

HR Report 2010/2011.

Facts and figures.

Life is for sharing.



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Dear Reader,

What makes a company successful? As Telekom's Chief HR Officer, I firmly believe that to be successful, a company must have a vibrant corporate culture and open structures that facilitate, encourage and help to develop new ideas, coupled with a workforce of inquisitive, creative individuals, and this view is shared by Telekom as a company. After all, every successful innovation begins in the minds of people who are not afraid to think outside the box when others have long since given up. These individuals are the champions and drivers of change.

In a company like Telekom, known for being a pioneer of innovations with the determination to become even more powerful in future, the HR department plays a special role: It must set the tone for a liberated, talent-rich corporate culture that promotes lateral thinking. It must set the tone for mobile, permeable structures that enable and encourage its employees to think and act like entrepreneurs.

In recent years, we have made extensive plans and preparations for a radical transformation of Telekom with our mission "HR – Your Partner in Business." Over the past twelve months in particular, our hard work has paid off, and is continuing to bear fruit.

Competitive workforce. The international rollout of our Total Workforce Management system is now well-advanced, and is expected to be completed across all national companies during 2012, giving us a Group-wide tool for high-quality HR planning. It also represents the foundation for our longer-term workforce development plans and talent management. As industry leaders with a proactive health culture, we have also begun the global rollout of a standardized health & safety management system. Our recent success in winning the Corporate Health Award, and feedback from our employee survey, indicate that we are well on the way to achieving this goal. We were the first DAX 30 company to ask its employees to give comprehensive feedback on their mental and physical well-being.

Service culture. We want our employees to support us through the radical, sometimes difficult changes en route to becoming the "new Telekom", and to embed the new structures and culture in everyday working life. To this end, we have installed a professional, high-quality, Group-wide change management system which takes into account emotionality and subjective concerns in the transformation process. Our Guiding Principles and updated Code of Conduct provide the basis for our shared global corporate culture, which is synonymous with service excellence, team spirit, and the desire to perform well.

Talent Agenda. On the way to becoming a top talent company, since 2010 we have worked tirelessly to establish Telekom as a global, high-profile employer brand. During 2011, our leitmotif "The Great Experience" will inspire talented individuals at talent hot-spots around the globe to work for Telekom. Parallel to this, "The Great Experience" will also be promoted internally, with new and more flexible work forms and work environments designed to make Telekom even more attractive to its employees. The women's quota is an outstanding example of this approach: Its introduction last year, and the ensuing debate, are fueling our cultural transformation. People are starting to question the status quo; the quota forces us to adopt a new way of thinking, for example on the topic of "worktime flexibility".

HR@2012. The HR team reinforces this philosophy by ensuring that the elements of an outstanding customer experience become the cornerstones of our HR organizational structure and HR culture. We are also determined to ensure that all employees benefit from an exceptional service experience. Through these measures, HR is helping to drive Telekom's development into a global One Company, and to achieve our vision of becoming the industry's most highly-regarded service company in one of today's most exciting markets.

Thomas Sattelberger
Member of the Board of Management,
Human Resources

“Your Partner in Business”: The HR mission and how it meshes with the Group strategy.

Deutsche Telekom's transformation into the most highly regarded service company in the industry has entered the next phase. In 2010 we launched activities to hone our vision as market leader for connected life and work through our new strategic program for the Group: “Fix – Transform – Innovate.” As a “partner in business,” Telekom's HR department supports the Group's core business as well as its strategic growth areas and the Group strategy through its strategic HR Big 4 program. This also includes HR's own transformation in the direction of a greater effectiveness, greater efficiency, and an enhanced service culture.

Deutsche Telekom's business challenges – drivers of our HR work.

Our networks represent the nervous system of both our economy and our society. For future worldwide growth, however, we rely not only on traditional revenue drivers but also put our business on a new footing. It is the duty of HR to provide optimal support for new business models and developments on the basis of sustainable personnel planning. With the right employees, sustainable know-how and innovative offers, we can guarantee our customers best-in-class communications tailored to their individual needs.

"From telco to telco plus" – Telekom's strategic growth areas. We have identified a total of five strategic growth areas in which we see our greatest opportunities. Our aim is to virtually double our revenue in these growth areas by the year 2015, raising them from today's EUR 15 billion to EUR 29 billion.

- **At the top of the list is the mobile Internet.** We were one of the first to opt for this segment, which is now a booming market with excellent growth prospects. Of all segments this is the one in which we expect the biggest growth. We now generate around EUR 4 billion per year in revenue from mobile data and we intend to more than double this figure by 2015 to around EUR 10 billion.
- **The second growth area is what we call the connected home.** It initially includes the broadband Internet link. Increasingly, this is accompanied by our Internet-based TV offer (IPTV). We want to win around five million Internet TV customers by 2015 with our Entertain product and position ourselves as the pay-TV market leader even before this. Our customers will also have online access to their home systems and installations. This means that they will be able to monitor and control heating, lighting, window shutters and alarm systems when on the move. Overall, we intend to increase connected home revenue from EUR 5 billion at present to around EUR 7 billion by 2015.
- **The third growth area relates to our own Internet services.** We already have a strong foothold in this segment, for example with the Scout24 group. AutoScout24 alone is used by more than 11 million people across Germany. AutoScout is now available in 13 European countries, with more due to be added. ImmobilienScout24 is also a leading, highly innovative portal worldwide. Another example is the "Load" family, featuring Musicload, Gamesload and Softwareload. Here again, we are set to extend our international commitment. Today, we already generate several hundred million euros in revenue with these and other Internet services. We intend to improve on this considerably, reaching the EUR 2 to 3 billion mark by 2015, and are reinforcing our position in this segment through acquisitions.
- **Our fourth growth area is the systems business, primarily with our corporate customers.** T-Systems plans to increase its external revenues by EUR 2 billion to EUR 8 billion by the year 2015. One of the areas in which we see the greatest opportunities is cloud computing. We are going with the "cloud," shifting computing capacity, memory, applications, databases, intelligent control and services for customers onto the Net.
- **The fifth growth area is based on a long-term concept and is gaining importance. It consists of intelligent networks for the energy, health-care, media and automotive industries.** We provide end-to-end support for these sectors as they go digital. Overall, we expect to earn around EUR 1 billion in additional revenue from development and operation of specific networking solutions such as smart grids and in-vehicle Internet solutions by the year 2015.

Areas of action in the strategic program: Fix – Transform – Innovate. In order to succeed in the strategic growth areas named above as well as in our traditional core business, we have focused our strategic program on five action areas in which we are set to "Fix – Transform – Innovate":

- **Fix:** Firstly, we are optimizing our performance in mobile communications, for example by maximizing network speeds and coverage. In the United Kingdom, we have already successfully closed a joint venture agreement.
- **Transform:** Secondly, we are increasing our edge in integrated markets, offering specific bundles of fixed and mobile communications services. Thirdly, we are investing billions of euros in the future network infrastructure and continue to improve our customer service.
- **Innovate:** In our fourth area of action, "Connected work," and in the fifth, "Connected life," our innovative services, devices and solutions ensure that our customers get a top-quality "life is for sharing" experience, namely with seamless communications, information and entertainment, now and in the future.

Big 4: Strategic action focuses for HR.

The HR mission, its key areas and strategic focus. With its mission, “HR – Your Partner in Business,” HR systematically backs the Group’s strategic action areas and supports the transformation process to a customer-oriented, multinational service group. The mission is fleshed out in its strategic cornerstones: Add Value, Enable Transformation, Best People and HR Excellence. These cornerstones are fixed elements of HR operations and are detailed in our strategy programs, the Big 4: competitive workforce, service culture, talent agenda and HR@2012.



- **Big I – “Add Value” with a competitive workforce.** An outstanding global portfolio of services and products in the growth areas and in today’s core business requires effective, efficient and integrated corporate and workforce structures and competitive labor costs. To this end, we are pressing ahead resolutely with the reorganization of Telekom as One Company. The object is to strengthen the global competitiveness of our company and its elasticity in our markets over the long term. The basis for doing so is maximum workforce effectiveness and efficiency. We are set to manage these aspects more intensively and, above all, on a global scale, with our Total Workforce Management system, rollout of which is already complete in Germany and has commenced at international level.
- **Big II – “Enable Transformation” with a service culture.** Here lies the key to success as the most highly regarded service company in the industry. For a successful balance between a highly efficient service company and creative innovation drivers, we need the right management philosophy and, above all, a global corporate culture which relies on co-responsibility throughout the company. We have already laid the foundations with our Guiding Principles. As “Enterprise 2.0” we want to reduce hierarchy and status symbols in order to create scope for more co-entrepreneurship. In this field, the new media offer us various opportunities for enterprise-wide networking and short, fast communication channels.
- **Big III – “Best People” with our talent agenda.** We make continual improvements to our external employer image and internal talent management in order to win skilled, innovative employees for Telekom and keep them in the company. We pioneer a human resources and talent policy that combines the different potentials of men and women in a targeted and profitable way. With our aim of increasing the number of women in management positions in the long term, we were the first DAX 30 company to introduce a women’s quota. We back workforce diversity and are establishing a worldwide diversity management system to drive the development of new, more flexible forms of work.
- **Big IV – “HR Excellence” with HR@2012.** We reinforce our service culture and, at the same time, our strategic position as partner for business. The aim is to establish efficient, transparent structures and smooth, IT-based HR processes in order to maximize the efficiency with which we support international collaboration, convergence within our global Group and thus success in our markets. The basic elements of a top customer experience and customer satisfaction with HR – best service and excellent products – also represent the cornerstones of our internal organizational structure and our HR culture. We are also currently expanding our development scheme for HR staff, “HR Best People.”

Links between HR strategy and Group strategy.

Examples of HR Big 4 measures and initiatives.

Group strategy	Fix	Transform		Innovate		Throughout
	Improving the performance of mobile-centric assets	Leverage One Company in integrated assets	Build networks and processes for the gigabit society	Connected life across all screens	Connected work with unique ICT solutions	
Competitive workforce	<ul style="list-style-type: none"> Management of workforce costs Use of Group employment market 	<ul style="list-style-type: none"> Harmonization of compensation systems Generating workforce synergies Qualitative HR planning Employment prospects for civil servants 	<ul style="list-style-type: none"> Qualitative HR planning for greater workforce flexibility In-company employment markets 	<ul style="list-style-type: none"> Integration of external value added, e.g., open innovation 	<ul style="list-style-type: none"> Integration of external value added, e.g., open innovation and international partnering 	<ul style="list-style-type: none"> Qualitative and quantitative HR planning Offshoring/nearshoring management International rollout of Total Workforce Management Global employee relationship management Global health and safety management
Talent agenda	<ul style="list-style-type: none"> International rotation programs Support for knowledge transfer 	<ul style="list-style-type: none"> Service skills development and careers Skills for structured sales management 	<ul style="list-style-type: none"> Building relevant network and IT skills Expert careers Expert recruitment Project management skills and careers 	<ul style="list-style-type: none"> Employer and partner image Partner management skills "Next generation talent management" "Next generation skills development" 	<ul style="list-style-type: none"> Human resources development Expert recruitment Project careers International rotation programs Cross-cultural learning and mobility Telekom School of Transformation 	<ul style="list-style-type: none"> Employer image More women in top management International programs for junior staff, Start up! and Talent Spaces International talent management Expert careers Project careers One of Germany's largest training providers
Service culture	<ul style="list-style-type: none"> Professional change management Support for the service and efficiency culture Cultural competency 	<ul style="list-style-type: none"> Professional change management Culture change leading to service excellence and one face to the customer Service orientation, incentivized in target management 	<ul style="list-style-type: none"> Time and location flexibility with professional change management 	<ul style="list-style-type: none"> Development of an innovation culture New work scenarios and scope for choice Enterprise 2.0 culture 	<ul style="list-style-type: none"> Big deal integration New business culture Time and location flexibility 	<ul style="list-style-type: none"> Protecting Group-wide values (Code of Conduct) Service Academy for executive staff Service focus at Headquarters Work-life offers
HR@2012	<ul style="list-style-type: none"> Collaboration between international HR units 	<ul style="list-style-type: none"> Converging HR units Standardized HR IT HR customer experience 	<ul style="list-style-type: none"> Support for international HR collaboration 	<ul style="list-style-type: none"> HR customer experience HR Community 2.0 	<ul style="list-style-type: none"> International rollout of standardized HR key processes 	<ul style="list-style-type: none"> Quality of business partners Simple, customer-friendly HR processes HR efficiency Global HR roadmap

Competitive workforce: For a worldwide integrated, efficient and elastic enterprise.

