 6 (Tangible fixed assets)

§ 6 of the Spin-Off Agreement specifies the tangible fixed assets that form part of the Spin-Off Assets and are thus transferred to Telekom Deutschland GmbH.

§ 6 (1) of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all tangible fixed assets together with their material parts and accessories attributable to the DTGC Business Area. This includes in particular the items expressly listed in § 6 (2) and (3) of the Spin-Off Agreement.

§ 6 (2) of the Spin-Off Agreement expressly specifies, with this list being non-exhaustive, the Assets which are to form part of the Spin-Off Assets, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement. According to this provision, the Spin-Off Assets include (a) the platforms attributable to the DTGC Business Area. This includes in particular the voice and signaling platforms, e.g. the platforms Next Generation Voice international (NGVi), Number Portability international (NPi), virtual Signaling Transfer Point (vSTP), next generation Signaling Transfer Point (ngSTP), the Diameter platform (DRA), the Wifi Roaming platform and SS7 Firewall. Further, (b) network components attributable to the DTGC Business Area, (c) other operating and business equipment including office and IT equipment (servers and PCs as well as licenses for related third-party standard software) attributable to the DTGC Business Area, (d) rights and interests, in particular claims, relating to advance payments made on tangible fixed assets and tangible fixed assets under construction and (e) other tangible fixed assets attributable to the DTGC Business Area. § 6 (2) of the Spin-Off Agreement further refers to Annex 6.2 of the Spin-Off Agreement, which lists individual tangible fixed assets falling into the categories (a) to (e) above.

§ 6 (3) of the Spin-Off Agreement further clarifies that the network components that form part of the Spin-Off Assets include in particular also all submarine cable systems including the technical facilities and main distributors at the submarine cable terminals on German shores, all legal interests in submarine cables and submarine cable consortiums, including all submarine cable consortium agreements and agreements concerning the long-term use of submarine cables and the related legal interests, and all technical equipment and machinery and all other tangible fixed assets located in the building of the "Frankfurt International Network Management Center" (*Internationales Netzmanagementzentrum Frankfurt*).

(d) § 7 (Shares in affiliated companies)

Pursuant to § 7 (1) of the Spin-Off Agreement, the Spin-Off Assets moreover include all shares in T-Mobile HotSpot GmbH and Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság, which are both held solely by Deutsche Telekom AG. These two equity interests are each attributable to the DTGC Business Area. For information on the two companies concerned, please see also Section 2.2(b)(i)(D) of this Report.

§ 7 (2) of the Spin-Off Agreement clarifies in line with the general provision in § 3 of the Spin-Off Agreement regarding the economic separation of the transferring equity interests that the profit claim for the 2020 financial year relating to the equity interests in T-Mobile HotSpot GmbH and Magyarcom Szolgáltató Kommunikációs Korlátolt Felelősségű Társaság will each be due in full to Telekom Deutschland GmbH. The profit claim for the preceding financial years will, however, continue to be due to Deutsche Telekom AG, even if no resolution on the profit distribution for these financial years has been passed by the Spin-Off Date. In this regard, Deutsche Telekom AG may pass resolutions on the appropriation of net income, in line with the preceding provisions of the Spin-Off Agreement, prior to the Completion Date within the meaning of § 19 (1) of the Spin-Off Agreement, i.e. prior to entry of the Spin-Off in the commercial register for Deutsche Telekom AG, also in its favor.

§ 7 (3) of the Spin-Off Agreement further attributes all rights and obligations as well as other legal interests of Deutsche Telekom AG under the control and profit and loss transfer agreement dated March 10, 2008 with T-Mobile HotSpot GmbH to the Spin-Off Assets. By transferring the rights and obligations and other legal interests of Deutsche Telekom AG under the above-mentioned control and

profit and loss transfer agreement, Telekom Deutschland GmbH will replace Deutsche Telekom AG in its capacity as the other party of the control and profit and loss transfer agreement, so that this agreement will continue to exist between T-Mobile HotSpot GmbH as controlled company and Telekom Deutschland GmbH in its capacity as the other party from the effective date of the Spin-Off. No approval of the legal entities involved is required for the transfer of the control and profit and loss transfer agreement.

(e) § 8 (Receivables)

§ 8 (1) of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all receivables attributable to the DTGC Business Area.

§ 8 (2) to (4) of the Spin-Off Agreement specifies this provision in more detail by stating that the Spin-Off Assets also include, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, (i) all trade receivables attributable to the DTGC Business Area, in particular all receivables listed in Annex 8.2 of the Spin-Off Agreement, (ii) all receivables attributable to the DTGC Business Area which are due from affiliated companies and companies in which equity interests are held, in particular all receivables listed in Annex 8.3 of the Spin-Off Agreement, and (iii) all receivables under the agreements and other legal relationships which are included in the Spin-Off Assets pursuant to § 14 of the Spin-Off Agreement.

§ 8 (5) of the Spin-Off Agreement clarifies that as of the Spin-Off Date the DTGC Business Area held the credit balance amount specified in Annex 8.5 of the Spin-Off Agreement from the cash management performed internally by Deutsche Telekom AG between its various business areas. This credit balance amount is intended to be constituted on the Completion Date (within the meaning of § 19 (1) of the Spin-Off Agreement) at Telekom Deutschland GmbH as a genuine claim due from Deutsche Telekom AG. Accordingly, Deutsche Telekom AG and Telekom Deutschland GmbH agree in § 8 (5) of the Spin-Off Agreement that Telekom Deutschland GmbH – with economic effect as of the Spin-Off Date – has a claim for disbursement against Deutsche Telekom AG equaling the credit balance amount specified in Annex 8.5. This credit balance amount also reflects, in terms of amount, the claims under § 12 (5) and (6) of the Spin-Off Agreement. The claim under § 8 (5) of the Spin-Off Agreement will be constituted on the Completion Date (within the meaning of § 19 (1) of the Spin-Off Agreement). Telekom Deutschland GmbH may at any time demand from Deutsche Telekom AG the disbursement of all or part of the credit balance remaining from time to time. Amounts not yet disbursed will bear interest at standard market rates.

(f) § 9 (Inventories and other current assets)

§ 9 of the Spin-Off Agreement further attributes to the Spin-Off Assets, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, all inventories (in particular raw materials, consumables and supplies, unfinished products and services, finished products and goods, in each case including all rights and interests, in particular claims, from advance payments made and received) and other current assets attributable to the DTGC Business Area. For more detailed specification, Annex 9 of the Spin-Off Agreement lists individual inventories and other current assets which are in particular attributed to the Spin-Off Assets. The list in the Annex is not exhaustive.

(g) § 10 (Accrued income)

§ 10 of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all legal relationships attributable to the DTGC Business Area underlying the accrued income items. § 10 of

the Spin-Off Agreement clarifies that the Spin-Off Assets in particular include all advance payments made to the Federal Post and Telecommunications Agency for the transferring civil servants as well as advance payments made under submarine cable consortium agreements.

(h) § 11 (Liabilities and obligations, risks and expenses)

§ 11 of the Spin-Off Agreement includes specific provisions on the attribution of liabilities and obligations as well as risks and expenses of the DTGC Business Area to the Spin-Off Assets.

§ 11 (1) of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all liabilities and obligations, risks and expenses, including uncertain liabilities, contingent liabilities and future and conditional liabilities the legal basis for which has already been created, attributable to the DTGC Business Area. § 11 (1) of the Spin-Off Agreement moreover refers to paragraphs 2 to 5, which expressly specify the Assets that are in particular to be included in the Spin-Off Assets. These special provisions do not constitute an exhaustive list of the Spin-Off Assets.

§ 11 (2) of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all trade payables attributable to the DTGC Business Area, in particular all trade payables listed in Annex 11.2.

§ 11 (3) of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all liabilities attributable to the DTGC Business Area which are due from affiliated companies or companies in which equity interests are held, in particular all liabilities listed in Annex 11.3.

§ 11 (4) of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all liabilities under the agreements and other legal relationships which are included in the Spin-Off Assets pursuant to § 14 of the Spin-Off Agreement.

§ 11 (5) of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all other liabilities attributable to the DTGC Business Area and all (uncertain) liabilities, risks and expenses attributable to the DTGC Business Area, in particular those for which provisions have been set up (in this context, the provisions in § 12 of the Spin-Off Agreement will apply for liabilities under company pension arrangements, partial retirement and long-term time accounts, lifetime working time accounts as well as insolvency protection). This includes in particular all other liabilities and (uncertain) obligations, risks and expenses (except for those for which personnel provisions have been set up) listed in Annex 11.5 of the Spin-Off Agreement and all obligations to remove submarine cables.

(i) § 12 (Liabilities under company pension arrangements, partial retirement and long-term time accounts, lifetime working time accounts as well as insolvency protection)

While § 11 (1) of the Spin-Off Agreement contains general provisions on liabilities and obligations, risks and expenses of the DTGC Business Area, § 12 of the Spin-Off Agreement contains a specific provision governing liabilities under company pension arrangements, partial retirement and long-term time accounts, lifetime working time accounts as well as insolvency protection. In this context, the Spin-Off Agreement differentiates as follows:

Pursuant to § 12 (1) of the Spin-Off Agreement, Telekom Deutschland GmbH will, with economic effect as of the Spin-Off Date, assume all rights and obligations under the commitments relating to

payments and benefits under company pension arrangements made by Deutsche Telekom AG towards the transferring employees of the DTGC Business Area.

