

Employees.

Competitive workforce // Service culture // Talent agenda // HR@2012

Fix – Transform – Innovate.

HR Big 4 to support our strategy and growth areas. To have an outstanding portfolio of products and services worldwide in our current core business and in our growth areas, we need effective, efficient, integrated company and workforce structures we constantly have to optimize. Our HR department supports us as a “partner for business” with its four strategic dimensions, called the HR Big 4: competitive workforce, service culture, talent agenda, and the HR-specific quality and efficiency program HR@2012. Our goal is

to promote a corporate culture that is based on entrepreneurial co-responsibility and creates a balance between being a highly-efficient service company and being a creative driver of innovation. We are also constantly improving our internal and external image as an employer and our talent management. We take steps to ensure that the Group has competent, dedicated employees at all times. With our diversity strategy we are trailblazers of a forward-looking HR and talent policy that combines a wide variety of personalities, talents and styles in a value-based corporate culture and taps this potential in a profitable manner.

Headcount development.

Employees in the Group	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Total	246,777	259,920	227,747
Of which: Deutsche Telekom AG ^a	35,855	49,122	44,645
Germany operating segment	76,478	81,336	85,637
Europe operating segment	63,338	71,163	39,140
United States operating segment	37,760	40,697	38,031
Systems Solutions operating segment	47,707	46,021	45,862
Group Headquarters & Shared Services	21,494	20,703	19,077
Breakdown by geographic area			
Germany	123,174	127,487	131,713
International	123,603	132,433	96,034
Of which: other EU Member States	68,941	76,196	45,115
Of which: rest of Europe	9,991	10,061	7,908
Of which: North America	38,467	41,235	38,621
Of which: rest of world	6,204	4,941	4,390
Productivity trend ^b			
Net revenue per employee	thousands of € 247	251	263

^a On account of the spin-off of the fixed network business, the figures are not comparable with the amounts for the previous year.

^b Average number of employees.



Personnel costs.

	2010 billions of €	2009 billions of €	2008 billions of €
Personnel costs in the Group	15.1	14.3	14.1
Special factors	1.0	0.5	1.1
Personnel costs in the Group adjusted for special factors	14.1	13.8	13.0
Net revenue	62.4	64.6	61.7
Adjusted personnel cost ratio	22.5	21.4	21.1
	%		
Personnel costs at Deutsche Telekom AG under German GAAP	3.4	4.0	3.9

Special factors: expenses for staff-related measures (■ for detailed information, please refer to the section "Development of business in the Group").

HR Big I: Competitive workforce.

Total Workforce Management: optimized deployment of human resources worldwide. Acting not only as a pioneer in our industry but also as a trend-setter among large corporations, we started introducing Total Workforce Management (TWM), initially in Germany, in 2008/2009. Based on our business strategy, TWM enables us for the first time to determine, plan and systematically improve the quality and quantity of our own workforce and necessary third-party providers. In 2010, we also rolled out TWM in Poland and Hungary and prepared the ground for introducing the system in the other national companies. This will allow us to effectively plan and manage strategy-based skills, value creation, quantity, and the cost of our own workforce and of third-party providers worldwide from 2011 onwards. As in Germany, we will for instance be able to use the system to analyze the costs and expertise of our internal and external workforce and tailor our HR structures to make our operations even more efficient. In 2010, integrated skill and cost comparison under TWM generated substantial efficiency gains in Hungary, for example, through optimum employment of external resources, internal retraining, and an improved organizational structure. Our Group-wide Global Labor Cost Management project has been running since summer 2010 with the goal by 2012 of creating the organizational and technical platform for planning, managing, and monitoring our HR costs across borders, even between cycles. Total Workforce Management also provides the foundation for longer-term upscaling plans and talent management.