Integrated, efficient and elastic corporate and workforce structures are required if we are to offer our customers an outstanding portfolio of products and services. To this end, we are pressing ahead systematically with the reorganization of Telekom as One Company. The object is to strengthen the global competitiveness of our company, its customer focus and its elasticity in our markets over the long term. This will enable us to create and protect jobs with a long-term perspective. The basis for this is high personnel efficiency and effectiveness, which we will control to a greater extent in future through the Group's Total Workforce Management system.

Further successes in our strategic HR program “Competitive workforce.”

Our efforts to position Telekom as the leading provider of connected life and work in its markets are based on four cornerstones:

- Strategic repositioning of our global mid to long-term human resources capacity planning
- Efficiency-oriented (re-)organization and customer-centric, integrated focus in all segments, companies and subsidiaries
- Creation of a balanced age structure within a healthy, productive workforce
- Skills development and skills shifts for successful business transformation.

Worldwide capacity management.

Total Workforce Management: Anticipating challenges and optimizing personnel deployment worldwide. The transition from a technology-driven to a customer-focused market strategy places growing demands on the business competencies of the HR department. One of the ways in which it must secure the Group’s competitiveness is by anticipating future challenges in its personnel planning, covering all aspects from events in the market to technology leaps and demographic change. To achieve this, HR must be able to determine and systematically optimize the worldwide demand for staff, their deployment, costs and quality. We assumed the role of front-runner in our industry as well as innovator in the league of big corporate groups in 2008/2009, when we launched our Total Workforce Management (TWM) rollout, based on our business strategy, initially for Germany. In TWM we will have an instrument for human resources planning throughout the Group. It naturally also supplies the basis for longer term workforce development planning and talent management. TWM’s Global Labor Cost Management module enables us to focus on competitive labor costs.

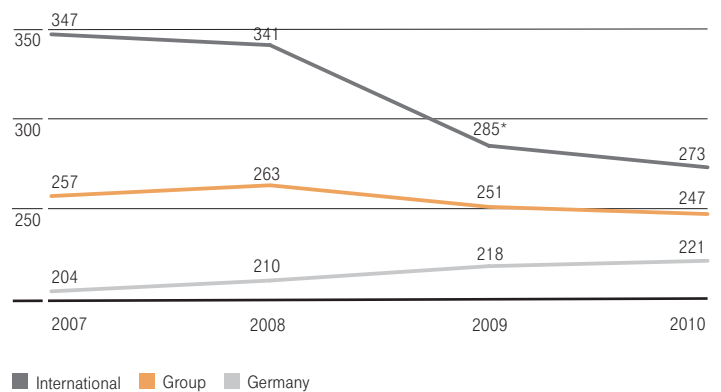
Revenue development at Deutsche Telekom.

More than 50 percent outside Germany.

In billion €	2010	2009	Change on 2009
Revenue, total Group	62.4	64.6	-2.2
Revenue, Germany	28.1	28.4	-0.3
Revenue, international	34.3	36.2	-1.9
International revenue as a percentage of Group revenue	55.0 %	56.6 %	

Revenue per FTE.

In thousand €.



*2009: OTE acquisition resulted in a disproportionately high increase in international employees in relation to revenue growth

International rollout in Poland and Hungary. The first successful international TWM pilots have already taken place at PTC in Poland and Magyar Telekom in Hungary. This means that we can now also optimize the quality of the workforce, the long-term personnel and know-how structures on the basis of business needs in these two countries. Implementation in our European companies in Slovakia and the Czech Republic are scheduled for 2011 and in all other national companies by 2012. In addition, T-Systems is set to commence TWM rollout in its companies in Brazil, Hungary, Malaysia, Mexico, Russia, Slovakia, South Africa, Spain, U.K. and North America in 2011. This will enable us to plan and manage our skills, value creation, workforce volume and costs in line with our strategy. The next step will be to roll TWM out in the remaining national companies.

Software-supported and KPI-based. TWM creates global transparency on all internal and external staff, capacities and resources, and does so in terms of quantity and quality, skills, age structure, costs and productivity. The external resources include freelancers, consultants and employees in outsourced work areas.

Global Labor Cost Management: Database in our integrated Total Workforce Management. The Global Labor Cost Management (LCM) project was launched in summer 2010 and is one component within Telekom's Total Workforce Management. It not only supports HR planning but also helps to achieve fair market pay. LCM supports planning and management of personnel costs. The object of the project is to make personnel costs and remuneration structures in the national companies transparent for the entire Group. Once established, this transparency makes it possible to steer the necessary adjustments to economic, industry-related and local cornerstones in the national companies. So-called LCM reports, documents that summarize the key results per legal entity, were developed and are made available to the companies as a management instrument.

Personnel costs.

2007 to 2010. Deutsche Telekom Group worldwide.

In billion €	2007	2008	2009	2010
Personnel costs in the Group	15.4	14.1	14.3	15.1
of which: Germany	11.3	9.8	9.0	9.2
Special factors	2.0 ^d	1.1 ^c	0.5 ^b	1.0 ^a
Personnel costs in the Group adjusted for special factors	13.4	13.0	13.8	14.1
Net revenue	62.5	61.7	64.6	62.4
of which: Germany	31.5	29.7	28.4	28.1
Adjusted personnel cost ratio (%)	21.5	21.1	21.4	22.5
Adjusted personnel cost ratio, Germany (%)	30.2	29.9	30.1	30.4

Special factors (in billion €)

Calculated and rounded on the basis of millions for greater precision.

^a Expenses for staff-related measures (early retirement arrangements, severance and voluntary redundancy payments, compensation payments, etc.) primarily in the Germany (- 0.4), Europe (- 0.2) and Systems Solutions (- 0.1) operating segments, as well as at Group Headquarters & Shared Services (- 0.1).

^b Expenses for staff-related measures (early retirement arrangements, severance and voluntary redundancy payments, compensation payments, etc.) primarily in the Germany (- 0.3) and Systems Solutions (- 0.1) operating segments, as well as at Group Headquarters & Shared Services (- 0.1).

^c Expenses for staff-related measures (early retirement arrangements, severance and voluntary redundancy payments, compensation payments, etc.) primarily in the Germany (- 0.8) and Systems Solutions (- 0.3) operating segments.

^d Expenses for staff-related measures (early retirement arrangements, severance and voluntary redundancy payments, compensation payments, etc.) primarily in the Germany (- 1.1), Southern and Eastern Europe (- 0.1), and Systems Solutions (- 0.2) operating segments, as well as at Group Headquarters & Shared Services (- 0.5).

Personnel costs and EBITDA per employee.

Full year 2009 and 2010, per FTE.

In thousand €	Adjusted personnel costs 2009	Adjusted personnel costs 2010	EBITDA 2009	EBITDA 2010
Germany	65.6	67.3	74.5	72.1
International	41.3	43.9	86.1	82.2
Group as a whole	53.6	55.7	80.2	77.1

Focused skills management. Lean, flexible workforce structures coupled with sustainable know-how are the two goals we have set our sights on with our sustainable skills management based on qualitative human resources planning through which we will be ascertaining skills that will be required in future. Ascertaining skills and comparing them with the skills base in the individual job families within the current workforce provides the basis for skills management that is a perfect fit and not a random process. In our CAMPUS training programs we provide lacking skills to all our employees Group-wide. Furthermore, T-Systems set up a service agency for the entire organization on July 1, 2010 in order to implement its skills-shift measures. It coordinates and manages skills (re)development for employees in order to equip them with the know-how they will need to satisfy future market requirements. Parallel to this, our People Empowerment project at Systems Integration is driving skills (re)development for some 1,100 employees. The aim is to build success-critical know-how within the company itself. T-Systems manages its staffing – assigning the right people to the right jobs – for customer projects primarily through a skills database, which currently holds over 20,000 skills profiles.

Total workforce ratio at Deutsche Telekom.

in 2010.

in billion €	Adjusted PC ¹	EWC ²	TWC ³	Revenue	Adjusted TWR ⁴
Group as a whole	14,1	2,9	17,0	62,4	27,2 %
Germany	8,5	1,6	10,2	28,1	36,3 %
International	5,5	1,3	6,8	34,3	19,8 %

¹ Personnel costs

² External workforce costs: cost of leased and temporary staff + cost of contractors and consultants

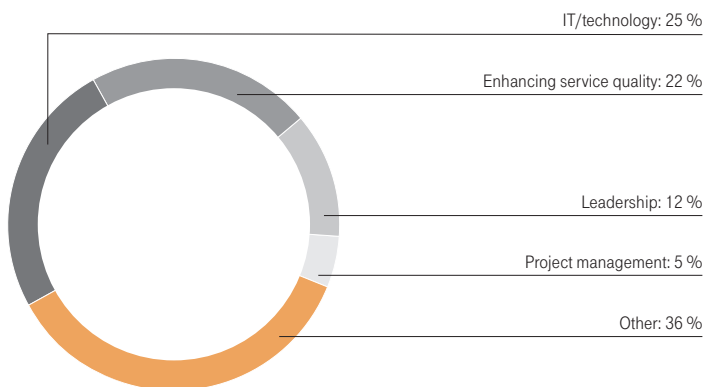
³ Total workforce costs: external workforce costs + personnel costs adjusted for special factors

⁴ Total workforce ratio = TWC/revenue

Skills development at Telekom Training.

In Germany, by key themes, as of Dec. 31, 2010.

2010: Over 775,000 training days for employees.
Of which 106,236 days spent on service training.



- Seminars: 47,271 • Participants: 298,319 • Participant days: 775,021
- Average number of training days per participant: 2.6, per employee: 6.2
The lower number of participant days is due to – amongst other things – a lot of (very) short, part-time trainings.
- Accesses to Global Teach (internal e-learning platform): 475,958

Skills development supports the transformation process. We also support efforts to build sustainable know-how with our internal training and development unit. Our advanced training provider, Telekom Training, is involved in strategic business development from an early stage, through Group-wide skills development planning based on Total Workforce Management. In this way, we create high transparency on advanced training needs – for our benefit as well as for our customers. This paves the way for optimal resources deployment and guarantees the future employability of our staff.