Pursuant to § 12 (2) of the Spin-Off Agreement, Telekom Deutschland GmbH will further assume, with economic effect as of the Spin-Off Date, all rights and obligations under the commitments existing with Deutsche Telekom AG relating to payments and benefits under company pension arrangements of Deutsche Telekom AG towards employees (former employees with claims for company pensions and employees with pension expectations (*Versorgungsanwärter*)) who have retired between the Spin-Off Date and the Completion Date (within the meaning of § 19 (1) of the Spin-Off Agreement) and whose employment relationship, were it to be continued unchanged beyond the Completion Date, would be transferred in the manner described in § 24 of the Spin-Off Agreement.

Pursuant to § 12 (3) of the Spin-Off Agreement, rights and obligations under the commitments existing with Deutsche Telekom AG relating to payments and benefits under company pension arrangements of Deutsche Telekom AG towards employees (former employees with claims for company pensions and employees with vested pension expectancies) who have already retired as of the Spin-Off Date will remain with Deutsche Telekom AG and will not be transferred to Telekom Deutschland GmbH.

Pursuant to § 12 (4) of the Spin-Off Agreement, Telekom Deutschland GmbH undertakes to protect the transferred obligations under partial retirement schemes, long-term time accounts and lifetime working time accounts against insolvency in line with the statutory requirements and the requirements adopted by Deutsche Telekom Group. To this end, Telekom Deutschland GmbH will invest part of the Assets transferred in the Spin-Off in a manner offering direct insolvency protection in line with the statutory provisions.

Pursuant to § 12 (5) of the Spin-Off Agreement, a compensation as between the parties to be paid by Deutsche Telekom AG to Telekom Deutschland GmbH for the CTA asset protection instruments set up in order to protect the transferred direct pension obligations against insolvency will be made in proportion to the actually transferred direct pension obligations, but only to the extent corresponding to the ratio of the CTA asset protection instruments existing as at December 31, 2019 to the direct pension obligations existing as at December 31, 2019. The relevant compensation claim has already been taken into account by the provisions in § 8 (5) of the Spin-Off Agreement (through a corresponding increase in the amount of the receivable).

Pursuant to § 12 (6) of the Spin-Off Agreement, Deutsche Telekom AG undertakes to transfer to Telekom Deutschland GmbH an asset (monetary amount) as substitution for the existing, but not to be transferred CTA shares of the transferring employees securing the obligations under partial retirement schemes, long-term time accounts and lifetime working time accounts. This amount will be calculated on the basis of the obligations under partial retirement schemes, long-term time accounts and lifetime working time accounts which exist as of the Spin-Off Date and are to be secured in line with statutory provisions. The relevant monetary amount has already been taken into account by the provisions in § 8 (5) of the Spin-Off Agreement (through a corresponding increase in the amount of the receivable).

§ 12 (7) of the Spin-Off Agreement clarifies that the scope of the transferred personnel-related receivables, personnel provisions and obligations (personnel) is set out in Annex 12.7.

(j) § 13 (Deferred income)

§ 13 of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all legal relationships attributable to the DTGC Business Area underlying the deferred income items, in particular the advance payments received under agreements on submarine cable consortiums.

(k) § 14 (Agreements and other legal relationships)

Pursuant to § 14 (1) of the Spin-Off Agreement, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all agreements and other legal relationships attributable to the DTGC Business Area, including all legal interests arising from contractual offers and negotiations relating to such agreements and including all other rights and powers as well as obligations under these agreements, in particular those included in the Spin-Off Assets pursuant to § 14 (2) of the Spin-Off Agreement.

Pursuant to § 14 (2) of the Spin-Off Agreement, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include in particular all a) purchasing and procurement agreements, b) distribution agreements, c) service agreements and contracts for works and services with third parties which are not companies of Deutsche Telekom Group, d) license agreements or other agreements granting rights of use to or by third parties, in particular license agreements or other agreements granting licenses and rights of use that constitute the intangible assets (including software) included in the Spin-Off Assets pursuant to § 5 of the Spin-Off Agreement, e) cooperation and partnership agreements, f) memberships in private-law associations, federations or other organizations, g) certifications under private law, h) agreements governing intra-group supply and service relationships and similar agreements with companies of Deutsche Telekom Group, and i) other agreements attributable to the DTGC Business Area. This includes in particular all agreements and legal interests listed in Annex 14.2 of the Spin-Off Agreement and all agreements falling into the categories listed therein, as well as all software license agreements already listed in Annex 5.4.

Pursuant to § 14 (3) of the Spin-Off Agreement, Deutsche Telekom AG and Telekom Deutschland GmbH will ensure, to the extent that agreements which remain with Deutsche Telekom AG contain rights and obligations relating to the DTGC Business Area, (if necessary by written agreement or by obtaining the approval of third parties) that Telekom Deutschland GmbH can exercise all of its required rights or that these rights will be exercised in the interest of Telekom Deutschland GmbH. Telekom Deutschland GmbH in turn will fulfill the obligations under these agreements to the extent such obligations relate to the DTGC Business Area or will release Deutsche Telekom AG from these obligations. Deutsche Telekom AG will grant Telekom Deutschland GmbH permission, and will authorize Telekom Deutschland GmbH accordingly, to exercise such rights and perform such obligations relating to the DTGC Business Area in external relationships (*im Außenverhältnis*) *vis-à-vis* third parties, and will surrender everything it has obtained under these agreements.

Pursuant to § 14 (4) of the Spin-Off Agreement, Deutsche Telekom AG and Telekom Deutschland GmbH will ensure, if necessary by written agreement or by obtaining the approval of third parties, that Deutsche Telekom AG can exercise all of its required rights or that these rights will be exercised in the interest of Deutsche Telekom AG, to the extent that agreements transferred to Telekom Deutschland GmbH contain rights and obligations also relating to business areas remaining with Deutsche Telekom AG. Deutsche Telekom AG in turn will fulfill the obligations under these agreements to the extent such obligations relate to the business areas remaining with Deutsche Telekom AG or will release Telekom Deutschland GmbH from these obligations. Telekom Deutschland GmbH will grant Deutsche Telekom AG permission, and will authorize Deutsche Telekom AG accordingly, to exercise such rights and perform such obligations relating to the business areas remaining with Deutsche Telekom AG in external relationships *vis-à-vis* third parties, and will surrender everything it has obtained under these agreements.

Pursuant to § 14 (5) of the Spin-Off Agreement, Deutsche Telekom AG and Telekom Deutschland GmbH, as between the parties, will treat each other with regard to the rights and obligations set out in § 14 (3) of the Spin-Off Agreement as if Telekom Deutschland GmbH had become a contracting party in the relevant external relationship. As regards the rights and obligations set out in § 14 (4) of the



Spin-Off Agreement, Deutsche Telekom AG and Telekom Deutschland GmbH will treat each other, as between the parties, as if Deutsche Telekom AG had remained a contracting party in the relevant external relationship.

§ 14 (6) of the Spin-Off Agreement clarifies that all agreements attributable to the business areas remaining with Deutsche Telekom AG are not included in the Spin-Off Assets and are thus excluded from the transfer.

(l) § 15 (Public-Law Legal Relationships)

Pursuant to § 15 (1) of the Spin-Off Agreement, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include all rights and obligations arising from public-law licenses, permits, permissions, consents, rights of use and other authorizations as well as memberships in public-law corporations (defined in the Spin-Off Agreement as "Public-Law Legal Relationships") and other public-law orders, decisions and other sovereign measures (defined in the Spin-Off Agreement as "Other Public-Law Measures") attributable to the DTGC Business Area, in particular those included in the Spin-Off Assets under § 15 (2) of the Spin-Off Agreement. The same applies with regard to legal interests from applications to grant or amend Public-Law Legal Relationships and Other Public-Law Measures attributable to the DTGC Business Area, even if such applications were legally filed by third parties.

§ 15 (2) of the Spin-Off Agreement provides that, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, the Spin-Off Assets include in particular all rights and obligations arising from Public-Law Legal Relationships and Other Public-Law Measures linked to other items of the Spin-Off Assets or transferable by way of the Spin-Off without requiring the consent of any third party.

Pursuant to § 15 (3) of the Spin-Off Agreement, to the extent that the Public-Law Legal Relationships and Other Public-Law Measures attributable to the DTGC Business Area cannot be transferred by way of the Spin-Off, Telekom Deutschland GmbH will file new applications, if necessary, or they will be transferred to Telekom Deutschland GmbH with the consent of the relevant authorities. Any notification duties towards the competent authorities will remain unaffected by the foregoing.

(m) § 16 (Relationships under litigation and other proceedings)

Pursuant to § 16 (1) of the Spin-Off Agreement, the Spin-Off Assets include all relationships under litigation and other proceedings relating to other items of the Spin-Off Assets or, unless expressly determined otherwise in § 4 (6) of the Spin-Off Agreement or elsewhere in the Spin-Off Agreement, otherwise attributable to the DTGC Business Area. These include a) civil-law proceedings (including summary proceedings for an order to pay debts (*Mahnverfahren*), independent proceedings for the taking of evidence (*selbständige Beweisverfahren*), preliminary injunction proceedings (*Verfahren im einstweiligen Rechtsschutz*) and execution proceedings (*Zwangsvollstreckungsverfahren*)) and arbitration proceedings, b) administrative proceedings and proceedings before the administrative courts, c) other legal relationships under procedural law, d) legal interests in proceedings *vis-à-vis* third parties, e) contractual agreements with third parties relating to the recognition or implementation of the results of such proceedings or the assertion of rights reserved to the parties to the proceedings, and f) enforceable titles obtained in summary proceedings for an order to pay debts completed with binding legal effect as of the Completion Date (within the meaning of § 19 (1) of the Spin-Off Agreement) and other litigation relationships. According to this clause, this applies in particular to relationships under litigation and other proceedings resulting from contractual relations with customers, suppliers and other third parties (including under § 315 BGB) (including damages claims asserted before authorities or courts in this connection).