New hires, junior staff retention, and training. We need wide-ranging new skills to exploit our opportunities not only in our core businesses but also in innovation and growth areas. In addition to training our existing staff further, we are therefore planning to hire approximately 10,400 new, appropriately qualified employees in Germany, and around 18,000 in Europe by 2012 (excluding hirings in the Operational Systems (OS) business outside Germany). Attracting high-caliber experts from outside the Group and promoting our own talented employees is the mix that will make our Company fit for the future. It is therefore logical that in Germany, for example, more than half of the hires will come from the ranks of our own internally trained junior staff. In 2010, we took on more than 2,000 junior staff from internal training programs; 91 of them were students from cooperative degree courses. We once again improved the indisputably high take-on rate achieved in prior years. In total, we hired 3,998 new employees in Germany in the reporting year, around 1,990 of whom were external university graduates and experts with professional experience. On the external labor market, we primarily recruit software developers, IT architects, business administrators, product managers and business analysts. We again offered around 3,300 young people in Germany the opportunity to take up high-quality vocational training in the Group. We are one of Germany's largest training providers with 9,952 trainees and students on cooperative degree courses.

Staff restructuring: successful track record. In addition to creating knowledge-oriented jobs that are viable for the future, we continued our efforts for socially responsible staff restructuring in various units in 2010 to keep Deutsche Telekom on track in a challenging economic environment. Continuing intense competition and advances in technology mean that a number of areas in our Company will have fewer employees in the future, and some of them will have different skills. In order to meet our responsibility to our employees and to the Company, we have not only implemented extensive re-training programs but, in particular, also provided opportunities to leave the company on a voluntary basis. These include early retirement programs for civil servants and employees (from the age of 55), the ongoing partial retirement arrangements, as well as special redundancy programs put in place for specific units.

Vivento has further strengthened its position as a specialist service provider for workforce restructuring in Germany. The focus in 2010 was on providing permanent employment alternatives in the public sector in cooperation with the Federal Employment Agency. This strategy's success is reflected in the higher number of permanent jobs on offer in 2010 for the first time; around 700 vacancies were filled on a permanent basis with employees from Deutsche Telekom. In addition, at the end of the 2010 financial year, some 2,600 Deutsche Telekom employees were employed on Federal Employment Agency projects. Furthermore, Vivento placed around 100 staff in other positions in the public sector.

Health & safety. A purely reactive healthcare management system is not acceptable to us. In a constantly changing industry, we want to be pioneers of a proactive healthcare culture. And we are well on the way to achieving our goal. In the reporting year, we received the Corporate Health Award sponsored by the Federal Ministry of Labor and Social Affairs for our efforts to protect the mental health of our workforce. In the biannual employee survey conducted in the fourth quarter of 2010, we included for the first time around 50 questions on the psychological workload and health. In doing so, we want to encourage debate among employees and executives on the issues of work organization, stress levels, and coping with change processes. The aim is also to identify risks in good time. Independent of the employee survey, we are promoting health literacy and health awareness among all employees with our healthcare management function and its preventive offerings, for example, the frequently used personal and telephone-based counseling service for executives and employees.

We support this strategic focus throughout the Group using a standardized international health and safety management system. We have already begun putting this system into operation at eleven international subsidiaries, laying the foundations for defining consistent global standards for occupational health and safety. The system is based on the international standards OHSAS 18001, ISO 14001 and ISO 9001 for occupational health and safety, environmental protection and quality. By defining minimum standards and the corresponding KPIs, we create not only greater transparency and better comparability at an international level, but also identify further potential for improvement. Consistent standards and KPIs are also part of and the basis for our long-term pandemic prevention planning with which we specifically intend to protect our employees to the greatest extent possible, ensuring at the same time that our Company is capable of keeping its global telecommunications infrastructure up and running even in a crisis. Based on the experience we have gained, we will implement the health and safety management system in another ten Group units in 2011 and 2012.

HR Big II: Service culture.

One Company to support a shared service culture. Whether in Germany, Croatia, Slovakia or Hungary: The customer-oriented integration of our fixed network and mobile operations is making rapid, target-oriented progress. The next step is to bring the transformation to One Company to life in a shared corporate culture focused on the customer – at all levels of the hierarchy and in all areas of our Company.

Professional and high-quality Group-wide change management, which also encompasses employees' emotional and subjective involvement, will promote the idea of One Company and helps take our employees with us through the radical, sometimes difficult changes toward the New Telekom and embed the new structures and the new culture in everyday working life. In 2009 and 2010, our HR department mainly focused on actively supporting One Company integration.