Skills development through comprehensive advanced training offers. Up-to-date know-how is vital in order to keep Telekom on track for success in the longer term. Furthermore, we know that giving our employees the chance to move forward personally as well as in their careers is a crucial factor in keeping employees motivated and inspired to work for the Group. In Germany alone, our employees completed some 775,000 training days in the year 2010. This is equivalent to an investment of almost EUR 170 million in the know-how of our workforce.

One Company: Transformation to a networked, elastic organization structure.

Integrated structures for integrated services and products. One Company reflects both aspects of Telekom's transformation, the change in its structure and in its culture (for the culture change, see the section on "Service culture" starting on page 19). With One Company we are setting the scene in Germany as well as at international level for offering our customers attractive, integrated fixed and mobile products and services from a single source. As of July 1, 2010, for example, we merged our fixed and mobile companies in Slovakia successfully to form the new integrated Slovak Telekom; preparations for the Slovak One Company were completed within eight months. Local HR managers played a successful role in helping design the shared business model as well as the new organizational structure, including harmonization of HR processes and comprehensive communication and change management activities. Other companies in which we have already completed our future-oriented transformation to an integrated provider are Magyar Telekom in Hungary and Hrvatski Telekom in Croatia. Makedonski Telekom in Macedonia is currently in the preparation phase. This means that the successful One Company concept has already been implemented, or is under way, in five of our European companies.

Successful first year for Telekom Deutschland GmbH. Having cemented our position as No. 1 in new DSL customer business, revenue market leader in mobile communications, and having outstripped the financial targets in the Save for Service efficiency program, the fusion of our fixed and mobile activities into One Company in Germany is a complete success. Following our Group's equally successful realignment in the corporate and business customer segments, our customers are already feeling the benefit of our outstanding, tailor-made service. Our sights are now set on systematically entrenching the One Company concept for our national fixed and mobile business in the minds of our employees. Logically, One Company stands for more than simply establishing competitive conditions and structures. It also means involving our employees in our development as an integrated provider in the long term to ensure that they are motivated and fully committed to this development.

Further optimization in the organizational structure. We have already driven the structure change in Germany some way forward with our One Company project. The next step is to optimize any parallel and redundant organizational structures still in existence. We are therefore currently in the process of establishing competitive, integrated structures in the area of training and development and also in our accounting and billing functions in order to safeguard our market success and guarantee sustainable jobs.

Internal skills development – new structure, top quality. Advanced training offers forward-looking skills development and learning concepts that support the transformation process in the different Group units. In January 2011 our “new training and development” unit was launched under the Telekom Training brand. Our realigned internal advanced training provider pools employees from several of the Group’s advanced training units. Its aim as a true service unit is to tune its services to business needs, offering efficient structures and high quality.

Integrated location concept for business customer service and sales. Other aspects that we need to transform include the traditional small-scale structure of our business customer sales and service force as well as the regional line-up of our IT units in Germany. Our declared aim in a toughly contested home market is to become more competitive and thus protect jobs in the long term. With this in mind, Telekom plans to build modern sales and service centers as well as sales offices throughout Germany in the coming years. At the same time, we are merging our IT teams at IT innovation centers. In these two areas, Telekom guarantees to retain the jobs of a total of over 9,500 employees. In addition, we plan to invest a figure high in the double-digit million range in modernizing these jobs and in systematic human resources development in the IT segment. In our IT segment alone, we plan to assign over 100,000 additional training days within the framework of IT skills development for our employees and ongoing IT expert careers. Initial experiences gained during the current centralization of our service center structures in consumer service, which we launched in a similar form two years ago, suggest that this reorganization will enable us to improve not only efficiency but also, to a similar degree, service quality and customer and employee satisfaction.

Act4Service: On the way to a simplified business model at T-Systems. T-Systems is addressing its goal of achieving efficient processes for top quality from a customer viewpoint with a new business model. From 2011 it will streamline collaboration between the individual company units, make processes more efficient and define responsibilities more clearly. The Act-4Service project has been paving the way for the new business model under the sponsorship of the Managing Director responsible for HR since October 2010 – from the startup organization on January 1, 2011 through to full implementation in Germany and international rollout in the individual national companies by January 1, 2012. Alongside its sponsorship of the project, HR is responsible for negotiations, reorganization, change management and employee transfers.

New age structure, fresh know-how.

Germany: More recruits outside the company as well as among junior staff and trainees. Our company needs multifaceted new skills in order to exploit the opportunities in our core business as well as in our innovation and growth areas. We therefore plan to recruit around 10,400 new, suitably qualified staff in Germany and 18,000 throughout Europe by the year 2012. Attracting outstanding experts around the world from outside the company and promoting our own talented employees is the mix that will make our company fit for the future. More than half the new recruits in Germany, for instance, therefore came from the ranks of our internally trained junior staff: in 2010 we transferred 2,000 junior staff from our own training courses, including over 90 students from cooperative degree courses and 40 graduates from our University of Applied Sciences in Leipzig (HfTL) to permanent jobs. This enabled us to improve yet again on our high rate of trainees taken on permanently. Seen overall, we hired 4,000 new recruits in Germany in 2010, around 2,000 of them external university graduates and experts with job experience. At the same time, we again offered around 3,300 young people the chance of first-class vocational training in the Group. With trainees and students on cooperative degree courses numbering around 10,000, we are one of Germany’s largest training providers. On the external labor market, we primarily recruit software developers, IT architects, business administrators, arts scholars, social scientists, product managers and business analysts. The fact that we also plan to hire a considerable number of professionals for customer service again supports our claim to offer our customers the best service in the industry.

Recruitment at Deutsche Telekom Group in Germany. In FTE thousand (full time equivalents, rounded).



In Europe and worldwide: Targeted acquisition and personnel transfers.

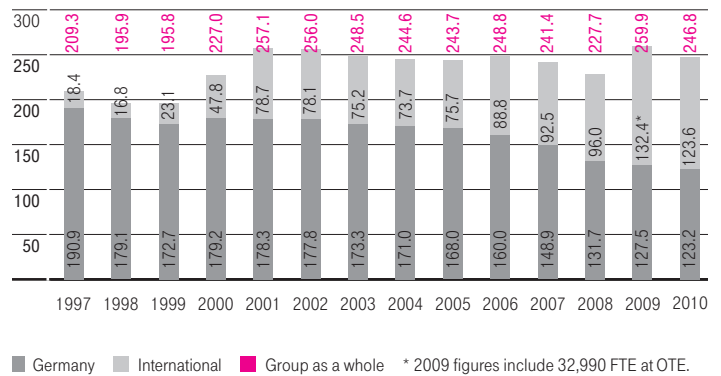
We continue to gain new staff with market-based know-how at European and global level. One of T-Systems' moves in 2010 was to sign agreements covering 15 projects involving personnel transfer in its worldwide systems business. Within the framework of the ICT project deals and the employee transfers they entailed, over 600 employees moved to T-Systems and the national companies. Outstanding examples of deals and acquisitions are British Petroleum (U.K., Germany, Denmark), Deutsche Post DHL (Germany) and DHL (U.S.), Informationsverbund Berlin-Bonn (IVBB, Germany), the business and consulting organization KPMG (U.K.), Philips (10 countries in Europe, the U.S. and India), Sasol chemicals (South Africa) and T-Mobile (Netherlands). The key factor in successful integration of the new staff was, and continues to be, skilled and cautious HR change management. This is characterized by respect for difference, corporate structures and cultures that have developed over time, and perceptive integration into the Telekom network.

Further project deals in 2011. We continue to pursue this successful course in 2011. E.ON IT for example has chosen T-Systems as its worldwide partner for communication & collaboration. With the service unit, employees in 10 European countries moved to T-Systems at the end of the first quarter in 2011. In addition, T-Systems is currently bidding for 13 more projects involving personnel transfers. If it succeeds in closing the deals, almost 3,000 employees will transfer to T Systems and bring fresh know-how to the company.

Moderate restructuring and downsizing with proven instruments in some German units. In addition to creating knowledge-based jobs that are viable for the future, we continued our efforts for socially responsible staff restructuring in various units in 2010 to keep Telekom on track in a challenging economic environment. The continuing intensity of competition and rapid technology developments spawn a need for fewer people – in some cases with different skills – to work in some areas of our company in the future. In parallel to our extensive skills development programs for teams, we applied instruments that enable staff to leave the company voluntarily in order to fulfill our responsibility to our employees as well as to the company. They include early retirement schemes for civil servants and non-civil servants (from the age of 55), implementation of current partial retirement arrangements and special severance programs put in place for specific units. The collective agreement on partial retirement expired on the same date as state support (December 31, 2009), with the result that this instrument was no longer available for new cases in 2010. In the case of our civil servant employees, we took advantage of further employment openings in the public sector (see following section).

Deutsche Telekom workforce 1997–2010.

In thousands, all as of Dec. 31.



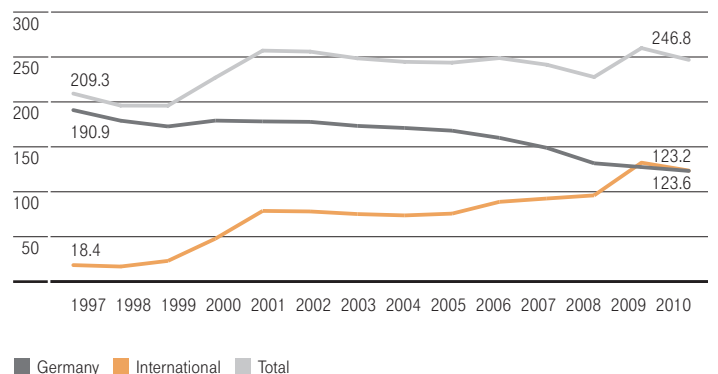
Workforce development worldwide.

By business areas and regions, all as of Dec. 31.

	2007	2008	2009	2010
Europe	18,043	18,255	17,631	12,108
Mobile Communications USA	33,750	38,031	40,697	37,760
SEE	22,491	20,885	53,532	51,230
Germany	91,337	85,637	81,336	76,478
T-Systems	49,835	45,862	46,021	47,707
Group Headquarters & Shared Services	25,970	19,077	20,703	21,494
Group as a whole	241,426	227,747	259,920	246,777

Workforce, Germany/international.

No. of employees in thousands, all as of Dec. 31.



Vivento. Personnel restructuring provider in Germany.

Opening up new career perspectives. In 2010 Vivento consolidated its position as a specialist provider for workforce restructuring. For many years, Vivento has counted on the readiness of company staff to change and on creating new employment perspectives. In 2010, it focused in particular on cooperation with the German Federal Employment Agency (BA) to lever potential for permanent alternative employment in the public sector. BA offers job openings in its placements and benefits sections as well as in the family office's service centers and in internal service throughout Germany. At the end of December 2010, over 2,500 Telekom employees were deployed on BA projects. Although the agreement had largely covered temporary support for the Federal Agency up until then, a larger number of permanent contracts were made available for the first time in 2010. This enabled over 700 civil servants from Telekom to make a permanent move. Development of socially compatible workforce restructuring measures will only succeed if employees actively grasp the chance for new career openings. This lies within the responsibility of all parties involved – from the company to our individual employees, whether these are civil servants or non-civil servants. We therefore uphold our appeal to the civil servants in our company not to reject new career perspectives without due thought. Vivento continues to be the central point of contact in the Group for employees affected by personnel restructuring.

