

Report of the Management Board on agenda item 5

The amendment of the Authorised Capital (Authorised Capital 2021/I) is proposed at the Annual General Meeting under agenda item 5. In accordance with the legal revision of the entire authorisation, the Management Board submits the full report in accordance with Section 203 para. 2 sent. 2 in combination with Section 186 para. 4 sent. 2 of the German Stock Corporation Act (AktG).

The previous Authorised Capital 2021/I was approved by the Annual General Meeting on 20 January 2021 for a period of five years. This authorisation has not been exercised thus far. The capital increase with subscription rights also approved on 20 January 2021 is expected to be entered into the commercial register on 12 May 2021 whereupon the Company's share capital will then amount to EUR 273,666,138. The Authorised Capital 2021/I will now be adjusted in accordance with the current share capital amount in order to ensure that the Company will also remain capable of covering its financial needs quickly and flexibly to an appropriate amount in the future. The legal amendment will be carried out by issuing a new version of the entire authorisation and cancelling the previous Authorised Capital 2021/I.

Therefore, Section 4 para. 5 of the Articles of Association will be revised by resolution of the Annual General Meeting on 28 May 2021. Agenda item 5 proposes the creation of a newly revised Authorised Capital of up to EUR 136,883,068 against cash contributions and/or contributions in kind by issuing up to 136,883,068 new, registered no-par value shares with a pro rata share capital amount of EUR 1.00 (Authorised Capital 2021/I). The proposed Authorised Capital 2021/I is intended to enable the Company's management to increase equity capital quickly and flexibly when necessary for the following five years. The corresponding change in the amount compared to the Authorised Capital created on 20 January 2021 is intended to serve as an adjustment to the new capital structure as a consequence of the effectiveness of the capital increase with subscription rights also approved on 20 January 2021.

The Company intends to further expand its fibre optic network. This also requires extensive investment. The necessary funds will have to be provided in part as equity due to the Company's already high level of debt. Kublai GmbH has agreed to inject a further EUR 75 million into the Company. It is particularly important that financing options are available to the Company independently of the Annual General Meeting cycle, as it is not always possible to determine in advance when funding is required. In addition to investments in network expansion, acquisitions may also require equity. Moreover, such transactions can frequently only be carried out successfully in competition with other interested parties if the financing has already been secured upon commencing negotiations. Finally, the Company may need to reduce its level of debt in order to achieve greater financial leeway or to avoid breaching covenants in loan agreements. Legislation has addressed the resulting need of the companies in this regard and has granted public limited companies the option of authorising the

management to increase the share capital without a further Annual General Meeting resolution for a limited period of time and to a limited amount.

When utilising the Authorised Capital, the shareholders always have a subscription right. Accordingly, the shares may also be acquired by a bank or a company operating as such (financial institution) in accordance with Section 53 para. 1 sent. 1 of the German Banking Act (KWG) or Section 53b para. 1 sent. 1 or para. 7 of the German Banking Act (KWG) or a syndicate of such banks or financial institutions with the obligation to offer them to the Company's shareholders for subscription (indirect subscription right in accordance with Section 186 para. 5 of the German Stock Corporation Act (AktG)).

However, in accordance with the resolutions proposed under agenda item 5, the Management Board will be authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription rights in the specific cases described below.

- Subscription rights will be excluded for fractional amounts. This is intended to facilitate the processing of issuing shares with a fundamental subscription right for shareholders. Fractional amounts can arise as a result of the ratio between the issue volume, the number of issued shares and the subscription ratio. In other words, fractional amounts occur when the number of new shares per existing share is not a whole number. The value of such fractional amounts is generally low for the individual shareholders, whereas the leeway for an issue without such an exclusion is significantly reduced. The possible dilution effect is also generally negligible due to the restriction of fractional amounts. The new shares excluded from the subscription right due to the fractional amounts will be utilised in the best possible manner for the Company. Therefore, the exclusion of the subscription right serves the practicability and facilitates the issuing of shares and is in the interest of the Company and its shareholders. When determining the subscription ratio, the Management Board will consider the shareholders' interest in minimising the volume of fractional shares.
- Furthermore, it should be possible to exclude the subscription right to the extent that holders or creditors of option rights or convertible bonds or participation rights issued by the Company or its subordinate Group companies, are entitled to conversion or subscription rights to new shares in accordance with the terms of issue or where a conversion or subscription obligation or a share delivery right exists due to such instruments. In order to facilitate placement on the capital market, the terms for warrant bonds and convertible bonds usually provide protection against dilution, which ensures that the holders or creditors of the warrant bonds or convertible bonds or participation rights are granted subscription rights to these shares in the event of subsequent issues of shares, as is the case for shareholders. Therefore, the holders or creditors of the warrant bonds or convertible bonds or participation

rights are treated as though they had exercised their conversion or subscription rights or as though their option or conversion obligations had been triggered or their share delivery rights had been exercised and as though the holders or creditors of the warrant bonds or convertible bonds or participation rights were shareholders. In order to protect the relevant issues (warrant bonds and convertible bonds or participation rights) against dilution, the shareholders' subscription rights to these shares must be excluded. This serves to facilitate the placement of the issues and, therefore, safeguard the interest of the Company and its shareholders in the optimal financial structure of the Company. The Company currently has no authorisation to issue warrant bonds or convertible bonds. However, this may change in the future. If such authorisation is approved by the Annual General Meeting, it is no longer necessary to amend this Authorised Capital.