We have pooled our change tools and initiatives under the term Change House. Since 2010, Change House has helped us establish efficient, consistent Group-wide change management that also takes specific regional and local conditions into account.

Implementation of our Guiding Principles. On Guiding Principles Day, when we focused on our corporate values, a wide range of creative employee initiatives showed that our Guiding Principles have been taken on board globally. In the next step, we successfully demonstrated in 19 languages, 34 countries and 50 business units how our Guiding Principles are being



actively implemented. This sent a clear message that these principles play an important role in the development of our Company now and in the future. To further embed the Guiding Principles in the entire Group, their sustained validity has to be underlined, with our executives serving as role models. To this end, we have updated our Code of Conduct and started its international roll-out in Germany in January 2011 to illustrate what the Guiding Principles mean for employees and executives in everyday work, and to establish a code of conduct that can be put into practice across the entire Group. This ensures that all our employees worldwide work and behave according to the same principles.

We call on our executive staff to set an example of the conduct we expect from our employees. We specifically support our executive staff in their role as multipliers of the Group's strategy, Guiding Principles and Code of Conduct. At Telekom Deutschland GmbH, for example, half of all German executives had already taken part in the workshops of the multi-stage program "Initiative 2010 Germany. Strategy and Integration – Guiding Principles and Leadership" by September 2010.

Top excellence in customer service. We want our customer service to be outstanding and continue to focus on this goal. One example of an international service initiative is the three-stage service culture program of the Croatian company Hrvatski Telekom. From 2009 to 2011, its technical staff are being trained in all aspects of service culture. The aim is to delight customers. In Germany we also continue to work on intensive service training. In our three service companies alone, employees completed more than 100,000 service training days in the reporting year. In addition, the workforce in the Germany operating segment overall participated in around 360,000 training days and over 14,500 days of IT/IP training. In other words, we offered each employee around 4.5 days of training every year, investing more than EUR 72 million in expanding the expertise of our workforce.

2009/2010 also saw the successful implementation of our human resources development initiative Service Career, i.e., a new career path precisely tailored to all three service companies. It offers our high potentials another valuable opportunity to develop professionally – through top performance in service. A total of 1,100 employees have commenced their training to prepare for their additional role, or new function or activity as part of Service Career. The training phase takes no more than ten months and qualifies employees for a range of activities in Sales and Service in Germany, for instance, as a customer service representative, team leader, top agent or workforce manager. With this initiative, we want to improve both our employees' personal development opportunities and the solution and service competency of our employees for our customers.

To give our executives a better understanding of good service, we have built on the success of the German Service Academy, whose courses were attended by 1,913 executives in 2010.

Ideas management. Lively identification with the Company and creative, innovative exchange means active integration of employees. Ideas and proposals submitted by employees – ideally regardless of hierarchies – can lead to improvements in customer service, internal processes, and even product innovations. In 2010, we started two additional key, central activities in ideas management. First, we launched and expanded the Germany-wide standardized IT tool "genial@telekom." It is now much simpler and easier to submit ideas – and the entire process has been made more transparent – from submission to evaluation. This is also reflected in the level of participation: 4,992 employees submitted ideas in 2010, taking the total number of ideas submitted to 10,498, a year-on-year increase of 88 percent. In addition, we supported the Group-wide sustainability initiative "Big changes start small." These initiatives have made today's ideas management an important element of employee participation in driving the Company forward. With its interactive tools, ideas management also shows how Deutsche Telekom can open up even more, both internally and to the world outside.

Enterprise 2.0. We want to connect and enhance the knowledge of our employees, and to democratize access to such knowledge, entirely in keeping with an integrated Enterprise 2.0 strategy. To this end, we will also use comprehensive dialog and contact that is unrestricted in terms of time and space, e.g., with the Ideas Garden to be launched in 2011. In this virtual communication space, people can communicate and further develop rough ideas and approaches within a community.

Business excellence. In terms of customer satisfaction as well as the quality and efficiency of processes, we have also successfully employed the Six Sigma and Lean Management/Office Lean methods since 2006. The Six Sigma working group acts in close cooperation with the change management community. Several hundred employees throughout the Group have trained to become Six Sigma project managers and over 750 process managers were trained to use the Six Sigma tools. All business excellence courses include a certification concept, which was harmonized throughout the Group in the reporting year. The certification concept is to be integrated in the expert career system and in the performance review in the coming year.