Pursuant to § 16 (2) of the Spin-Off Agreement, Deutsche Telekom AG and Telekom Deutschland GmbH will seek to effect a (voluntary) substitution of the litigants or other parties involved (*gewillkürter Partei- bzw. Beteiligtenwechsel*) in these proceedings. If such substitution of the litigants or other parties involved cannot be achieved, or prove to be disproportionately difficult, the parties will, as between themselves, treat each other in economic terms as if the litigation relationships and the administrative proceedings had been transferred with effect as of the Spin-Off Date; in such case, Deutsche Telekom AG will conduct the relevant litigation or administrative proceedings as of the Completion Date (within the meaning of § 19 (1) of the Spin-Off Agreement) as litigant acting in its own name on behalf of Telekom Deutschland GmbH (*in Prozessstandschaft*); Telekom Deutschland GmbH will indemnify Deutsche Telekom AG against all costs and disadvantages arising in this context as of the Completion Date.

§ 16 (3) of the Spin-Off Agreement provides that Deutsche Telekom AG and Telekom Deutschland GmbH, with regard to mandate and consultancy relationships of Deutsche Telekom AG with third parties in connection with relationships under litigation and other proceedings in line with § 16 (1) of the Spin-Off Agreement, will also, as between themselves, treat each other in economic terms as if these mandate and consultancy relationships had been transferred with effect as of the Spin-Off Date.

(n) § 17 (Additions and removals prior to the Completion Date)

In the period up to the Completion Date, there will be changes to the status of the Spin-Off Assets even in the ordinary course of business. Therefore, § 17 of the Spin-Off Agreement provides that the status of the Spin-Off Assets as of the Completion Date (within the meaning of § 19 (1) of the Spin-Off Agreement) is relevant for the scope of the transfer of assets and liabilities. Additions and removals occurring in the period up to the Completion Date will be taken into account for the purposes of the transfer. Unless determined otherwise in § 4 (6) or §§ 5 to 16 of the Spin-Off Agreement, the Spin-Off Assets thus also include those Assets attributable to the DTGC Business Area, including surrogates, which have been received by or created in the DTGC Business Area up to the Completion Date. Accordingly, Assets attributable to the DTGC Business Area which have been sold prior to the Completion Date under the Spin-Off Agreement or which do not or no longer exist as of the Completion Date with Deutsche Telekom AG will not be transferred to Telekom Deutschland GmbH.

(o) § 18 (Retention of title, expectancy rights and claims for surrender)

Pursuant to § 18 of the Spin-Off Agreement, to the extent that individual items of the Spin-Off Assets are subject to retention of title of third parties as at the Completion Date (within the meaning of § 19 (1) of the Spin-Off Agreement) or Deutsche Telekom AG has transferred title to these items to third parties as collateral, the Spin-Off Assets will include all rights and obligations to which Deutsche Telekom AG is entitled in this connection, including expectancy rights and claims for surrender. To the extent that individual items of the Spin-Off Assets are jointly owned as at the Completion Date, the co-ownership interest of Deutsche Telekom AG will be included in the Spin-Off Assets.

5.5 Part 4 of the Spin-Off Agreement (Modalities of the Spin-Off)

Part 4 of the Spin-Off Agreement sets out the modalities of the transfer.

(a) § 19 (Completion of the Spin-Off)

§ 19 (1) of the Spin-Off Agreement provides that the transfer of the Spin-Off Assets will take effect *in rem (mit dinglicher Wirkung)* upon entry of the Spin-Off in the commercial register for Deutsche Telekom AG (defined in the Spin-Off Agreement as the "Completion Date").

Not only the rights *in rem* will transfer to Telekom Deutschland GmbH as of the Completion Date. § 19 (2) of the Spin-Off Agreement clarifies that possession of any immovable and movable property forming part of the Spin-Off Assets will also be transferred to Telekom Deutschland GmbH on the Completion Date. Where property items covered by the Spin-Off are in the possession of third parties, Deutsche Telekom AG transfers its claims for surrender to Telekom Deutschland GmbH with effect *in rem* as of the Completion Date.

Pursuant to § 19 (3) of the Spin-Off Agreement, Telekom Deutschland GmbH will in addition acquire possession of all books, documents, operating data and other business records kept by Deutsche Telekom AG in connection with the DTGC Business Area. Telekom Deutschland GmbH will also acquire possession of all deeds necessary in order to assert the rights transferred to it. Telekom Deutschland GmbH will store the books, documents, operating data and other business records on behalf of Deutsche Telekom AG for the duration of the statutory retention periods. Business and trade secrets must be kept confidential and any other statutory requirements, in particular under data protection law, must be fulfilled. This provision ensures that the statutory retention periods of Deutsche Telekom AG will be observed even after the transfer of the records and documents to Telekom Deutschland GmbH in a manner compliant with data protection law.

In § 19 (4) of the Spin-Off Agreement, Deutsche Telekom AG undertakes that prior to the Completion Date it will dispose of the Spin-Off Assets only within the scope of the ordinary course of business and with the due care of a prudent businessman (*Sorgfalt eines ordentlichen Kaufmanns*).

(b) § 20 (Obstacles to transfer, fall-back clause, duties of cooperation)

Insofar as certain Assets which are to be transferred to Telekom Deutschland GmbH under the Spin-Off Agreement are not already transferred to Telekom Deutschland GmbH upon entry of the Spin-Off in the commercial register for Deutsche Telekom AG, Deutsche Telekom AG will transfer such Assets, pursuant to § 20 (1) of the Spin-Off Agreement, to Telekom Deutschland GmbH separately and in line with the applicable requirements, provided that the transfer is performed, as between Deutsche Telekom AG and Telekom Deutschland GmbH, with effect as of the Spin-Off Date. Telekom Deutschland GmbH is obligated to accept this transfer. Until such time as the transfer takes effect, Telekom Deutschland GmbH will take all necessary or expedient actions and measures and make all necessary or expedient declarations, at the request of Deutsche Telekom AG, which Telekom Deutschland GmbH would have had to take or make, had the transfer already been effected on the Completion Date, including in particular all actions, measures and declarations which are necessary or expedient in order to fulfill any contractual or other obligations remaining incumbent on Deutsche Telekom AG until such time as the transfer has been effected. If necessary, the parties will conclude separate agency agreements concerning these matters. The above provisions will apply *mutatis mutandis* where Assets are not transferred under the Spin-Off Agreement because they were erroneously allocated to the assets and liabilities remaining with Deutsche Telekom AG.

§ 20 (2) of the Spin-Off Agreement states that paragraph 1 in particular applies to all Assets or other property items that are part of the functionally essential operating basis for the DTGC Business Area and are exclusively used by the DTGC Business Area or are attributable to the DTGC Business Area in accordance with economic criteria (including liabilities). Where such Assets or other property items are not already transferred to Telekom Deutschland GmbH upon entry of the Spin-Off in the commercial register for Deutsche Telekom AG, they will be transferred to Telekom Deutschland GmbH even if (a) they should not have been expressly specified in the Spin-Off Agreement, (b) Deutsche Telekom AG should have acquired legal and/or beneficial ownership of them only after the conclusion of the Spin-Off Agreement but before the Spin-Off takes effect, or (c) it has not been identified (in time) that they form part of the essential operating basis or property items (including liabilities) attributable in accordance with economic criteria.

In this respect, too, Deutsche Telekom AG and Telekom Deutschland GmbH will, as between themselves, and in particular in the case described in sub-paragraph c), treat each other economically as if the relevant Asset or other property item had been transferred to Telekom Deutschland GmbH already as of the Spin-Off Date.

Pursuant to § 20 (3) of the Spin-Off Agreement, Deutsche Telekom AG and Telekom Deutschland GmbH will make all declarations, execute all deeds and take all other measures and legal acts that are necessary or expedient in connection with the transfer of the Spin-Off Assets pursuant to paragraphs 1 and 2. Should the consent of a creditor, debtor, trustee, co-shareholder or other third party or a registration or public-law confirmation, correction, consent, approval or other legal act under public law be required for the transfer of certain Assets, Deutsche Telekom AG and Telekom Deutschland GmbH will endeavor to procure the same.

§ 20 (4) of the Spin-Off Agreement provides that if the transfer to Telekom Deutschland GmbH is not possible with effect in relation to third parties, or is only possible at disproportionately high expense, Deutsche Telekom AG and Telekom Deutschland GmbH will treat each other, as between the parties, as if the transfer had taken place also with effect in relation to third parties as of the Spin-Off Date. In this case, Deutsche Telekom AG will be obligated in particular to make the relevant Asset available to Telekom Deutschland GmbH for long-term use (i.e. generally until such time as the Asset has been used up in economic terms), or to procure that Telekom Deutschland GmbH acquires beneficial ownership in any other way. This does not affect § 20 (2) of the Spin-Off Agreement.