Vivento workforce.

Incl. business models and projects, as of December 31, 2010.

	FTEs
Employees at Vivento	6,880
of which: Fed. Employment Agency and other external employment, in particular public sector	3,576
of which: internal call center unit incl. Vivento Customer Services	2,674
of which: loan and temporary staff inside the company	357
of which: Deutsche Telekom Direct Sales and Consulting	273
Permanent staff and support personnel incl. Vivento Customer Services	824
Employees who found a new job via Vivento in 2010	1,292
Employees scheduled to find a new job via Vivento in 2011	870
Staff transfers to Vivento since its foundation	47,005
Staff who have left Vivento since its foundation	38,059

Successful outcome. In 2010 Vivento succeeded in

- Finding new, enduring perspectives for around 800 employees with the German Federal Employment Agency (BA) and other public sector employers. Many employees who have been working at BA for some time opted to make their move permanent. The high number of transfers shows that we are successful in harmonizing the requirements of workforce restructuring with the needs of our employees.
- Offering some 6,900 employees attractive alternative employment – both inside and outside the company. There were still a high number of temporary assignments. Some 3,600 employees alone were deployed with BA and other public sector employers.
- Informing around 7,500 employees about the chances of career reorientation, primarily in the public sector, at over 430 information events and dialog sessions.
- Training 1,300 employees at on-site and e-trainings in order to develop individual application strategies and thus to exploit personal opportunities in the application process.
- Establishing Interamt, the public sector's cross-agency job portal, as a fixture in the public sector job market. In this area, Vivento was able to win several new cooperation partners. In addition, we gave all employers in the public sector access to the Interamt portal, enabling smaller agencies and local authorities to advertise their jobs there. Higher market penetration has increased Interamt's attraction for employers and job seekers, as well as for employees from our company who are looking to make a change in their careers.

Proportion of civil servants.

Group workforce in Germany. 2007 to 2010.

	2007	2008	2009	31.12.2010
Active civil servants	35,559	32,113	29,188	25,570
Civil servants on temporary leave from civil servant status*	3,963	3,033	6,597	1,678
Civil servants at affiliated companies	20,318	17,610	13,267	16,729
Total civil servants	59,840	52,756	49,052	43,977
Number of non-civil servants in Germany	89,098	78,957	78,435	79,197
Total number of employees in Germany	148,938	131,713	127,487	123,174
Percentage of civil servants in Germany	40.2	40.1	38.5	35.7

*Civil servants whose status as such is currently suspended. They have temporarily switched to an employee relationship not covered by collective agreements.

Health rate at Telekom in Germany.

In %.

	2007	2008	2009	31.12.2010
T-Home	93.8	93.1	*	*
T-Mobile	95.1	96.6	*	*
Business customers	96.2	96.2	96.4	96.5
Group Headquarters & Shared Services	93.6	92.6	94.0	94.3
Germany			93.3	93.4
Europe			97.4	97.8
Group as a whole	94.5	93.9	94.0	94.2

* Figures no longer collected separately.

Health, a management function worldwide.

Proactive health culture: Timely detection of health risks. A competitive workforce needs to be healthy. We therefore do not accept the idea of a health management system that simply “repairs” ill. In an industry that is characterized by continual change, we want to pioneer a proactive health culture. And we are well on the way to achieving our goal. 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 2010. The debate on issues such as work structuring, stress levels and coping with change processes calls for commitment not only from the health and HR experts but also from all management and employee representatives. This applies in particular where work structure and leadership deficiencies are revealed. In order to review this aspect, our first step was – as in previous years but with far greater intensity – to put some 50 questions on work-related mental stress and health in the biannual employee survey, which was held from October 25 to November 14, 2010 (see also the section on “Service culture,” page 20). We are aware of the fact that mental illnesses have increased considerably in recent years. The work situation is one factor contributing to this. We hope that the survey will help us identify risks and launch measures to counter this trend at an early stage.

Our traditional effective health activities range from special offers for junior staff to seminars on coping with stress and change through to offers of medical services, for example the annual influenza vaccination and a medical checkup, to which all employees are entitled once a year. As before, all these offers are naturally applied in specific cases in the wake of the employee survey, and tailored and improved where necessary. Outside the realm of the employee survey, we use our health management system and preventive offers to promote health literacy and health awareness among the entire workforce – for example, through the frequently used personal and telephone-based counseling service for executives and employees. One fact is absolutely clear even without these programs and offers: the key prerequisite for a healthy corporate culture is that management staff reflect on their leadership behavior, reduce high-intensity change and improve the quality of their planning.

Occupational accidents at Telekom in Germany.

Per thousand employees.



Rollout for a standardized health and safety system. We support the Group-wide concept of occupational safety and health with a standardized international health and safety management system. Rollout has already started in eleven international subsidiaries, namely at the T-Systems companies in Brazil, the U.K., Malaysia, Mexico, Austria, the Netherlands, South Africa, Hungary, the U.S. and Slovakia as well as at Slovak Telekom. With this step, we have laid the foundation for defining consistent global standards for occupational safety and health in future. The system is based on the international OHSAS 18001, ISO 14001 and ISO 9001 standards for occupational safety and health, environmental protection and quality. Plans include minimum standards for hygiene, first aid and medical activities in a crisis. We are also defining standard KPIs, such as the number of days absent from work. The use of minimum standards and KPIs will enable us to create not only greater transparency and better comparability but also additional optimization potential at international level. Consistent standards and KPIs are also part and parcel of our long-term pandemic prevention plans. We expect them to provide specific, optimal protection for our staff and, on the other hand, to put our company in a position in which it can maintain the global telecommunications infrastructure in a crisis. On the basis of the experiences already made, we are set to implement the health and safety management system in ten more Group units in 2011 and 2012.

Platforms for employer/employee relationships in Germany and at international level.

Intensive and close dialog. We engage in an extremely active partnership with the Group Works Council, our point of contact for all topics relating to codetermination issues at Group level in Germany. The Group Works Council usually meets every six to eight weeks. One fixed aspect of these meetings is the discussion with the employer, with the Chief Human Resources Officer and other decision-makers regularly taking part. Besides this, we join in holding various negotiations meetings, committee meetings and other joint coordination bodies, which played a vital role in enabling us to reach our corporate goals again in 2010.

Collective negotiations for 2011: dispute resolved. At the end of March 2011 the negotiating partners reached agreement on this year's round of collective bargaining. Salaries for employees covered by collective agreements at Deutsche Telekom AG, Telekom Deutschland GmbH and the service companies will rise effectively by 2.25 percent in 2011, which is in line with the industry. This figure is based on three months without a rise and an increase of 3.15 percent as of April 1, 2011. The collective agreement will remain in force until the end of January 2012. Employees in the service companies, who had an annual decrease of 2.17 percent negotiated for them in 2007, will get a two percent pay increase, backdated to January 1, 2011. In addition, redundancy protection is being extended by two years up to the end of 2012 for Telekom Deutschland GmbH and Deutsche Telekom AG. As far as the service companies are concerned, the current redundancy protection pact, which is valid until the end of 2013, will remain in place. The monthly pay for around 10,000 apprentices and students on cooperative degree courses will rise by EUR 40 a month. The negotiators also approved a future-oriented training and development pact, which provides for a minimum of three individual training days for all employees in the service companies.

European Works Council: Employee platform for information and consultation in the EU. Through Deutsche Telekom's European Works Council (EWC), we maintain an active relationship with the employee representatives of the subsidiaries and affiliated companies in the Member States of the European Union. Two regular EWC meetings and four EWC Board Meetings are held each year; members of the Group Board of Management attend the EWC meetings regularly to join in discussions and provide explanations.

Service culture: A radical transformation to the “new Telekom.”

In order to remain successful in future markets, Telekom must bridge the gap between a super-efficient service company and a creative driver of innovations. The keys to achieving this are correct management, exemplary service conduct by our executives, and above all, a corporate culture devoted to entrepreneurial co-responsibility. We have already laid the foundations with our Guiding Principles. As “Enterprise 2.0” we want to reduce hierarchy and status symbols in order to create scope for more co-entrepreneurship. Social media and Web 2.0 create ideal opportunities for global networking and short, fast communication channels.

One Company: Global transformation to a shared service culture.

One Telekom – one team – one service: Anchoring our Guiding Principles in all companies and countries. Be it Germany, Croatia, Slovakia or Hungary, the customer-centric integration of our fixed-network and mobile communications activities are progressing rapidly in a very focused manner. The next step is to bring the structural transformation to One Company to life in a shared corporate culture focusing on our customers – at all levels of the hierarchy, and throughout all areas of the company:

- Among our executives, because they bring the strategy, principles and role model function to our teams.
- Among our employees, because they are the “face of Telekom” to our customers, and fulfill our service promises on a daily basis.

Against this background:

- The service culture initiatives, service training and service careers for employees are continuing at the same high level, and also include international activities.
- Our executives are being strengthened in their capacity as service role models and ambassadors for One Company, with comprehensive, continuous training measures and intelligent tools.
- The HR team is accompanying the radical transformation of our company, both nationally and globally, with a comprehensive, uniform Group-wide change management system.

The Group's Guiding Principles.



1. Customer delight drives our actions
2. Respect and integrity guide our behavior
3. Team together – Team apart
4. Best place to perform and grow
5. I am T – count on me

Successful implementation of Guiding Principles – Code of Conduct updated, executives act as One Company ambassadors. In 2010, we fleshed out our Guiding Principles (see chart) and updated our Code of Conduct (CoC). In 2011, we began the international rollout of our new CoC in Germany. This helps to illustrate what the Guiding Principles mean to employees and executives in their everyday working lives, and establishes an operationalized policy for the entire Group. We call on our executives to set an example of the conduct we expect from our employees. We consciously support our executives in their role as multipliers of the Group's strategy, Guiding Principles and Code of Conduct. Take Telekom Deutschland GmbH as an example: By September 2010, half of all German executives had already attended workshops in the multi-stage program “Initiative 2010 Germany. Strategy and Integration – Guiding Principles and Leadership.” This has proved highly effective at deepening management's understanding of One Company. Feedback from workshop participants has been very positive, and the dialog on One Company is firmly established throughout all management levels. This was verified by an evaluation of the initiative in the spirit@telekom survey in October 2010, which revealed that 68 percent of respondents have confidence in the success of One Company. 73 percent of employees confirm that they implement the Guiding Principles in their everyday work.

Service Academy continues. We have built on the success of the German Service Academy to give our executives a better understanding of good service. Since 2008, the Academy has been driving this development and helping to anchor the new service focus throughout Deutsche Telekom. In a series of workshops, training courses and practical assignments, executives at the German Group learn to center their conduct around the customer and to lead their employees in a service-focused manner. While the first two phases focused on communicating and experiencing a shared understanding of management ("service leadership"), since May 2010, phase 3 has concentrated on the practical application of what they have learned in real projects. Service Academy courses were attended by more than 1,900 executives in 2010, around 900 of whom have already completed phase 3. Many of the national companies have introduced similar service initiatives to inspire their executives and secure their commitment.