HR Big III: Talent agenda.

Our image as an employer. We are right on track to join the Top 10 local employers and talent companies within each of our national companies outside Germany. This is also confirmed by a host of awards received by our entities and shareholdings worldwide in 2010 for being outstanding employers. Some Group companies have even spent years among the top 3 employers in their respective countries, thanks both to their culture and to their innovative, requirements-oriented HR management. The rest of the Group now has to enter into a best practice exchange with them to learn from the best. In Germany, we are the most popular employer in the telecommunications industry and we significantly improved our positions in relevant employer rankings overall. And we are well on our way to becoming one of the Top 30 most attractive employers in Germany once again. One of the reasons for this is our innovative talent recruitment. Deutsche Telekom is now considered a pioneer among the DAX 30 companies for its use of social media to recruit talent. The versatile and innovative measures employed by our central Recruiting & Talent Services (RTS) set the standard. The growing standing we enjoy as an employer is also due to our excellent internal training and many years of commitment as a proponent of the Bologna Process. Under the motto The Great Experience, we are currently developing unique selling propositions that unmistakably convey the qualities of our employer brand.

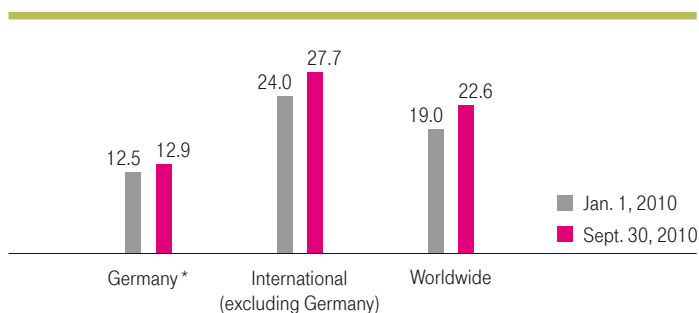
Top training company. We are one of the largest providers of training in Germany. In the 2010/2011 training year, there were more than 10,000 trainees and students, around 1,000 of whom were on cooperative degree courses. On top of this, more than 200 students are directly enrolled at our own University of Applied Sciences (Hochschule für Telekommunikation – HfTL) in Leipzig. We have a program for disadvantaged young people to promote young talent. The “entry-level training scheme” gives youngsters, largely from uneducated backgrounds, a solid chance to start a career. 50 of the 61 participants in the program were awarded a traineeship. We also encourage our employees to engage in life-long learning in our Group programs such as Bologna@Telekom and provide them with opportunities for academic development. Starting in the 2010/2011 winter semester, some 200 employees each year can take a bachelor’s or master’s degree program at one of our partner universities alongside their job and with the Group’s support.

Diversity management. To us, diversity means productive variety: We believe in a broad mix of personalities, talents, and styles as a source of business success, creativity, and innovation. Diversity is one of the main drivers of change in our corporate culture – from a mono-culture to an open company. Through diversity, we offer talented individuals at different stages of their lives all kinds of opportunities to develop their professional potential. We create attractive work environments and flexible working conditions for women and men alike. We embed diversity in our Company with practical measures around the world and continue to refine it as a factor in business success. In 2009, we took the first step of defining the business cases for diversity. In the reporting year, we then embedded diversity even more firmly in our Company with a plethora of practical measures. Two of the numerous initiatives stand out in particular: the start of the new Group-wide program to put the women’s quota into practice and our existing “work-life@telekom” program that we expanded to include additional initiatives and offers.