§ 20 (5) of the Spin-Off Agreement provides that insofar as certain Assets which are not to be transferred to Telekom Deutschland GmbH under the Spin-Off Agreement are nevertheless transferred to Telekom Deutschland GmbH upon entry of the Spin-Off in the commercial register for Deutsche Telekom AG, Telekom Deutschland GmbH will retransfer such Assets to Deutsche Telekom AG separately and in line with the applicable requirements, provided that Deutsche Telekom AG and Telekom Deutschland GmbH will treat each other as if the transfer to Telekom Deutschland GmbH had not taken place. Deutsche Telekom AG is obligated to accept this retransfer. Until such time as the transfer takes effect, Deutsche Telekom AG will take all necessary or expedient actions and measures and make all necessary or expedient declarations, at the request of Telekom Deutschland GmbH, which Deutsche Telekom AG would have had to take or make had the transfer to Telekom Deutschland GmbH not been effected, including in particular all actions, measures and declarations which are necessary or expedient in order to fulfill any contractual or other obligations remaining incumbent on Telekom Deutschland GmbH until such time as the retransfer has been effected. If necessary, the parties will conclude separate agency agreements concerning these matters. The above provisions will apply *mutatis mutandis* where Assets are transferred under the Spin-Off Agreement because they were erroneously allocated to the Spin-Off Assets. Paragraphs 3 and 4 will apply *mutatis mutandis* to the retransfer.

Where only part of an Asset is attributable to the DTGC Business Area and such Asset has not been expressly specified in the Spin-Off Agreement as forming part of the Spin-Off Assets, § 20 (6) of the Spin-Off Agreement states that such Asset will not be transferred to Telekom Deutschland GmbH. If not otherwise provided for in §§ 4 to 18 of the Spin-Off Agreement, Deutsche Telekom AG will in this event make the relevant part of the Asset, in the scope as it is attributable to the DTGC Business Area, available to Telekom Deutschland GmbH for long-term use on the basis of an agreement under the law of obligations. In this regard, the parties, as between themselves, will treat each other as if the relevant Asset, in the scope as it is attributable to the DTGC Business Area, had been transferred to Telekom Deutschland GmbH as of the Spin-Off Date.

§ 20 (7) of the Spin-Off Agreement provides that should any doubts arise regarding the attribution to the DTGC Business Area (in particular as regards the segregation from other business areas not affected by the Spin-Off) which cannot be resolved by way of interpretation of the Spin-Off

Agreement either, any Assets which cannot be attributed on the basis of the Spin-Off Agreement will remain with Deutsche Telekom AG. In these cases, Deutsche Telekom AG will be entitled to perform an attribution at its own discretion in line with § 315 BGB based on economic attributability.

(c) § 21 (Future intra-group supply and service relationships)

§ 21 of the Spin-Off Agreement deals with the future intra-group supply and service relationships resulting from the fact that the DTGC Business Area procures supplies and services from other areas of Deutsche Telekom AG which will in future be required by Telekom Deutschland GmbH, where the DTGC Business Area will be located upon the Spin-Off taking effect.

Against this background, § 21 (1) of the Spin-Off Agreement provides that unless a different contractual basis already exists (under the Spin-Off Agreement or otherwise) for such future supply and service relationships, Deutsche Telekom AG will be obligated, directly on the basis of the Spin-Off Agreement and with economic effect as of the Spin-Off Date, to provide the supplies and services previously provided to the DTGC Business Area within Deutsche Telekom AG to Telekom Deutschland GmbH on the terms specified in § 21 (4) of the Spin-Off Agreement.

§ 21 (2) of the Spin-Off Agreement further provides that Deutsche Telekom AG will in particular make available to Telekom Deutschland GmbH, for long-term use (i.e. generally until such time as the relevant Asset has been used up in economic terms) and in the necessary scope, any Assets which form part of the essential operating basis of the DTGC Business Area as a business unit for tax purposes but which are not exclusively used by the DTGC Business Area (so-called multi-use assets) on the terms specified in § 21 (4) of the Spin-Off Agreement, insofar as such Assets do not form part of the Spin-Off Assets and thus are not transferred to Telekom Deutschland GmbH as of the Completion Date.

§ 21 (3) of the Spin-Off Agreement provides that unless a different contractual basis already exists for such future supply and service relationships (under the Spin-Off Agreement or otherwise), Telekom Deutschland GmbH will be obligated, directly on the basis of the Spin-Off Agreement and with economic effect as of the Spin-Off Date, to provide the supplies and services previously provided by the DTGC Business Area to other business areas and units within Deutsche Telekom AG to Deutsche Telekom AG on the terms specified in § 21 (4) of the Spin-Off Agreement.

By way of clarification of the preceding provisions of § 21 (1) and (3) of the Spin-Off Agreement, § 21 (4) of the Spin-Off Agreement states that the provision of supplies and services between Deutsche Telekom AG and Telekom Deutschland GmbH will be effected on arm's length terms. In respect of the circumstances described in § 21 (2) of the Spin-Off Agreement, § 21 (4) sentence 2 of the Spin-Off Agreement clarifies that the provision of supplies and services pursuant to § 21 (2) of the Spin-Off Agreement will be effected with the proviso that Deutsche Telekom AG and Telekom Deutschland GmbH, as between themselves, will treat each other as if the relevant Asset, in the scope as it is used by the DTGC Business Area, had been transferred to Telekom Deutschland GmbH as of the Spin-Off Date. The provision in § 21 (4) sentence 2 of the Spin-Off Agreement must be seen in view of the fact that (as already described in Section 5.1) the DTGC Business Area is to be contributed by Deutsche Telekom AG to Telekom Deutschland GmbH as a business unit for tax purposes in accordance with § 20 UmwStG at its tax base and thus in an income tax-neutral manner.

§ 21 (5) of the Spin-Off Agreement further states that Deutsche Telekom AG and Telekom Deutschland GmbH will not be prevented by the provisions of § 21 (1) to (4) of the Spin-Off Agreement from entering into separate agreements in future governing their supply and service relationships.

## 5.6 Part 5 of the Spin-Off Agreement (Consideration)

### (a) § 22 (Consideration)

§ 22 of the Spin-Off Agreement provides that as consideration for the transfer of the Spin-Off Assets, Telekom Deutschland GmbH will grant Deutsche Telekom AG a new share in Telekom Deutschland GmbH with a nominal amount of EUR 60,000,000.00. In order to perform the Spin-Off, Telekom Deutschland GmbH will therefore increase its share capital from currently EUR 1,515,000,000.00 by EUR 60,000,000.00 to EUR 1,575,000,000.00 by creating a new share with a nominal amount of EUR 60,000,000.00. The new share will be granted to Deutsche Telekom AG. The contribution will be made by way of transfer of the Spin-Off Assets in accordance with the Spin-Off Agreement.

§ 22 (3) of the Spin-Off Agreement contains the information required under § 126 (1) no. 5 UmwG regarding the profit-sharing entitlement of the new share. According to this provision, the new share in Telekom Deutschland GmbH which is granted to Deutsche Telekom AG will be entitled to share in the profits from January 1, 2020. § 22 (3) of the Spin-Off Agreement provides that the profit sharing commencement date will be postponed accordingly in the event that the Spin-Off Date is postponed pursuant to § 27 of the Spin-Off Agreement.

The new share will be registered in the shareholder list of Telekom Deutschland GmbH with a separate number and will be taken over by Deutsche Telekom AG free of cost.

### (b) § 23 (Special benefits and rights)

§ 23 of the Spin-Off Agreement contains the information required under § 126 (1) no. 7 and no. 8 UmwG. To this end, it clarifies that Telekom Deutschland GmbH will not grant any rights within the meaning of § 126 (1) no. 7 UmwG, i.e. rights in favor of individual shareholders or persons with equivalent status, and that no measures within the meaning of § 126 (1) no. 7 UmwG are envisaged either, and that, in addition, no special benefits within the meaning of § 126 (1) no. 8 UmwG will be granted to members of a representative body or supervisory body of a legal entity involved in the Spin-Off or to an external auditor.

## 5.7 Part 6 of the Spin-Off Agreement (Consequences for Employees, Civil Service Relationships)

As provided for in § 126 (1) no. 11 UmwG, § 24 of the Spin-Off Agreement contains information on the consequences of the Spin-Off for the employees and their representative bodies as well as on the measures envisaged in this regard. In addition, § 25 of the Spin-Off Agreement reflects the consequences of the Spin-Off for the civil servants. Based on this statutory provision, a detailed description of the consequences of the Spin-Off for the employees and their representative bodies and the measures envisaged in this regard and of the consequences for the civil servants is contained in the Spin-Off Agreement as follows:

### (a) § 24 (Consequences for the employees and their representative bodies)

#### "(1) General

The consequences of the Spin-Off for the employees of the DTGC Business Area of Deutsche Telekom AG are as stipulated in § 131 (1) no. 1 and § 324 UmwG and in § 613a (1) and (4) to (6) BGB.