Guiding Principles Motor as an online teamwork tool. Interactive tools such as the Guiding Principles Motor are another way of making our Guiding Principles more real and anchoring them in everyday life. Since July 2010, the Guiding Principles Motor has supported executives and teams at T-Systems by linking the Guiding Principles to very specific business targets, and breaking down behavior patterns to team and individual level. Employees play the leading role here; the executive is merely the moderator. He or she inputs a specific business target, such as "Improve customer satisfaction," and asks the team which Guiding Principles are crucial for meeting this target; this helps to anchor the Guiding Principles as a natural part of daily working life. The employees prioritize the Guiding Principles online, and initiate measures to improve their conduct. The Guiding Principles Motor supplies interim results in the form of clear charts. The outcome is specific, prioritized action plans that are subsequently developed by the teams as part of workshops.

Living guidelines: the first Group-wide Guiding Principles Focus Day. The "Guiding Principles Focus Day" on October 6, 2010 highlighted the fact that our philosophy has reached the global Group. It focused attention on our Guiding Principles in 19 languages, 34 countries, and 50 business units – sending a clear message that these principles will play a vital and permanent role in the development of our company. Numerous employees showed what the Guiding Principles mean to them in their day-to-day business operations with a range of creative activities – in video messages and tweets, telephone conferences, meetings and posters. The Guiding Principles Focus Day was a resounding success, and will now become an annual event.

Living service culture throughout the Group.

Service training and international service initiatives. Top excellence in customer service: We have consistently pursued this goal in Germany and the rest of Europe, as well as in the USA. . The three years up to and including 2011 were spent training its technical personnel on all aspects and concerns of the service culture. Their declared aim is "Customer delight drives our action." Here in Germany, we are also intensively involved in service training. In our three service companies alone, employees completed more than 100,000 service training days in 2010.

Service careers – a distinct career path for top service-providers. The service career is a new career path that is precisely tailored to all three service companies. A total of 1,100 employees have commenced their training to prepare for their additional role, or new function or activity as part of the 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. This initiative aims to improve our employees' personal development opportunities as well as enhance their solution-providing and service competency for our customers. The service career also offers financial rewards. A distinction is made between horizontal and vertical service careers. The vertical service career is designed for those taking on duties at a higher level, whereas a horizontal service career involves different duties at the same level or salary group.

Supporting infrastructure and processes for change.

Change House – the basis for targeted change management. We want to take our employees along with us through the radical, sometimes difficult changes toward the “new Telekom” and to embed the new structures and the new culture in everyday working life. This entails a professional and high-quality Group-wide change management that also incorporates emotional and subjective involvement. In 2009 and 2010, the HR team focused on actively accompanying One Company integration. At the same time, our change tools and initiatives were pooled under the Change House umbrella. Since 2010, Change House has helped us establish efficient, consistent Group-wide change management that also takes specific regional and local conditions into account. In this way, we are also continuing to systematize our international transformation management, by drawing on the many tools already available in our segments and Group-wide.

Tools and development programs. The Telekom Wiki platform “Transformation Management” from HR Europe is one such example. HR personnel, change experts and interested employees can use this tool to obtain comprehensive information about change management in their segment or the Group. Another example is the Transformation Management Toolbox, providing HR experts throughout the Group with guidelines and best practices for developing and implementing their own change measures. We also recognize the importance of supporting our executives, as the engines of change, with corresponding development programs. T-Systems, for example, has created its own series of workshops, HRD@T-Systems. It strengthens the role of executives as both HR developers and change managers. This successful series will be rolled out to all T-Systems national companies in 2011.

Change Navigator, training and Change Community: Exchange of experiences, transfer of know-how, best practices. The “Change Navigator” provides the basis for our Group-wide change management. The Navigator contains practical tools, work documents and best practices from the individual Group units that can be used by all change experts in their work. The tools are designed to be flexible, so that all HR Business Partners and executives accompanying the change processes can likewise use the Change Navigator. In early 2011, we began the international rollout of the revised Change Navigator. As well as providing support to the on-going change management process, the training of all change experts, Business Partners and executives is another important element of the Change House. We have therefore established a graduated series of training courses which allow our change experts to build on their training and obtain information. For example, those involved in large change projects can attend the “Change Management” professional program, launched in November 2010 by our partners, the renowned British Henley Business School.

The Change Community allows change experts worldwide to exchange their project experiences and best practices in four international community calls each year, and in person at the international Change Community Conference, the most recent of which was held in November 2010 in the Slovakian capital Bratislava. Additionally, T-Systems has developed an online Change Orientation Tour for managers, HR Business Partners and change experts. In future, we will continue to draw on external experts to advise and accompany change projects across the entire Telekom Group, and have created a pool of change agencies that are able to offer dedicated support.

Employee involvement as a success factor.

Controlling and feedback to measure the success of change management.

We use a closely knit feedback system to review the success, trends and possible need for adjustment of our change management. This includes our pulse surveys, which take place twice a year. They provide a snapshot of current trends and sentiments among our employees, for example with regard to satisfaction, understanding of change, and acceptance of the Group strategy. For a more in-depth measurement of commitment, service conduct and employee health at individual team level, the Group-wide employee survey, held every two years, provides a reliable and permanent barometer. In addition to this comprehensive employee feedback, we also measure change progress individually, for example via “360° feedback” for our executives. “Initiative 2010”, for example, uses 360° feedback for personal position-finding.

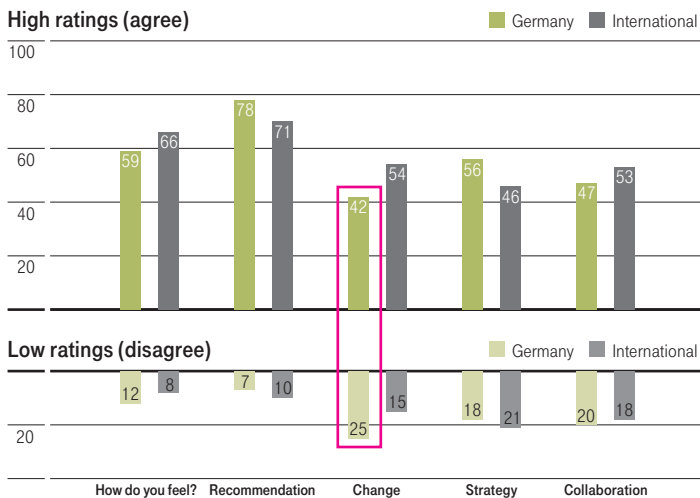
Record response to 2010 employee survey: Health slightly above-average. 138,000 employees in 27 countries took part in the three-week employee survey in October/November 2010, representing a record response rate of 72 percent. Telekom was the first DAX-listed company to include detailed questions on mental and physical health in its current employee survey. The questionnaire for the in-depth health survey was developed with the help of academics at Dresden Technical University. The university also provided benchmark figures for companies in the service, manufacturing, administration and IT sectors. Measured against these, Deutsche Telekom is slightly above average in terms of health.

Of the factors that affect health, the employees were particularly positive about the interpersonal atmosphere within the company and the leadership qualities of their direct superiors. Both of these aspects help to cushion the perceived relatively heavy workload. Overall, however, employees gave their immediate superiors slightly lower marks than they did two years ago. In a subsequent phase, since mid-February, each manager has received a detailed team evaluation of the survey results with recommended actions derived from these results. Once the detailed results are known, tailored packages of measures will be developed throughout the Group. Teams with critical results will receive support from their HR Business Partner where required.

Pulse check.

Results of the Group-wide pulse survey, October/November 2010, in %.

The pulse survey was held as part of the current employee survey, at which some 138,000 employees from 27 countries took part, response rate: 72%.



High ratings = Very good, good/agree fully, agree.
 Low ratings = Poor, very poor/do not agree, do not agree at all
 "Neither agree nor disagree" ratings are not included

Explanations of questions asked: How do you feel? = How do you feel in the company?
 Recommendation = Do you recommend our products and services to your family and friends?
 Change = Do you understand the changes taking place in the company?
 Strategy = I can explain the strategy to others.
 Collaboration = I feel that we at Deutsche Telekom cooperate as partners in the interest of the company's overall success.

Creative individuals and ideas for the future.

Ideas management: Involving employees in Telekom's future development. To encourage identification with the company and a creative, innovative exchange of ideas, employees need to be actively involved and must feel able to submit their ideas and suggestions without hierarchical constraints. This applies to all topics, aspects and areas of Telekom, from customer service, to internal processes, through to product innovations. Telekom's ideas management already plays an important role in involving employees in the company's development. Interactive tools also pave the way toward even greater openness for Telekom, both internally and externally.

Competition for creative minds. In the 21st century, competing for creative minds is crucial to a company's success. This necessitates a corporate culture of appreciation, whereby ideas management plays an increasingly important role in the innovation and improvement process at Telekom. In 2010 we launched two key activities in ideas management designed to motivate our employees to get involved and use their know-how on behalf of the company. The first of these was the launch and expansion of the standardized national IT tool "genial@telekom." This user-friendly tool makes it much easier to submit suggestions, and creates a more transparent ideas process right through to the evaluation stage. Thanks to this optimization, the number of employee suggestions received increased by almost 90 percent compared with 2009. Ideas Management also joined forces with Corporate Responsibility to conduct the Group-wide sustainability campaign "Big changes start small."

Ideas Garden 2.0: Creativity pool for ideas management. Ideas management at Telekom thrives on the inventiveness and knowledge of our employees. In the interests of an interlinked Enterprise 2.0 strategy, we want to network, democratize and multiply this know-how. We are also keen to promote inter-departmental dialog and contact that transcends temporal and geographical boundaries. To this end, the Ideas Management team is creating a community for communicating and developing unrefined ideas and approaches as part of a virtual communication space, which it has named the Ideas Garden.

genial@telekom.

Modern ideas management on the advance.

	2008	2009	2010
Suggestions for improvement	7,295	5,592	10,498
Savings in million €	141	122	136
Patent applications	665	713	913

Enterprise 2.0 – Between vision and everyday.

Telekom is one of the leading social media companies in the DAX 30.

The following summary shows one thing above all: As a company, we at Deutsche Telekom are already present and firmly integrated in many areas of Web 2.0, both in terms of our external image, for example in recruiting, as well as with regard to our internal workflows and knowledge management, both internationally and in the German Group.

- We have more than 31,000 registered users of our in-house Enterprise 2.0 media such as Telekom Wiki, the blog platform and the “People Network”, our internal social network.
- More than 1,300 projects are handled via our cooperation platform Wiki. Wiki is available to all employees as the open “TelekomWiki,” and to closed project and user groups as “Telekom MyWiki.” The internal media survey revealed that, since going live almost two years ago, Telekom Wiki has become the most trusted medium with the greatest perceived benefits among employees, even ahead of editorial articles on the intranet. 51 percent of all employees are familiar with Wiki.
- The Group has more than 50 German-language Twitter channels.
- There are more than 80 Telekom Facebook accounts and 20 YouTube channels.
- Perhaps the most impressive example is T-Mobile USA, which reaches more than 10 million customers via the targeted use of social media.
- With “Social Media in HR,” we were ranked number one out of 110 DAX, MDAX and TecDAX companies for HR marketing in the two leading ratings by Professors Jäger and Beck.