- It should also be possible to exclude shareholders' subscription rights in the case of capital increases against contributions in kind. This option to exclude subscription rights is intended to enable the Management Board, with the approval of the Supervisory Board, to utilise shares in the Company in appropriate cases to acquire companies, parts of companies or investments in companies or to acquire other assets, which also include receivables, including loan receivables. This is intended to enable the Company to react quickly and flexibly to advantageous offers or other opportunities that occur on national and international markets to acquire companies or interests in companies or other assets or to merge with companies that are active in related business areas. Not infrequently, shares rather than money must be provided as consideration. A consideration in shares can be a very attractive option for sellers as it enables them to benefit from synergies arising from the merger of both companies over the long term. Consideration in shares can facilitate an agreement with the seller regarding the purchase price. Therefore, it creates an advantage over the competition with a view toward interesting acquisition targets as well as the necessary leeway to take advantage of opportunities that arise to acquire companies, parts of companies and interests in companies or to acquire other assets. Assets that can be acquired as contributions in kind also include receivables due from the Company. The option of settling such liabilities against the issue of new shares rather than in cash enables the Company to preserve its liquidity and improve its financing structure. Therefore, the Management Board is of the opinion that the proposed authorisation to exclude subscription rights is in the interest of the Company and its shareholders. The Company will not suffer any disadvantage as a consequence as stock corporation law requires that, when issuing shares against contributions in kind, the value of the contribution in kind be in reasonable relation to the value of the shares. When determining the valuation ratio, the Management Board will ensure that the interests of the Company and

its shareholders remain adequately represented and that the Company receives an appropriate consideration for the new shares. For this purpose, it will duly consider the stock market price of the Company's shares and obtain support from external expertise to the extent that this is possible and reasonable in each individual case.

- It should be possible to exclude the subscription right if the new shares are issued at an amount that is not significantly lower than the stock market price of shares in the Company in the case of capital increases in accordance with Section 186 para. 3 sent. 4 of the German Stock Corporation Act (AktG). This authorisation enables the Company to take advantage of market opportunities in its various business segments quickly and flexibly and to cover any capital requirements arising in this context or for other operational reasons, even at very short notice if necessary. The exclusion of subscription rights not only enables the Company to act more quickly but also to issue the shares at a price close to the market price, namely without the reduction usually required for issues with subscription rights. This leads to higher issue proceeds, which the Company then benefits from. In addition, such an issue can serve to attract new shareholder groups. The German Stock Corporation Act (AktG) does not set a fixed limit for the reduction. If the authorisation is exercised, the Management Board will, with the approval of the Supervisory Board, set the reduction as low as possible in accordance with the market conditions prevailing at the time of the issue, taking into account the legal requirements. The shares issued under exclusion of subscription rights in accordance with Section 186 para. 3 sent. 4 of the German Stock Corporation Act (AktG) may not exceed a total of 10% of the share capital, neither at the time the resolution is adopted nor, if this amount is lower, at the time the authorisation granted by the Annual General Meeting is exercised. Shares which the Company issues or acquires during the term of the authorisation as part of a capital increase and then resells are to be counted towards this limit if and to the extent that the subscription right is excluded in accordance with Section 186 para. 3 sent. 4 of the German Stock Corporation Act (AktG) or the shares are resold in accordance with this provision. If convertible bonds or warrant bonds or participation rights are issued during the term of the authorisation, excluding shareholders' subscription rights in accordance with Section 221 para. 4 sent. 2 in conjunction with Section 186 para. 3 sent. 4 of the German Stock Corporation Act (AktG), the shares for which a conversion or option right, a conversion or option obligation or a share delivery right exists in favour of the Company on the basis of these instruments shall also be taken into account. In accordance with the statutory provisions, this structure takes account of the shareholders' need for protection against dilution of their shareholdings. Due to the limitation of the scope of the capital increase without subscription rights, each shareholder essentially has the opportunity to acquire the shares required to

maintain their share quota on the stock exchange at approximately the same conditions. Therefore, it is ensured that, in accordance with the legal interpretation of Section 186 para. 3 sent. 4 of the German Stock Corporation Act (AktG), the interests of the Company regarding assets and voting rights are adequately safeguarded in the event that Authorised Capital 2021/I is utilised with the exclusion of subscription rights, while the Company is given further scope for action in the interests of all shareholders.

The approval of the Supervisory Board is required for all cases of exclusion of subscription rights proposed here.

The Management Board will also carefully consider each individual case to determine whether it will utilise the authorisation to increase the capital while excluding the shareholders' subscription rights. It will only do so if the Management Board and the Supervisory Board are of the opinion that this is in the interests of the Company and, therefore, of its shareholders.

Tele Columbus AG

Berlin, 26 April 2021

Dr Daniel Ritz (Chairman of the
Management Board)

Eike Walters (Management Board)