(2) TGC Business Unit

- a) All employment contracts existing at Deutsche Telekom AG on the Completion Date which are attributable to the TGC Business Unit will be transferred by operation of law to Telekom Deutschland GmbH as of the Completion Date in accordance with § 613a (1) sentence 1 BGB and § 324 UmwG.
- b) Telekom Deutschland GmbH will enter into the rights and obligations under the employment contracts in place with the employees of the TGC Business Unit in accordance with § 613a (1) sentence 1 BGB and § 324 UmwG. The effective date of transfer of the employment contracts will be the date of entry of the Spin-Off in the commercial register for Deutsche Telekom AG, except where employees concerned object to such transfer in accordance with § 613a (6) BGB or the employment ends before the effective date of transfer of the employment contracts.
- c) Annex 24.2 contains a list of Deutsche Telekom AG staff attributable to the TGC Business Unit (employees including civil servants employed on the basis of a suspension of their civil servant status).
- d) Since the employment contracts relating to the TGC Business Unit will transfer to Telekom Deutschland GmbH by operation of law with unchanged content in terms of individual employment law, Telekom Deutschland GmbH will also be liable for obligations constituted under such employment contracts before the Spin-Off takes effect. The additional joint and several liability (*gesamtschuldnerische Haftung*) of Deutsche Telekom AG for these obligations will be as provided for in § 133 UmwG. However, Deutsche Telekom AG will only be liable under § 133 UmwG for the above-mentioned obligations if such obligations have fallen due and claims based on these obligations have been established in a manner as described in § 197 (1) nos. 3 to 5 BGB or enforcement action has been taken by or applied for with a court or authority within five years of the publication of the registration of the Spin-Off in the commercial register for Deutsche Telekom AG. For any pension obligations created under the Company Pensions Act prior to the Completion Date, the limitation period referred to in the preceding sentence will be ten years.
- e) The employees will be notified of the transfer of their employment in accordance with § 613a (5) BGB and § 324 UmwG. In line with § 613a (6) BGB, they have the option to object to the transfer of their employment in writing within one month of receipt of the notification. If an employee objects, the employment contract with Deutsche Telekom AG will remain in place. However, an objecting employee may – following a review of the individual circumstances – probably have to expect a termination of his or her employment on the grounds of redundancy (*betriebsbedingte Kündigung*) due to a lack of opportunities for continued employment.
- f) In detail, the following applies to the current employees of the TGC Business Unit:
  - aa) Collective agreements
    - (i) Insofar as collective agreements were directly applicable to the employment prior to the transfer and the employee is bound by collective agreements, the terms and conditions of employment stipulated in such collective agreements will, based on § 613a (1) sentence 2 BGB, generally become part of the employment relationship between the employee and Telekom Deutschland GmbH

after the transfer of the business or business unit (hereinafter the "Business Transfer") and will continue to apply as amended at the time of the Business Transfer (so-called "static" continued application (*statische Fortgeltung*)). Such terms and conditions may not be amended to the disadvantage of the employee for a period of one year following the transfer.

- (ii) The provision described in sub-paragraph (i) above will not apply, however, insofar as collective agreements are in place at Telekom Deutschland GmbH which have been concluded between the German Employers' Association for Telecommunication and IT (*Arbeitgeberverband für Telekommunikation und IT e.V.* – agv community) and the ver.di trade union and which also apply at Deutsche Telekom AG. Where this is the case, the collective agreements continue to apply in the same way as before. Telekom Deutschland GmbH is a member of the Employers' Association for Telecommunication and IT (agv community) and as such has committed itself to be bound by collective agreements. As a result of such membership, the same general association collective agreements (*Verbandstarifverträge*) that are applicable at Deutsche Telekom AG also apply for Telekom Deutschland GmbH.
- (iii) The provision described in sub-paragraph (i) above will also not apply insofar as collective agreements governing the same subject-matter have been or will be concluded between Telekom Deutschland GmbH and the ver.di trade union. Where this is the case, the provisions applicable at Telekom Deutschland GmbH will replace the provisions previously applicable at Deutsche Telekom AG. This applies to employees bound by collective agreements based on the statutory provision contained in § 613a (1) sentence 3 BGB.
- (iv) Telekom Deutschland GmbH has concluded its own (company) collective agreements with the ver.di trade union, for example a blanket collective agreement (*Manteltarifvertrag* – MTV), a collective wage agreement (*Entgelttarifvertrag* – ETV) and a collective wage framework agreement (*Entgelttrahmentarifvertrag* – ERTV). These collective agreements replace the corresponding collective agreements in place at Deutsche Telekom AG. The migration into the set of collective agreements in place at Telekom Deutschland GmbH is to be facilitated by a collective agreement "Special Arrangements" (*Tarifvertrag "Sonderregelungen"*; "TV SR"). In this context, special arrangements and vested claims and expectancies existing under collective agreements in place at Deutsche Telekom AG are to be accounted for. Individual claims may be capitalized. The protection level is to be in line with the usual group standards for TV SRs.
- (v) Insofar as individual provisions of collective agreements apply to employees who are not generally bound by collective agreements based on a reference clause contained in the relevant employment contract, the question of which collective agreements apply will depend on which collective agreements are specifically referred to in the employment contract.



bb) Works agreements

- (i) The TGC Business Unit is to be integrated into the "Business Customers Wholesale – TD" (*Geschäftskunden Wholesale – TD*) business of Telekom Deutschland GmbH. The transferring employees from HR and finance functions of the TGC Business Unit will transition to the "Cross-Sectional Functions (F/HR/MD) – TD" (*Querschnitt (F/HR/MD) – TD*) business.
- (ii) The works agreements (*Betriebsvereinbarungen*) and central works agreements (*Gesamtbetriebsvereinbarungen*) applicable to the TGC Business Unit at Deutsche Telekom AG on the Completion Date will not continue to apply with normative effect after the Business Transfer. The rights and obligations stipulated in works agreements or central works agreements will become part of the employment relationship in line with § 613a (1) sentence 2 BGB and will continue to apply as amended at the time of the Business Transfer (static continued application). According to § 613a (1) sentence 2 BGB, the rights and obligations which have thus become part of the employment relationship may not be amended to the disadvantage of the employee before the expiry of one year following the date of the transfer. § 613a (1) sentence 2 BGB will not apply insofar as the provisions are replaced by collective-law provisions existing at Telekom Deutschland GmbH which govern the same subject-matter.
- (iii) In all other respects, the application of group works agreements (*Konzernbetriebsvereinbarungen*) of Deutsche Telekom AG will not be affected by the Spin-Off.

cc) Pension commitments

The company pension arrangements for the employees of the TGC Business Unit are governed by company collective agreements of Telekom Deutschland GmbH and group works agreements of Deutsche Telekom AG. As regards the legal consequences of the Spin-Off, reference is made to paragraphs a) and b) and/or f) aa) and f) bb) above.

- g) In deviation from paragraphs a) to f), the personnel-related liabilities, in particular the pension provisions, will be transferred in full in the context of the Spin-Off of the TGC Business Unit to Telekom Deutschland GmbH with economic effect as of the Spin-Off Date.

h) Termination

The employer is prohibited by law from issuing notice of termination on the grounds of the Spin-Off (§ 324 UmwG in conjunction with § 613a (4) sentence 1 BGB). The employer may, however, issue notice of termination on other grounds. According to § 323 (1) UmwG, the legal situation of the employees as regards termination of their employment cannot be changed to the disadvantage of the employees for a period of two years following the Completion Date.

i) Employee representation

aa) The effects on the businesses (*Betriebe*) within the meaning of German works constitution law (*Betriebsverfassungsrecht*) of Deutsche Telekom AG and Telekom Deutschland GmbH will be governed by the statutory provisions of the German Works Constitution Act (*Betriebsverfassungsgesetz*; hereinafter "**BetrVG**"), taking into account the existing or yet to be agreed provisions of collective agreements pursuant to § 3 BetrVG. Based on these provisions, the effects on the works council structure will be as follows:

(i) Businesses within the meaning of German works constitution law of Deutsche Telekom AG

The structure of the businesses within the meaning of German works constitution law of Deutsche Telekom AG is determined in a collective allocation agreement concluded with the ver.di trade union. The Spin-Off of the TGC Business Unit will not change the identity of the businesses defined in the collective allocation agreement of Deutsche Telekom AG. The local works councils will remain in office without any changes, as will the central works council.

(ii) Businesses within the meaning of German works constitution law of Telekom Deutschland GmbH

The TGC Business Unit will be integrated into the "Business Customers Wholesale – TD" business of Telekom Deutschland GmbH. The transferring employees from HR and finance functions will transition to the "Cross-Sectional Functions (F/HR/MD) – TD" business of Telekom Deutschland GmbH. The works councils in place at these businesses are competent for the transferring employees. The central works council of Telekom Deutschland GmbH will remain in place.

bb) The continued existence of Deutsche Telekom's group works council will remain unaffected by the Spin-Off. Should it become necessary to amend the group works agreement concerning the composition of the group works council, the relevant negotiations will be conducted with the group works council.

cc) The continued existence and the composition of the European works council established by agreement dated April 21, 2004 at Deutsche Telekom will remain unaffected by the Spin-Off.

dd) The application of the provisions of the German Codetermination Act of 1976 (*Mitbestimmungsgesetz 1976*; hereinafter "MitbestG") concerning the existence and the numerical composition of the Supervisory Board of Deutsche Telekom AG will remain unaffected by the Spin-Off. Should a member of Deutsche Telekom AG's Supervisory Board be among the employees transferred to Telekom Deutschland GmbH, this will not affect the membership in the Supervisory Board. The employees transferred to Telekom Deutschland GmbH will in future continue to have the right to vote and be elected in elections of employee representatives to the Supervisory Board of Deutsche Telekom AG on the same conditions as before. The application of

the provisions of the MitbestG concerning the existence and the numerical composition of the Supervisory Board of Telekom Deutschland GmbH will remain unaffected by the Spin-Off.