HR organizes its Enterprise 2.0 strategy via the “Enterprise 2.0 Center of Excellence.” We are now focusing on using Web 2.0 even more selectively and stringently to accelerate our development as market leaders for connected life and work under Enterprise 2.0. In the field of culture management, the Enterprise 2.0 Center of Excellence created in July 2010 focuses on driving four core topics for the Group: new interaction and collaboration in customer and partner dialog, culture, communication, and an integrated Enterprise 2.0 infrastructure.

Customer and partner dialog. The objective is to involve as many people as possible – employees, customers and partners – in our value creation processes. This means that we examine both our value chains for possible partner incorporation, as well as the use of 2.0 instruments. It entails ensuring the convergence of customer media internally, and building new collaboration platforms. We have already launched our first programs e.g. in the areas of Open Innovation with the developer community Developer Garden, and in customer service and dialog via an extensive range of activities on social media platforms such as Twitter, Facebook and various forums.

Culture: Greater self-organization. We are currently developing concepts to anchor Enterprise 2.0 in our management tools and programs. Flexible work models for individual control over working hours and training measures such as mentoring programs by rising talent for established executives are already in the pipeline, together with various Enterprise 2.0 instruments such as Ideas Garden 2.0, JAMs or forecast exchanges. We also encourage participation and entrepreneurial thinking among our employees with events such as the self-organized barcamps or Open Spaces with our customers.

Communications. The focus here is clearly on facilitating real-time communication. The aim is for all employees to develop a high level of expertise in dealing with new and futuristic media. The first step is to create uniform framework conditions for using the interactive media. We have already drawn up social media guidelines, together with marketing recommendations. Internally, interactive communication means completely refocusing the intranet as a feedback and dialog tool, further expanding collaborative instruments such as the Wikis, blogs and internal social network, and also reinforcing our external Enterprise 2.0 communication with respect to interaction and dialog. In 2011 we will be familiarizing Board of Management members, executives and employees with the use of social media in their everyday working lives with a series of coaching sessions and training courses.

Technical support: using integrated Enterprise 2.0 technologies. We want to create a uniform, internal Enterprise 2.0 infrastructure with so-called social business technologies. This heralds a brand new era of collaborative working. The infrastructure must be international, Group-wide and network-independent. Above and beyond this, we are also striving to design modern HR systems in this 2.0 infrastructure, and link them to the Group’s infrastructure via open interfaces. Efficient working, from any device, anytime and anywhere – the technical future should make this possible. We are currently evaluating the standards on which to base Telekom’s Enterprise 2.0 infrastructure in order to guarantee user-friendliness, simple access and security.

Talent agenda: Creating the “new Telekom” through diversity of talent.

In order to offer our customers forward-looking solutions for connected life and work, we need competent and creative employees at all levels and in all areas of our company, whether apprentices, students on cooperative programs, young people at the start of their careers, or experts and executives with professional experience. These are the people who create real innovations, turn them into attractive products and services and in so doing drive Deutsche Telekom forward. In order to recruit, retain and develop these employees, the Group is pioneering a future-minded human resources and talent policy. It combines the different potential and needs of women and men in a targeted and profitable way. We draw on the best talent in all its diversity by offering attractive development opportunities and work environments as an employer.

Attractive employer – on our way to becoming one of the top talent companies.

Most sought-after employer. We are one of the most sought-after employers in the telecommunications industry in Germany once again in 2010 and well on track back to being one of the top 30 most attractive employers overall. Part of the reason for this is our innovative talent recruiting. Telekom is now considered to be a pioneer among the DAX 30 companies in terms of using social media tools to recruit talent. The diverse and innovative activities of our central Recruiting & Talent Services (RTS) are setting the standard here. Our outstanding internal training and commitment as an advocate of the “Bologna process” also contribute a great deal to our growing reputation as an employer. We are well on the way to becoming one of the top talent companies.

Awarded worldwide. This has also been confirmed by the numerous awards we have won for being an excellent employer, such as second place in the Employer Branding Award from Trendence for the best image change. Our international companies and shareholdings also won a host of awards in 2009/2010. Slovak Telekom, for instance, topped the table in the Slovakian “Best Employer” study. Our Croatian subsidiary Hrvatski Telekom also took first place in the “Employer of First Choice 2010” ranking. The Hungarian subsidiary Magyar Telekom was not only named No. 1 in the 2009 “Best Employer” study in Hungary, since 2010 it has also been one of the top 10 “Best Employers in CEE” – out of all the major employers in central and eastern Europe. Our mobile communications companies in the Netherlands, Austria, Poland, the Czech Republic and the U.S. also achieved excellent rankings.

Award-winning: Telekom as an employer.



“The Great Experience” – global employer positioning. On the way to becoming a top talent company, we have stepped up our activities since 2010 to systematically establish Telekom as a global, high-profile employer brand. Only in this way will we succeed in inspiring talented young people from the world’s talent spots to join Telekom. Under the slogan “The Great Experience,” we are currently implementing unique selling propositions in order to distinctively convey the qualities of our company as an employer. A global job search platform gives job seekers a worldwide overview of the externally advertised vacancies in our companies. This allows external applicants to learn more about Telekom and find out about the attractive starter opportunities, not only in their home country, but also around the world. At the same time, we also want to make “The Great Experience” open and accessible within our company in 2011, with new and more flexible ways of working that make Telekom even more attractive for its employees. We are sending a strong signal here – with Group-wide diversity management and a wide range of measures especially on the issue of work-life balance (see page 31).

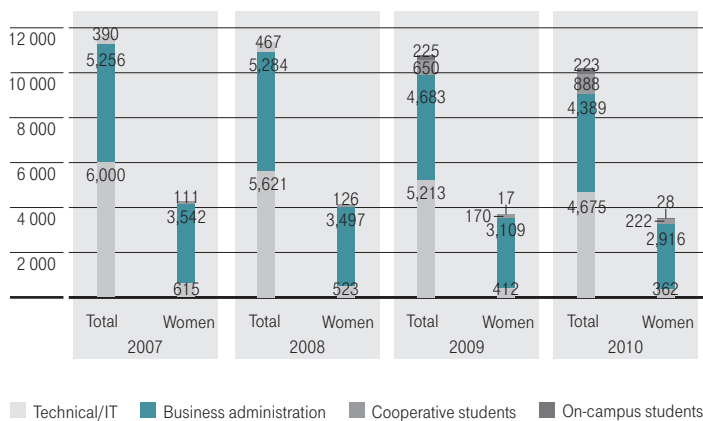
Company training, academic training and continuing education.

The hallmark of a top training company – around 10,000 young people in training. It is a fact that Telekom is one of the largest training providers in Germany. And there’s a good reason for that: nowhere else can we get such direct access to such a huge pool of highly qualified talented people for our company, and nowhere else do we have to do so little to overcome the public-authority image of a former state-owned enterprise than with young people who complete their first degree or vocational training with us. In training year 2010/2011, we had some 10,000 apprentices and students on cooperative degree programs overall.

Bologna@Telekom as a talent breeding ground. Around 1,000 of our junior staff are students on cooperative degree programs. On top of this, more than 200 students are enrolled in a full-time degree program at our own University of Applied Sciences (Hochschule für Telekommunikation – HfTL) in Leipzig. As a determined advocate of the Bologna university reform, Telekom’s Bologna@Telekom initiative doesn’t just pool all activities related to the full-time and cooperative degree programs. We also increasingly use it to promote part-time academic courses for our experienced employees: Since the 2010/2011 winter semester, some 200 employees a year can study for a bachelor’s or master’s degree at one of our partner universities alongside their job and with support from the Group in terms of time and financing. From the 2011 winter semester, around 200 more employees will take up this offer on top of the 224 who are currently supported.

Trainees and training programs in Germany.

Total and share of women, figures for Deutsche Telekom AG.



Business administration training programs include: office communications administrators, retail sales assistants/dialog marketing assistants, industrial business administrators bachelor of business administration, communications and information technology, business information systems

Cooperative study programs include:

Partnerships with universities restructured – important flagship projects of our educational commitment. In order to make our involvement with universities even more effective, transparent, multi-dimensional and international in the future, we have restructured our partnerships. We have made them much more targeted and Telekom can now be experienced as One Company right from the university campus. Students can discover that “Life is for sharing” while still at university. Below are three examples to illustrate this:

- **Zeppelin University in Friedrichshafen:** previously a research partnership within the scope of T-City, now a partner university with the new part-time Master of Digital Pioneering degree course and source of inspiration for Enterprise 2.0
- **Ludwig Maximilian University in Munich:** previously endowed chair sponsored by the Deutsche Telekom Foundation, now active advisory board membership, innovation center for T-Systems, frequent guest lectures by Telekom ambassadors, joint research projects with Deutsche Telekom Laboratories, draft of a master’s degree program for Bologna@Telekom 2012, partner for the Deutschlandstipendium scholarship program
- **Goethe University in Frankfurt am Main:** previously endowed chair for Mobile Commerce, currently active advisory board membership, guest lectures by Telekom experts, employee training and development in the field of mobile security, recruiting events at the Frankfurt campus

Deutsche Telekom AG is one of the first DAX 30 companies to support the German government’s Deutschlandstipendium scholarship program from the 2011 summer semester. Over the next four years, the Group will sponsor a total of 360 students under this scheme. Students can receive support at seven German universities: TU Dresden, WWU Münster, LMU Munich, HS Munich, TU Darmstadt, TU Dortmund and FH Dortmund.

Furthermore, we want to further raise the external profile of our partnerships, for instance by awarding from 2011 an annual sponsorship prize for exemplary university work. Deutsche Telekom will evaluate all university partnerships and award the prize to the best one.

Targeted promotion of the best and new talent reservoirs. In addition to our university involvement, we also set up and continued a large number of other training initiatives in the reporting year, which further enhance our search for and promotion of talent. They included, for example, the Young IT Talents program, with which we want to specifically promote and retain up to three percent of our best IT apprentices and students each year. This also includes the “My chance to get going” program for socially disadvantaged young people, to whom we offered another 66 internships by way of entry into the world of work (see page 33). At the same time, this sends out a signal nationwide that young people from poor educational backgrounds can be really talented.

Approaching talent successfully.

Recruiting management for digital natives in full swing. Any company looking for new talent has to go where the talent can be found. For the generation of digital natives, that means the World Wide Web or, more precisely, social media – with all the opportunities they provide for interactive networking, real time communication, unconventional forms of dialog, and flat hierarchies. Unlike in the past, today's applicants expect to be able to get a direct insight into the company. They want to know what their potential new employer looks like from the inside, get to know their future colleagues, and gain an impression of the issues, fields of work and units. In short, it must be possible to experience the company. This is where social networks offer huge opportunities – unlike traditional media, they enable a direct exchange between company and candidates and invite them to engage in a direct dialog. For this reason, Deutsche Telekom decided last year to make greater use of the social networks for recruiting. Since then, the Group has systematically used channels like Facebook, Twitter or Xing, interlinked with each other and with the company's careers page. In this way, the Group is expanding and improving its contact management. We are leaving behind one-to-many communication and endeavoring to establish a real dialog. The list of successful measures includes a job app for the iPhone with 22,000 downloads (as of February 2011) in the first year alone, as well as a well-developed company presence in a wide range of social networks:

- Some 5,000 subscribers take an interest in our company updates in the Xing business network.
- Our Facebook page has around 2,200 fans.
- The YouTube channel has had 7,000 hits, our videos have been viewed some 30,000 times.
- And we have 1,800 followers on the information service Twitter.