Fair Share program. We have set ourselves the ambitious target of appointing women to 30 percent of middle and upper management positions throughout the entire Group by the end of 2015. To achieve this target, we are systematically managing our program to implement the women’s quota with targets along the entire talent pipeline. One year after the introduction of the women’s quota, we are seeing our first successes. We have recruited many women, especially for top management positions and key human resources development programs:

- The percentage of women in middle and upper management positions worldwide has increased from 19 percent to 22.6 percent.
- Since March 2010, the number of women in our 67-strong management team below the Group Board of Management, the Business Leader Team, has increased from two to six.
- We have appointed ten female supervisory board members at our German first- and second-tier subsidiaries. This brings the number of women holding a seat on Deutsche Telekom supervisory boards to 14.
- The proportion of women among newly hired top junior staff increased from 33 percent at the start of 2010 to 52 percent at the end of the year.
- The proportion of women on management development programs increased from 18 percent in 2009 to 31 percent in 2010.

Women in middle and upper management. (%)



* Upper management only.

Harmonized human resources development. The Performance & Potential Review (PPR) plays a significant role in making the individual human resources development processes more substantial, transparent and consistent throughout the Group. In 2010, we not only successfully used this instrument to further develop our senior executives in Germany, but also for more than 2,700 executives and managers in Germany who are not covered by collective agreements, and for over 2,000 further executives outside of Germany. Overall, our executives are very satisfied with the PPR as the platform for personalized management development. The overwhelming majority of executives and HR business partners have confirmed in surveys that the PPR effectively supports performance and potential reviews. Feedback from our surveys also allowed us to further improve the IT tool, which was introduced for the first time in 2009. And we are staying on the ball: At the start of 2011, we will conduct another survey to find out how satisfied respondents are with the implementation of the PPR process.

Expert career path throughout the entire Deutsche Telekom Group.

As an alternative to a traditional management career, we have introduced a development program for experts (Go Ahead!) in the Company. Around 33,000 employees are currently on the Go Ahead! program, in particular at T-Systems in Germany and its national companies, at the European fixed-network and mobile subsidiaries, in areas that are critical for competition, such as technology, information and communication technology, and project management. In addition, more than 20,000 experts from T-Systems took part in the strategic CAMPUS training programs for expert development in 2010. At T-Mobile Austria, the development program for professionals has already been fully implemented for around 1,700 experts. The expert career has also been introduced in the Netherlands, in the Czech Republic, and at Hrvatski Telekom in Croatia for select groups of experts. Initial preparations are underway at Magyar Telekom (Hungary) and PTC (Poland). We are making steady progress with international roll-out in the Czech Republic, Slovakia, the Netherlands and Greece. The experts network with each other and with top management in various advancement programs.

HR Big IV: HR@2012

Quality and efficiency for the best possible HR service and excellent HR products. The fundamental building blocks for giving our customers the best possible experience are also the cornerstones of our international organizational structure and our HR culture. We are strengthening the service culture in our HR department and its position as a “partner for business” within Deutsche Telekom.

We have established a new, three-pronged organization consisting of HR business partners, competence centers and shared services as part of HR@2009. To increase the quality of HR services, we are currently refining this structure with our new HR@2012 program. Furthermore we are increasing our HR performance by automating and further simplifying our processes to the benefit of the user. That has allowed us to make our HR organization even more efficient.

Quality and efficiency of HR work go hand-in-hand with a functional, user-oriented process and IT environment. As customers of the HR department, the employees of Deutsche Telekom expect suitable HR products and services to support them in the best possible way in their day-to-day work. Our support is a decisive factor of how satisfied HR’s customers are. We therefore plan to establish a Global HR Service Architecture (GHSA) to improve the quality of the services offered by the HR department. This architecture also allows the HR department to respond very flexibly to organizational changes within the Group, while at the same time standardizing processes and systems at national and international level.

Having the best employees lets us offer HR’s customers an excellent experience.

The demands Deutsche Telekom makes of its HR department, and which are anchored in its HR “partner for business” mission statement, are high. If we are to meet the expectations of our customers on the one hand and improve the competitiveness of our company overall on the other, we need not only the optimum organizational structure, but also in-depth expertise and a professional service culture among the members of our HR department. The intention of Best HR People, one of our top HR projects, is therefore to further promote HR staff in terms of their own development. In 2010, the project was focused on honing the role of HR business partners in Germany, particularly by promoting qualifications in the field of total workforce management (TWM). Other key points of this project include talent management and the development of junior staff for the future in the HR department, as well as offering the members of the HR department a broad range of qualifications via HR CAMPUS.