(3) NWI Business Unit

- a) It is intended that Telekom Deutschland GmbH will conclude a sale and transfer agreement with Deutsche Telekom Technik GmbH under which the NWI Business Unit is to be transferred from Telekom Deutschland GmbH to Deutsche Telekom Technik GmbH, subject to the condition precedent of completion of the Spin-Off by way of entry in the commercial register for Deutsche Telekom AG, with such transfer to take effect "one legal second" (*eine juristische Sekunde*) after the Spin-Off. The following provisions concerning the consequences of the Spin-Off for the employees of the NWI Business Unit apply in the event that the sale and transfer agreement is executed as planned. Should the sale and transfer agreement not be executed, the provisions in paragraph 2 above will apply *mutatis mutandis* to the employees of the NWI Business Unit, instead of the following provisions.
- b) All employment contracts existing at Deutsche Telekom AG on the Completion Date which are attributable to the NWI Business Unit will be transferred by operation of law to Deutsche Telekom Technik GmbH as of the Completion Date in accordance with § 613a (1) sentence 1 BGB, since the actual power of direction (*tatsächliche Leitungsmacht*) is transferred directly from Deutsche Telekom AG to Deutsche Telekom Technik GmbH; for the avoidance of doubt, however, it is understood between the parties that, irrespective of the above, as between Deutsche Telekom AG and Telekom Deutschland GmbH the employment contracts attributable to the NWI Business Unit will be deemed to have been transferred, pursuant to § 3 (1), (i) as of the Spin-Off Date to Telekom Deutschland GmbH and (ii) as of the Completion Date from Telekom Deutschland GmbH to Deutsche Telekom Technik GmbH. Telekom Deutschland GmbH will not assume the actual power of direction.
- c) Deutsche Telekom Technik GmbH will enter into the rights and obligations under the employment contracts in place with the employees of the NWI Business Unit in accordance with § 613a (1) sentence 1 BGB. The effective date of transfer of the employment contracts will be the date of entry of the Spin-Off in the commercial register for Deutsche Telekom AG, except where employees concerned object to such transfer in accordance with § 613a (6) BGB or the employment ends before the effective date of transfer of the employment contracts.
- d) Annex 24.3 contains a list of Deutsche Telekom AG staff attributable to the NWI Business Unit (employees including civil servants employed on the basis of a suspension of their civil servant status).
- e) As from the Business Transfer, Deutsche Telekom Technik GmbH will be liable for all claims under employment contracts attributable to the NWI Business Unit, including claims constituted prior to the Business Transfer. Pursuant to § 613a (2) BGB, Deutsche Telekom Technik GmbH and Deutsche Telekom AG will be liable as joint and several debtors for any claims under employment contracts attributable to the NWI Business Unit which were constituted prior to the Business Transfer and fall due within one year following the Business Transfer. Where such claims fall due after the date of the Business Transfer, however, Deutsche Telekom AG will only be liable to an extent corresponding to the part of their assessment period that ended on the date of the Business Transfer.

- f) The additional joint and several liability of Telekom Deutschland GmbH for obligations under the employment contracts attributable to the NWI Business Unit constituted before the Spin-Off takes effect will be as provided for in § 133 UmwG. However, Telekom Deutschland GmbH will only be liable under § 133 UmwG for these obligations if they have fallen due and claims based on these obligations have been established in a manner as described in § 197 (1) nos. 3 to 5 BGB or enforcement action has been taken by or applied for with a court or authority within five years of the publication of the registration of the Spin-Off in the commercial register for Deutsche Telekom AG. For any pension obligations created under the Company Pensions Act prior to the Completion Date, the limitation period referred to in the preceding sentence will be ten years.
- g) The employees will be notified of the transfer of their employment in accordance with § 613a (5) BGB. In line with § 613a (6) BGB, they have the option to object to the transfer of their employment in writing within one month of receipt of the notification. If an employee objects, the employment contract with Deutsche Telekom AG will remain in place. However, an objecting employee may – following a review of the individual circumstances – probably have to expect a termination of his or her employment on the grounds of redundancy due to a lack of opportunities for continued employment.
- h) In detail, the following applies to the current employees of the NWI Business Unit:
- aa) Collective agreements
    - (i) Insofar as collective agreements were directly applicable to the employment prior to the transfer and the employee is bound by collective agreements, the terms and conditions of employment stipulated in such collective agreements will, based on § 613a (1) sentence 2 BGB, generally become part of the employment relationship between the employee and Deutsche Telekom Technik GmbH after the Business Transfer and will continue to apply as amended at the time of the Business Transfer (static continued application). Such terms and conditions may not be amended to the disadvantage of the employee for a period of one year following the transfer.
    - (ii) The provision described in sub-paragraph (i) above will not apply, however, insofar as collective agreements are in place at Deutsche Telekom Technik GmbH which have been concluded between the German Employers' Association for Telecommunication and IT (agv community) and the ver.di trade union and which also apply at Deutsche Telekom AG. Where this is the case, the collective agreements continue to apply in the same way as before. Deutsche Telekom Technik GmbH is a member of the Employers' Association for Telecommunication and IT (agv community) and as such has committed itself to be bound by collective agreements. As a result of such membership, the same general association collective agreements that are applicable at Deutsche Telekom AG also apply for Deutsche Telekom Technik GmbH.
    - (iii) The provision described in sub-paragraph (i) above will also not apply insofar as collective agreements governing the same subject-matter

have been or will be concluded between Deutsche Telekom Technik GmbH and the ver.di trade union. Where this is the case, the provisions applicable at Deutsche Telekom Technik GmbH will replace the provisions previously applicable at Deutsche Telekom AG. This applies to employees bound by collective agreements based on the statutory provision contained in § 613a (1) sentence 3 BGB.

- (iv) Deutsche Telekom Technik GmbH has concluded its own collective agreements with the ver.di trade union, for example a blanket collective agreement, a collective wage agreement and a collective wage framework agreement. These collective agreements replace the corresponding collective agreements in place at Deutsche Telekom AG. The migration into the set of collective agreements in place at Deutsche Telekom Technik GmbH is to be facilitated by a collective agreement "Special Arrangements" (TV SR). In this context, special arrangements and vested claims and expectancies existing under collective agreements in place at Deutsche Telekom AG are to be accounted for. Individual claims may be capitalized. The protection level is to be in line with the usual group standards for TV SRs.
- (v) Insofar as individual provisions of collective agreements apply to employees who are not generally bound by collective agreements based on a reference clause contained in relevant the employment contract, the question of which collective agreements apply will depend on which collective agreements are specifically referred to in the employment contract.

bb) Works agreements

- (i) The NWI Business Unit is to be integrated into the "Center Core (C C)" (*Zentrum Core (Z C)*) business of Deutsche Telekom Technik GmbH. The transferring employees from HR and finance functions of the NWI Business Unit will transition to the "Technical Branch West, Management Board DT Technik GmbH" (*Technik Niederlassung West, Management Board DT Technik GmbH*) business.
- (ii) The works agreements and central works agreements applicable to the NWI Business Unit at Deutsche Telekom AG on the Completion Date will not continue to apply with normative effect after the Business Transfer. The rights and obligations stipulated in works agreements or central works agreements will become part of the employment relationship in line with § 613a (1) sentence 2 BGB and will continue to apply as amended at the time of the Business Transfer (static continued application). According to § 613a (1) sentence 2 BGB, the rights and obligations which have thus become part of the employment relationship may not be changed to the disadvantage of the employee before the expiry of one year following the date of the transfer. § 613a (1) sentence 2 BGB will not apply insofar as the provisions are replaced by collective-law provisions existing at

Deutsche Telekom Technik GmbH which govern the same subject-matter.

- (iii) In all other respects, the application of group works agreements of Deutsche Telekom AG will not be affected by the Spin-Off.

cc) Pension commitments

The company pension arrangements for the employees of the NWI Business Unit are governed by company collective agreements of Deutsche Telekom Technik GmbH and group works agreements of Deutsche Telekom AG. As regards the legal consequences of the Spin-Off, reference is made to paragraphs a), b) and c) and/or h) aa) and h) bb) above.

- i) In deviation from paragraphs a) to h), the personnel-related liabilities, in particular the pension provisions, will be transferred in full in the context of the Spin-Off of the NWI Business Unit to Telekom Deutschland GmbH with economic effect as of the Spin-Off Date and, in a second step, from Telekom Deutschland GmbH to Deutsche Telekom Technik GmbH under the sale and transfer agreement. The sale and transfer agreement will also contain corresponding provisions concerning insolvency protection for the transferred obligations under partial retirement schemes, long-term time accounts and lifetime working time accounts. In addition, the sale and transfer agreement is to contain a clause stipulating that corresponding substitute assets will be provided as replacement for the currently existing CTA asset protection instruments.

j) Termination

The employer is prohibited by law from issuing notice of termination on the grounds of the Transfer of Business (§ 613a (4) sentence 1 BGB). The employer may, however, issue notice of termination on other grounds.

k) Employee representation

- aa) The effects on the businesses within the meaning of German works constitution law of Deutsche Telekom AG and Deutsche Telekom Technik GmbH will be governed by the statutory provisions of the BetrVG, taking into account the existing or yet to be agreed provisions of collective agreements pursuant to § 3 BetrVG. Based on these provisions, the effects on the works council structure will be as follows:

- (i) Businesses within the meaning of German works constitution law of Deutsche Telekom AG

The structure of the businesses within the meaning of German works constitution law of Deutsche Telekom AG is determined in a collective allocation agreement concluded with the ver.di trade union. The Spin-Off of the NWI Business Unit will not change the identity of the businesses defined in the collective allocation agreement of Deutsche Telekom AG. The local works councils will remain in office without any changes, as will the central works council.

- (ii) Businesses within the meaning of German works constitution law of Deutsche Telekom Technik GmbH

The NWI Business Unit will be integrated into the "Center Core (C C)" business of Deutsche Telekom Technik GmbH. The transferring employees from HR and finance functions of the NWI Business Unit will transition to the "Technical Branch West, Management Board DT Technik" (*Technik Niederlassung West, Management Board DT Technik*) of Deutsche Telekom Technik GmbH. The works councils in place at these businesses are competent for the transferring employees. The central works council of Deutsche Telekom Technik GmbH will remain in place.