As part of "T-Systems meets XING," we are successfully combining online recruiting via social networks with making personal contact during after work events. Since there was a clear focus in the reporting year on approaching talented students and graduates, we also of course continued our unusual dialog forum, the "Technology meets Talent" BarCamp. As another point of contact for student recruits, we also set up two intern programs in 2010, "Connect!" and "Be International!" The latter provides above-average students with the opportunity of an internship at a Telekom company in another country. The student network Connect! provides the opportunity for all interns to maintain contact with the Group for another six months after completing their internship or to take part in seminars and workshops. We successfully continued our entry-level offers for graduates, the entry program Start up! and the direct entry program Jump in! in 2010. Yet again, some 50 outstanding university graduates took part in the high-potential program Start up!. Jump in! enabled over 250 graduates in total in 2010 to directly enter their preferred area of work at Telekom.

Long-term recruiting planning – marketing to school students in print and online. The magazine for school students "Reif" has offered an initial insight into the world of work at Telekom since 2010. Its readership at 13,000 secondary schools and editors are on an equal footing: the junior editors – supported by professionals – are scarcely older than their readers. In this way, we want to give young people who are thinking about choosing a career an exciting look behind the scenes of the Group and help them to find a career that matches their talents. In November 2010, we also launched an online marketing and recruiting campaign aimed at school students. The aim of the "Knowledge changes everything" campaign is to bolster even further Telekom's position as an innovative and attractive employer. The campaign leads an interactive scavenger hunt through Telekom's Headquarters in Bonn – and is a complete success. The clip on YouTube was viewed more than 500,000 times by February 2011 and more than 38,000 gamers have already visited the homepage www.wissen-veraendert-alles.de.

Diversity management – culture of openness for shared success. For Deutsche Telekom, diversity means productive diversity. It conveys strength and enriches our company: young and old, people with and without disabilities, people from different cultural backgrounds and of different religions, homosexual and heterosexual people, women and men. We attach importance to this broad palette of personalities, talents, life concepts and styles. Our aim is to promote and harness this diversity within and outside of our company as a source of business success, creativity and innovation. Diversity is a key driver for change in our corporate culture – and at the same time our contribution to active openness and respect in our society. With the shift from a monoculture to an open company, we offer talented young people a wide variety of opportunities in their different phases of life to develop professionally and personally. We create attractive work environments and flexible working conditions for women and men alike, in which achieving a good work life balance is a given.

Group Diversity Management (GDM) embeds diversity throughout the company worldwide through practical measures and continues to develop it as a business success factor. To this end, GDM initially clearly defined diversity business cases in 2009 (see the section entitled “Tolerance” in the Human Resources Report 2009/2010). The international team of men and women takes an integrated approach that covers all the core aspects of diversity. In the reporting year, two programs from our action areas stood out in particular:

- The Group-wide program to implement the women's quota approved by the Board of Management in 2010.
- Our established work-life@telekom program, which we expanded to include additional measures and offers.

The two programs are closely interlinked and promote each other's aims.

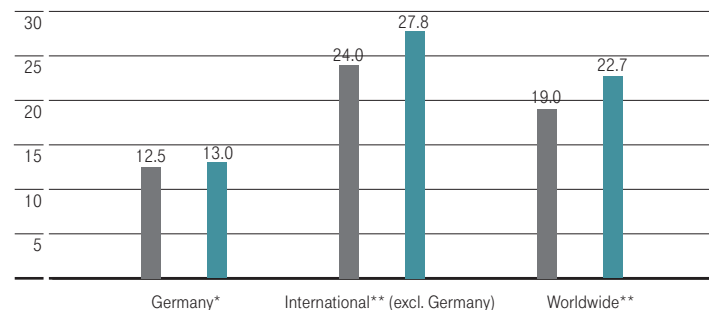
Women's quota in place for a year.

Starting off with a bang. The Board of Management resolution to fill 30 percent of our middle and senior management positions with women throughout the entire Group by the end of 2015 is a visible expression of Telekom's move toward a new corporate culture. In order to achieve this target, we are managing our program to implement the women's quota systematically through target values along the entire talent pipeline, including the following areas of action:

- Transparency of selection and appointment processes
- Transparency of HR development
- Systematic controlling and monitoring of targets
- Personalized options for returning after parental leave or time out
- Achieving a good work-life balance
- Increasing the flexibility of working conditions, especially for executives
- Expansion of child care services

Women in middle and upper management.

In %.



* Upper management only

** For the international share, the figures given by some countries for Dec. 31, 2009 are estimated values.

■ 31.12.2009 ■ 31.12.2010

The quota has found particularly strong resonance in our home market, triggering a broad debate both within and outside of our company. One year after the women's quota was introduced we have already achieved our first successes. We have managed to recruit large numbers of women, especially for top management positions and key HR development programs:

- The percentage of female executives worldwide has increased from 19 percent to 22.7 percent.
- Since March 2010, the number of women in the 66-strong management team below the Group Board of Management, the Business Leader Team, has increased from two to five.
- The company has appointed 13 female supervisory board members at German first and second-tier subsidiaries, bringing the total number of women sitting on Telekom supervisory boards to 17. In our international companies we have 15 female supervisory board members.
- The increase in the percentage of female top junior recruits from 33 percent at the start of 2010 to 51 percent also follows the self-imposed requirement to systematically foster female talent along the entire talent pipeline.
- The proportion of women on management development programs increased from 18 percent in 2009 to 34,6 percent in 2010.

The introduction of the women's quota and resulting debate are fueling our cultural change. Assumed givens are being questioned and traditional patterns of thought deconstructed. The quota particularly leads to new ways of thinking about flexibility of working hours. For example, male executives are increasingly considering flexible worktime models, the culture of physical presence is being questioned and family-friendly working hours encouraged.

Women in management – learning from international examples. In many countries, women are already much better represented among Telekom executives than they are in Germany. These examples show that mixed gender management teams are more than just wishful thinking. These companies and the measures they have taken to promote women now serve as best practices for measures to help increase the percentage of women in management. For this purpose, we also use our increasingly integrated international diversity community, where diversity experts from all European countries where Telekom is active regularly discuss best practices and topical diversity issues. Take for example Hrvatski Telekom. The Croatian Telekom subsidiary is a real role model for mixed gender management. More than 44 percent of senior and middle management positions are held by women – and that is in spite of the fact that in other Croatian companies, women only account for six to eight percent of management. The presence of women in Hrvatski Telekom's management as a matter of course is mainly down to the high degree of transparency in all HR processes and role models on the Board of Management. The same is true, for example at Romtelecom, where more than 34 percent of managers are women. T-Mobile Netherlands is also a role model for mixed gender management teams and new work models (see page 32).

Fueling the cultural change.

Mutual exchange promotes cultural change. Diversity needs to be internalized by employees and executives. For this purpose, we held a number of events in 2010:

- **Dialog forums:** We held three dialog forums overall, attended by Board of Management members and prominent guests. The forums aimed to allow an open dialog with employees about how the company and culture need to change and gave employees the opportunity to speak their mind. We will continue the dialog forums at all major sites in Germany in the coming year.
- In addition, Deutsche Telekom held its inaugural **Diversity Convention**. Under the slogan "Success through diversity – it's all in the mix," more than 300 international executives intensively discussed the issue of putting diversity into practice at work. We succeeded in booking six renowned experts for the event, including Jane Elliot from the U.S. She talked to participants about her more than 40-year fight against overt and covert racism.
- **Female networks:** We also offer our female employees and executives opportunities for networking with each other and raising their profile as high performers in the Group. The events we offer include the women networks Women@T-Systems and women@EU organized by Telekom's Europe board department, Deutsche Telekom Technischer Service GmbH's forum for female professionals and executives, and Telekom Deutschland GmbH's IT business lunches.
- **queerbeet:** The network for lesbian, gay, bisexual and transsexual Deutsche Telekom employees and their friends and supporters was established at the end of 2002. queerbeet aims to help ensure employees reach and contribute their full potential in and for the company, regardless of their sexual identity.

Long-term commitment at society level. We are also intensively committed at society level in order to inspire girls and young women to consider Telekom:

- **STEM** (science, technology, engineering, and mathematics): Through a wide range of STEM initiatives, we hope to inspire girls and young women to go for technical and science-based careers, professional and management positions. In the last five years, for instance, we have sponsored the “MINT Zukunft schaffen” (Creating a STEM future) and “erlebe IT” (Experience IT) initiatives as well as the JUMP in MINT mentoring program for young people. As part of the industry initiative “Jugend denkt Zukunft” (Young foresight), we held an innovation week for Berlin schools again in 2010.
- We also took part in the annual **Girls’ Day** again, which was a huge success this year with more than 4,000 (2009 around 2,600) girls taking part at 55 sites across Germany.

Diversity Charter: corporate commitment to diversity. The Diversity Charter is one of the biggest German corporate initiatives, now with 870 members. Deutsche Telekom is one of its founding members. In 2010, four years after setting it up, the four founding partners were invited to the Telekom Berlin Representative Office for the “Impetus for Germany as a center of business” conference. The central theme was the challenge, opportunity and necessity of a diverse corporate as well as social culture. The encouraging interim conclusion was that initial successes in increasing diversity have already been achieved. But there is still a gap that needs to be closed in companies and in society. The conference also reported on progress in the initiative and introduced the next phase of the Diversity Charter. It is now sustained by a group of well-known sponsor companies. Telekom continues to lend its support and is one of the Charter’s sponsors. We will continue to drive forward progress in the Diversity Charter within that group as well as on the executive board.

People with disabilities.

Deutsche Telekom Group in Germany, in %.

	2007	2008	2009	2010
T-Home	7.0	7.0	*	*
T-Mobile	3.3	2.6	*	*
T-Systems	3.8	4.3	3.6	3.7
Group Headquarters & Shared Services	8.3	8.1	7.7	7.9
Group as a whole in Germany	6.2	6.3	6.0	6.2
Germany	*	*	6.3	6.6
Europe	*	*	1.2	1.6

*Due to restructuring, previous figures per segment are not comparable.

Promoting diversity: within the Group and in society. As a good corporate citizen for many years, we, for example, are not only an enthusiastic sponsor of German disabled sports, we also intensively support the participation of people with disabilities in working life. Throughout the Group, around 6.7 percent of our employees are disabled. All vacancies within the Group that are advertised externally are sent to the German Federal Employment Agency via an electronic interface in order to specifically encourage applications from job seekers with disabilities. In fiscal year 2010, we took action to set up and maintain barrier-free workplaces for our disabled colleagues in some 900 cases. This ranged from the procurement of special office furniture through to making our offices and business premises wheelchair accessible.