- bb) The continued existence of Deutsche Telekom's group works council will remain unaffected by the Spin-Off. Should it become necessary to amend the group works agreement concerning the composition of the group works council, the relevant negotiations will be conducted with the group works council.
- cc) The continued existence and the composition of the European works council established by agreement dated April 21, 2004 at Deutsche Telekom will remain unaffected by the Spin-Off.
- dd) The application of the provisions of the MitbestG concerning the existence and the numerical composition of the Supervisory Board of Deutsche Telekom AG will remain unaffected by the Spin-Off. Should a member of Deutsche Telekom AG's Supervisory Board be among the employees transferred to Deutsche Telekom Technik GmbH, this will not affect the membership in the Supervisory Board. The employees transferred to Deutsche Telekom Technik GmbH will in future continue to have the right to vote and be elected in elections of employee representatives to the Supervisory Board of Deutsche Telekom AG on the same conditions as before. The application of the provisions of the MitbestG concerning the existence and the numerical composition of the Supervisory Board of Deutsche Telekom Technik GmbH will remain unaffected by the Spin-Off and the completion of the planned sale and transfer agreement between Telekom Deutschland GmbH and Deutsche Telekom Technik GmbH."

(b) § 25 (Consequences for the civil servants)

- "(1) For civil servants working at Deutsche Telekom AG on the Completion Date on the basis of an ongoing suspension of their civil servant status granted for the purpose of employment at Deutsche Telekom AG, such suspension will be revoked. A new suspension offer will be made at Telekom Deutschland GmbH (for suspended civil servants working in the TGC Business Unit) and at Deutsche Telekom Technik GmbH (for suspended civil servants working in the NWI Business Unit); in this context, it will not be examined whether the job performed by the individual in question is appropriate in terms of his or her civil servant status. The suspension at Telekom Deutschland GmbH or Deutsche Telekom Technik GmbH will be for a period at least equal to the remainder of the original suspension period. In all other respects, the rules customary in the Group will apply. In the event that the remainder of the original suspension period is shorter than the standard extension period applicable under the rules customary in the Group, the suspension period will be extended by the standard extension period.

- (2) The transferring staff who previously worked in the capacity of active civil servants will be deployed at Telekom Deutschland GmbH or Deutsche Telekom Technik GmbH on the basis of allocation under German civil service law. The employer's decision and the option of subsequent suspension and conclusion of an employment contract will remain unaffected by the foregoing. In all other respects, the rules customary in the Group will apply."

#### 5.8 Part 7 of the Spin-Off Agreement (Other Provisions)

(a) § 26 (Effectiveness)

§ 26 of the Spin-Off Agreement clarifies that the Spin-Off Agreement will take effect only once the shareholders' meeting of Deutsche Telekom AG and the shareholders' meeting of Telekom Deutschland GmbH have approved it. The Spin-Off further requires the registration in the commercial register for Deutsche Telekom AG in order to become effective. This can only take place once the Spin-Off has been entered in the commercial register for Telekom Deutschland GmbH.

(b) § 27 (Change of Spin-Off Date)

§ 27 of the Spin-Off Agreement provides that if the Spin-Off has not been entered in the commercial register for Deutsche Telekom AG by the end of December 31, 2020, the beginning of January 1, 2021 will be deemed the Spin-Off Date, in deviation from § 3 (1) of the Spin-Off Agreement. In this case, the Spin-Off will be based on the Deutsche Telekom AG balance sheet as at December 31, 2020 as the closing balance sheet. Should registration be delayed beyond December 31 of the following year, the Spin-Off Date and the record date for the closing balance sheet will be postponed in each case by one additional year in line with above provisions. The same applies with regard to the Transfer Date for Tax Purposes pursuant to § 3 (4) of the Spin-Off Agreement. Where reference is made in the Spin-Off Agreement to § 3 (1) of the Spin-Off Agreement, or the Spin-Off Date is otherwise mentioned or referred to, the provisions of § 27 of the Spin-Off Agreement must be observed. It is intended to file the application for registration of the spin-off in such a way that the change of the Spin-Off Date, which is permitted pursuant to § 27 of the Spin-Off Agreement by way of utmost precaution, does not occur.

(c) § 28 (Reservation of right of rescission)

§ 28 of the Spin-Off Agreement allows each party to rescind the Spin-Off Agreement if the Spin-Off has not taken effect by the end of December 31, 2020. The declaration of rescission, which can be issued only on or after January 1, 2021, must be sent by registered letter (registered letter with personal delivery (*Übergabeeinschreiben*), registered letter with return receipt (*Einschreiben mit Rückschein*) or registered letter to be delivered to the mailbox (*Einwurf-Einschreiben*)). The rescission will take immediate effect. Each party may waive any existing rights of rescission.

(d) § 29 (Protection of creditors and settlement as between the parties)

Insofar as the Spin-Off Agreement does not provide for any other sharing of burdens and liability under or in connection with the Spin-Off Assets, the following will apply pursuant to § 29 of the Spin-Off Agreement:

If and to the extent Deutsche Telekom AG is held liable by creditors – based on the provisions in § 133 UmwG or any other provisions – for any liabilities, obligations or relationships involving liability which are to be transferred to Telekom Deutschland GmbH in accordance with the Spin-Off Agreement, Telekom Deutschland GmbH must indemnify Deutsche Telekom AG against the respective obligation on first demand. The same applies if such creditors assert claims against Deutsche Telekom AG for the provision of security.



If and to the extent Telekom Deutschland GmbH in turn is held liable by creditors – based on the provisions in § 133 UmwG or any other provisions – for any liabilities, obligations or relationships involving liability which are not to be transferred to Telekom Deutschland GmbH in accordance with the Spin-Off Agreement, Deutsche Telekom AG must indemnify Telekom Deutschland GmbH against the respective obligation on first demand. The same applies if such creditors assert claims against Telekom Deutschland GmbH for the provision of security.

The effects of these provisions have already been explained in more detail in Section 4.1 (e) above of this Report.

(e) § 30 (Costs)

§ 30 of the Spin-Off Agreement contains the following provision concerning costs: all costs incurred by the parties in connection with the preparation, conclusion and completion of the Spin-Off Agreement (in particular advisory and notarial costs, costs of advance tax rulings, costs of the shareholders' meetings held for the purpose of approval, costs of the capital increase stipulated in § 22 (2) of the Spin-Off Agreement as well as fees for the services provided by certified accountants in connection with the Spin-Off and takeover) will be borne by Deutsche Telekom AG. Deutsche Telekom AG will also bear the costs incurred by the parties in connection with the Spin-Off Agreement should the Spin-Off not become effective.

(f) § 31 (Final provisions)

§ 31 of the Spin-Off Agreement contains the usual final provisions.

The double written-form clause in § 31 (1) of the Spin-Off Agreement ensures that any amendments and supplements to the Spin-Off Agreement must be made in writing in order to be effective, unless any further-reaching form requirements exist.

Furthermore, § 31 (2) of the Spin-Off Agreement specifies that all Annexes to the Spin-Off Agreement are integral parts thereof. The Spin-Off Agreement has the Annexes listed below:

- Annex 3.3 contains Deutsche Telekom AG's annual financial statements as at December 31, 2019 (24:00 hrs), which have been audited and endorsed with an unqualified audit certificate by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The Spin-Off will be effected on the basis of the balance sheet contained in these annual financial statements – subject to a change of the Spin-Off Date pursuant to § 27 of the Spin-Off Agreement – as Closing Balance Sheet pursuant to § 125 sentence 1, § 17 (2) of the German Transformation Act (*Umwandlungsgesetz*).
- Annex 4.4 contains the Spin-Off Balance Sheet for the DTGC Business Area, which has been derived from the Closing Balance Sheet (Annex 3.3). The Spin-Off Balance Sheet shows the assets and liabilities of the DTGC Business Area that are eligible for balance-sheet reporting and form part of the Spin-Off Assets. In addition, the Spin-Off Balance Sheet shows further assets and liabilities which are eligible for balance-sheet reporting and are based on the arrangements made between Deutsche Telekom AG and Telekom Deutschland GmbH in the Spin-Off Agreement or which otherwise result from the Spin-Off.
- Annex 5.4 contains a list of software (computer programs with the pertaining data and similar works) regarding which all rights (including licenses and rights of use) are attributable to the DTGC Business Area and thus form part of the Spin-Off Assets. This software is identified in the Annex by way of the asset number under which it is recorded in the SAP-based "One.Finance" system of Deutsche Telekom AG, or by way of the software license agreements

relating to the software and the reference number under which these agreements are recorded in "SmartTrack", the central license management tool of Deutsche Telekom AG.

- Annex 6.2 contains a list of the tangible fixed assets which are attributable to the DTGC Business Area and thus form part of the Spin-Off Assets. These tangible fixed assets are identified in the Annex by way of the asset number under which they are recorded in the SAP-based "One.Finance" system of Deutsche Telekom AG.
- Annex 8.2 contains a list of trade receivables which are attributable to the DTGC Business Area and thus form part of the Spin-Off Assets. These receivables are identified in the Annex by way of the customer number under which the customers are recorded in the SAP-based "Carrier & Serviceprovider Billing" system of Deutsche Telekom AG, and/or by way of the general ledger account allocation in the SAP-based "One.Finance" system of Deutsche Telekom AG.
- Annex 8.3 contains a list of receivables due from affiliated companies and companies in which equity interests are held which are attributable to the DTGC Business Area and thus form part of the Spin-Off Assets. These receivables are identified in the Annex by way of the customer number and the trading partner number under which the customers are recorded in the SAP-based "Carrier & Serviceprovider Billing" system of Deutsche Telekom AG, and/or by way of the general ledger account allocation in the SAP-based "One.Finance" system of Deutsche Telekom AG.
- Annex 8.5 states the credit balance amount of the DTGC Business Area resulting from the internal cash management of the company as at the Spin-Off Date. This credit balance amount is intended to be constituted on the Completion Date (within the meaning of § 19 (1) of the Spin-Off Agreement) – with economic effect as of the Spin-Off Date – at Telekom Deutschland GmbH as a genuine claim due from Deutsche Telekom AG.
- Annex 9 contains a list of inventories and other current assets which are attributable to the DTGC Business Area and thus form part of the Spin-Off Assets. These inventories and other current assets are identified in the Annex by way of the general ledger account allocation in the SAP-based "One.Finance" accounting system of Deutsche Telekom AG.
- Annex 11.2 contains a list of trade payables which are attributable to the DTGC Business Area and thus form part of the Spin-Off Assets. These trade payables are identified in the Annex by way of the vendor number under which suppliers are recorded in the SAP-based "Carrier & Serviceprovider Billing" system of Deutsche Telekom AG, and/or by way of the general ledger account allocation in the SAP-based "One.Finance" system of Deutsche Telekom AG.
- Annex 11.3 contains a list of liabilities due to affiliated companies and companies in which equity interests are held which are attributable to the DTGC Business Area and thus form part of the Spin-Off Assets. These liabilities are identified in the Annex by way of the vendor number and trading partner number under which suppliers are recorded in the SAP-based "Carrier & Serviceprovider Billing" system of Deutsche Telekom AG, and/or by way of the general ledger account allocation in the SAP-based "One.Finance" system of Deutsche Telekom AG.
- Annex 11.5 contains a list of other liabilities and (uncertain) obligations, risks and expenses (except for those for which personnel provisions have been set up) which are attributable to the DTGC Business Area and thus form part of the Spin-Off Assets. These liabilities, obligations, risks and expenses are identified in the Annex by way of the general ledger

account allocation in the SAP-based "One.Finance" accounting system of Deutsche Telekom AG.

- Annex 12.7 contains information on the scope of the personnel-related receivables, personnel provisions and obligations (personnel) that are transferred to Telekom Deutschland GmbH as a result of the Spin-Off. This scope is identified in the Annex by way of actuarial individual valuation results based on lists of transferring employees.
- Annex 14.2 contains a list of agreements and legal interests as well as categories of agreements which are attributable to the DTGC Business Area and thus form part of the Spin-Off Assets. These agreements, legal interests and categories of agreements are listed in the Annex broken down by the performance areas International Carrier Services, Commercial Roaming Services and Aviation Services as well as the NWI Sub-Area.
- For International Carrier Services, the agreements and legal interest are identified (among other things) by way of the customer number (TSAM) and, if available, Contract DB Name and/or Order ID under which they are recorded in the Salesforce system used by Deutsche Telekom AG or the IPS (ICSS Prebilling System) of Deutsche Telekom AG.
- For Commercial Roaming Services, the agreements and legal interests are identified by way of the client number and customer number under which they are recorded in the SAP-based "Carrier & Serviceprovider Billing" system or the SAP-based "One.Finance" system of Deutsche Telekom AG.
- For Aviation Services, the agreements and legal interests are identified by way of a reference to a contract identification number affixed to the documentation of the agreements and legal interests as well as the storage location of the documentation, or by way of the contracting partners, the designation of the relevant agreement and the signing date.
- For the NWI Sub-Area, the agreements and legal interests are identified by way of the category and reference number under which they are recorded either in the SAP "One.PSL" system or in the "One.Source 2.0" system of Deutsche Telekom AG, or by way of the category of agreement and the contracting partners.
- Annex 24.2 contains a list of Deutsche Telekom AG staff attributable to the TGC Business Unit (employees including civil servants employed on the basis of a suspension of their civil servant status). These staff members are identified by way of their SAP personnel number.
- Annex 24.3 contains a list of Deutsche Telekom AG staff attributable to the NWI Business Unit (employees including civil servants employed on the basis of a suspension of their civil servant status). These staff members are identified by way of their SAP personnel number.

§ 31 (3) of the Spin-Off Agreement contains a customary severability clause which provides that should individual provisions of the Spin-Off Agreement be or become invalid or impracticable, this is intended not to affect the validity of the remainder of the Spin-Off Agreement. The invalid or impracticable provision is to be replaced by a provision that is permissible and comes as close as possible to the economic effect of the invalid or impracticable provision. It is the express intention of the parties to the Spin-Off Agreement that the provision contained in § 31 (3) of the Spin-Off Agreement should not be construed as a mere reversal of the burden of proof but as an exclusion of the application of § 139 *BGB*.

By way of supplement, § 31 (4) of the Spin-Off Agreement clarifies that should the transfer of a particular Asset envisaged in the Spin-Off Agreement prove to be ineffective or should it fail for any

other reason, this will in no event affect the transfer of the remaining Assets as provided for in the Spin-Off Agreement.

§ 31 (5) of the Spin-Off Agreement sets out the understanding of the parties that the Spin-Off Agreement is governed by German law.

§ 31 (6) of the Spin-Off Agreement conclusively states that the parties intend to amicably settle all disputes that may arise from or in connection with the Spin-Off Agreement. Failing this, it is the parties' intention that the Regional Court (*Landgericht*) of Bonn will have exclusive jurisdiction, to the extent legally permissible, to settle any disputes arising out of or in connection with the Spin-Off Agreement.

## **6. EFFECTS OF THE SPIN-OFF ON THE SHAREHOLDERS OF DEUTSCHE TELEKOM AG, THE SHARES AND STOCK EXCHANGE TRADING**

### **6.1 No effects of the spin-off on the shareholders of Deutsche Telekom AG**

The spin-off will not have any effects on the position of the shareholders of Deutsche Telekom AG. The responsibility for the DTGC Business Area including the pertaining equity interests, however, will in future no longer be incumbent upon the Board of Management of Deutsche Telekom AG but upon the Management of Telekom Deutschland GmbH.

However, under the existing control agreement (see Section 2.1(b)(viii)(B) above), the Board of Management of Deutsche Telekom AG remains entitled to issue instructions to the Management of Telekom Deutschland GmbH also in respect of the operational management of the DTGC Business Area, and thus to exert an influence over the Management, including with regard to decisions on the day-to-day business. It is not intended to terminate this control agreement.

The uniform management of Telekom Deutschland GmbH will, in addition, be ensured by way of the double function held by Dr. Dirk Wössner as a member of the Board of Management of Deutsche Telekom AG and spokesman of the Management of Telekom Deutschland GmbH.

The members of the Management of Telekom Deutschland GmbH are appointed and monitored by the Supervisory Board of Telekom Deutschland GmbH. The shareholder representatives in the Supervisory Board of Telekom Deutschland GmbH are appointed by Deutsche Telekom AG as sole shareholder, represented by its Board of Management. § 32 (1) Codetermination Act requires that the Supervisory Board of Deutsche Telekom AG, whose shareholder representatives are elected by the shareholders' meeting of Deutsche Telekom AG, must be given the opportunity to participate in such appointment. Moreover, the shareholders' meeting of Deutsche Telekom AG must be involved in any structural measures at the level of Telekom Deutschland GmbH which affect the corporate purpose of Deutsche Telekom AG or qualify as a fundamental decision for the shareholders' meeting of the parent company in line with the case law developed by the German Federal Court of Justice known as the Holz Müller/Gelatine doctrine.

### **6.2 No effects of the spin-off on the shares of Deutsche Telekom AG**

The spin-off will not have any effects on the shares of Deutsche Telekom AG.

### **6.3 No effects of the spin-off on the stock exchange trading in Deutsche Telekom AG securities**

The spin-off will not have any effects on the stock exchange trading in Deutsche Telekom AG shares.

#### 6.4 No effects of the spin-off on the dividend policy of Deutsche Telekom AG

It is not intended to change the dividend policy of Deutsche Telekom AG following the spin-off. Owing to the profit and loss transfer agreement in place between Deutsche Telekom AG and Telekom Deutschland GmbH, the result of operations of the DTGC Business Area will also in future be directly reflected in the result of Deutsche Telekom AG, together with the results of the other operations of Telekom Deutschland GmbH. Provided the result takes the form of profits, these will be available for allocation to reserves, profit distributions or balancing of potential losses in the same way as before. Accordingly, there will be no reason to change the dividend policy following the spin-off.

While the planned fair-value recognition of the new share in Telekom Deutschland GmbH under German GAAP will, owing to the realization of hidden reserves, increase the shareholders' equity of Deutsche Telekom AG as reported in its balance sheet under GAAP, this will be a one-off effect of an intra-group measure impacting only the balance sheet under German GAAP. The earnings performance of Deutsche Telekom Group will not be affected. Hence, despite the positive effect on the unappropriated net earnings (calculated in line with German GAAP), and thus on the amount available for distribution to the shareholders under German stock corporation law, this effect on the balance sheet under German GAAP will not necessitate any change in Deutsche Telekom AG's dividend policy.

Bonn, May 5, 2020

*Signature*

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Timotheus Höttges  
Deutsche Telekom AG

*Signature*

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Adel Al-Saleh  
Deutsche Telekom AG

*Signature*

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Birgit Bohle  
Deutsche Telekom AG

*Signature*

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Srinivasan Gopalan  
Deutsche Telekom AG

*Signature*

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Dr. Christian P. Illek  
Deutsche Telekom AG

*Signature*

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Thorsten Langheim  
Deutsche Telekom AG

*Signature*

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Claudia Nemat  
Deutsche Telekom AG

*Signature*

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Dr. Dirk Wössner  
Deutsche Telekom AG

Bonn, May 6, 2020

*Signature*

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Dr. Dirk Wössner  
Telekom Deutschland GmbH

*Signature*

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Dr. Ferri Abolhassan  
Telekom Deutschland GmbH

*Signature*

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Walter Goldenits  
Telekom Deutschland GmbH

*Signature*

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