Achieving a good work-life balance.

work-life@telekom – encouraging new worlds of work. With our work-life@telekom program, we have been placing particular emphasis on a healthy work-life balance since 2009. In order to retain and develop employees and help them reach their full potential, we want to boost their sense of personal responsibility and give them increased control over their own time. Telekom also encourages its employees with a range of offers in these areas, allowing for different personal situations through flexible employment opportunities. The main focuses of the program are working hours and location, health and fitness in the context of a work-life balance, family, and social life.

Embedding a work-life balance – three trendsetting voluntary commitments. In order to permanently embed a work-life balance in the corporate culture and in everyday life, we introduced three trendsetting voluntary commitments to the benefit of our employees and executives in the reporting period.

- 1. Use of mobile devices.** A leadership and corporate culture based on respect and personal responsibility includes treating free time with respect, whether vacation, weekends, or just outside of work on workdays. In a voluntary commitment, we explicitly stated that employees are not required to use company mobile devices in their free time. Also, there is no obligation to answer work e-mails or calls during free time.

2. Flexible working hours. We have introduced a voluntary commitment encouraging executives to design and make use of flexible worktime models. As role models, executives are to make greater use of flexible working hours themselves and motivate their employees to take better advantage of existing options and use them creatively. As at T-Mobile Netherlands, part-time work is to become a fixed element of our management culture. This fortifies our endeavors to view time qualitatively rather than quantitatively: we want results and the work actually done to count, not physical presence and time spent.

Best practice T-Mobile Netherlands: Flexible worktime models.

Flexibility at work makes it easier to establish a work-life balance and, for instance, to combine a career with raising children. T-Mobile Netherlands is exemplary in this regard. For example, 22 percent of its managers work part-time – around half of them men. 40 percent of employees work part-time. The question of whether it is possible to work part-time and have a career has long been answered with a resounding “yes.” Home office is also as normal as mobile working.

3. Standardized parental leave process. With its parental leave process “Stay in contact,” Deutsche Telekom plans to encourage its employees even more systematically to stay in contact with the company. This includes planning meetings at the start of and during parental leave as well as re-entry meetings, active recruiting (“Welcome back”) and the “Stay in contact” network for employees before or during parental leave. The process is currently in the implementation phase.

Best practice T-Mobile Austria: Welcome back from parental leave.

At T-Mobile Austria, we have put in place an exemplary process, “Stay in contact,” to reintegrate employees and executives into the company after taking time out, for parental leave for instance. For this purpose, we hold mandatory planning meetings before they leave for the time out. Even while they are away from work, the employees remain part of the company. They can still access the intranet and their workplace. Furthermore, we stay in contact with them, e.g., by e-mail and through specially organized events.

Diversity consultants embed the ideas of parental leave and worktime models. During the reporting year, we introduced the diversity consultant function at Group level, thereby providing men and women with a specific contact person – in cooperation with their HR Business Partner – and advice on all matters relating to flexible working hours and parental leave. The aim is to develop a personal solution for each employee together with the HR Business Partner.

Support offers to help employees find a work-life balance. We use a wide range of measures to support our employees in organizing their daily lives. In 2010, for example, we decided to massively expand the company’s day care facilities. Overall, we have increased our investment in child care places by EUR 6 million to a total of EUR 8 million.

Day care places and child care close to home. In order to meet parents’ child care needs, we are building up the number of child care places available in locations with large numbers of employees, such as Bonn, Darmstadt, Frankfurt, Hanover and Munich, adding at least 240 additional places, thereby bringing the total to 600. At smaller locations, especially in rural areas, we work closely with the AWO (the German Workers’ Welfare Association) parent service.

Introduction of the holiday program. We also launched a pilot project in July 2010 to care for school children during the school holidays. For children aged between six and twelve, Deutsche Telekom offers 300 places at ten sites for two weeks of child care during the school holidays. From 2011 we will run the holiday program continuously. It is based on the example of Slovak Telekom’s ST Children Holiday Camp.

Further offers of support.

- Free **emergency childcare** (total volume utilized in 2010: 232 days)
- Free **support for finding childcare solutions** close to employees’ homes
- An advisory and placement service for **employees with elderly family members** in need of care
- Leave of absence in **family emergencies** (no data available for reasons of data privacy)
- **Family leisure offers** (over 42,000 persons and their family members took advantage of Deutsche Telekom’s recreation scheme)
- **Flexible work schedules** (over 14,000 employees in Germany work part-time)

International survey and other projects. In addition to these measures, we support numerous other projects in Europe. For example, we are building family-friendly offices in Hungary, promoting gender training in the Polish company PTC and at Cosmote in Greece and Romania, as well as offering health management programs in Croatia. We gathered information on all aspects of work-life balance in an international work-life survey so that we could offer measures that have proved successful in some countries as best practices to Telekom companies in other countries.

Award-winning: Excellent diversity.

T-Mobile Czech Republic: Award for “Employer of the year 2010” for equal opportunities – for the sixth time running.

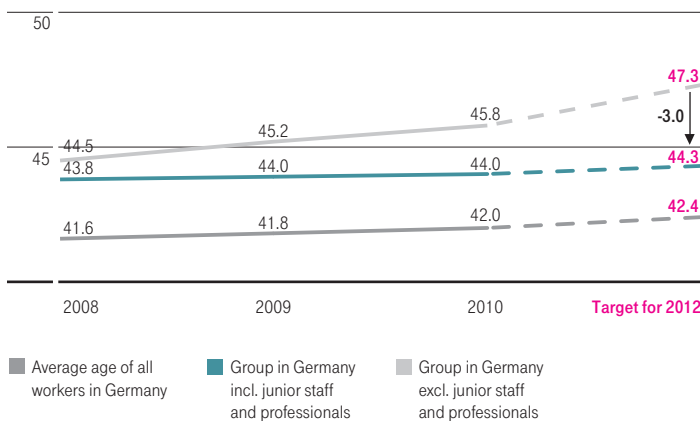


Fresh know-how and many years of expertise.

Generation@Telekom – ready for the demographic shift. The European trend toward aging societies is also reflected in Telekom's workforce. It is therefore just as important for us to bring young people with fresh know-how into our company as it is to secure the many years of extensive expertise of our professionals and executives. We are preparing to meet these challenges. In our Enterprise 2.0 strategy, for example, we continued with our intergenerational reverse mentoring program, which encourages the exchange of knowledge and understanding between the generations: Young employees introduce their older colleagues to the world of Web 2.0 and explain applications to them. Also Children's Day was held again in 2010, when parents and grandparents were invited to bring their children and grandchildren to work. Some 250 children took part in Children's Day at nine offices in Bonn.

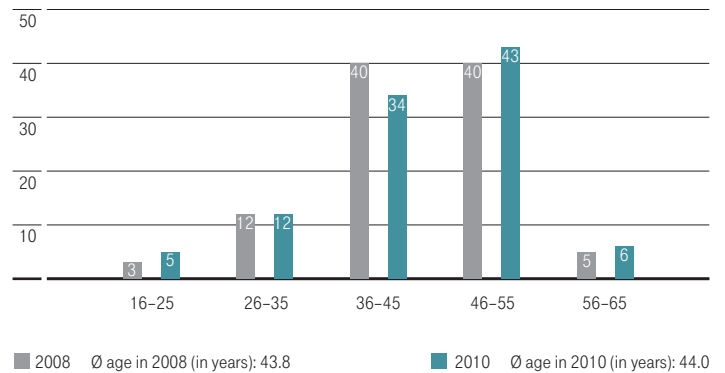
New recruits decelerate the aging progression.

Average age trend at the Group in Germany, in years.



Age structure at Telekom in Germany.

Comparison 2008/2010, in %.



Discovering new target groups – new talent pools in Germany and around the world. In order to secure a large pool of candidates for our company even in times of a shortage of young people, we are involved in a wide range of initiatives and programs:

- **Programs for disadvantaged young people:** Initial experiences with our entry-level training scheme for young people known as EQJ have been very promising: Of the 61 young people who took part, 50 managed to get training positions. Thus this project also makes a significant contribution to fostering undiscovered talent. In 2010, we offered another 66 young people the opportunity to get a foot on the career ladder. We plan to give more young people, especially from poor educational backgrounds, solid prospects for beginning a career with the pilot project "My chance to get going," which we are carrying out in collaboration with the German Federal Employment Agency, until at least 2012.
- **"Africa is coming":** In 2008, a joint initiative for continuing education was set up for African specialists and managers from countries south of the Sahara in partnership with leading German companies. As part of this initiative, Telekom will also support one junior manager in 2011, who will contribute innovative ideas to our Group diversity management.

We are currently developing further initiatives and programs in our efforts to sustainably secure the next generation of employees. We will increasingly tap into new talent pools in the coming years to secure a fresh supply of talent in the long term despite the demographic shift. In addition to continuing with the EQJ program, we also plan to work with the German Federal Employment Agency to specifically recruit single parents for training or cooperative degree programs.

Attractive worlds of work, attractive development paths. We want to fill the majority of our expert and management positions with top performers from within the company. The advantages of this are clear: These employees and executives know our strategy and targets and implement them, they are familiar with our processes. They have already demonstrated their loyalty and abilities. They have also underlined their willingness and motivation to develop, for instance by successfully taking part in relevant programs. In order to develop these future experts and executives, we first need to retain our talented employees and top performers within the Group, for example by offering them attractive working conditions and giving them responsible, exciting and challenging tasks. At the same time, we want to open up long-term prospects for their personal professional development. In order to fill vacancies seamlessly with suitable candidates, we need to be able to recruit future experts and executives transparently and throughout the world.

Talent Spaces to raise the profile of talented people internationally and across segments. The Talent Spaces initiative is an excellent milestone for our international and cross-functional talent management. It allows us to overcome national boundaries in our company as well as previously isolated departmental "silos." The kick-off event with the first 200 international participants took place at the end of October 2010. True to our Guiding Principle "Best place to perform and grow," the aim of the initiative is to network and raise the profile of participants within the company. They were proposed by superiors and senior management, are above-average performers and have demonstrated potential for greater challenges. The participants from 22 countries all over the world now have time and opportunity to network with each other and resolve problems for up to 18 months. Further project assignments and individual activities such as mentoring and shadowing are planned. Talent Spaces was initially launched for employees in five functional areas: HR, Finance, Procurement, IT and Technology. Additional areas will follow in the next few years.

Talent platforms in the Telekom Group. Our German and international companies support Talent Spaces with their own talent platforms. These platforms raise the profile of high potentials at company level, which then allows us to incorporate them in our Group-wide talent initiatives such as Talent Spaces. For example, Telekom Deutschland GmbH has had additional talent platforms since 2010. They are aimed at high potentials who want to network across functions and engage in a company-wide dialog on strategic and business-related issues. The aim is to raise the profile of talented people within the company. "Managing director's talents," "Cross mentoring" and "Delight your customer" – as well as "Dinner talks" at T-Systems – address target groups with different professional experience. In 2011, T-Systems will continue – in a new form – its Talent Acceleration Initiative (TAI) launched in 2009, in which eleven talented women with initial management experience from Germany and other countries were prepared for taking over executive positions. T-Systems has also installed talent platforms at its national companies, e.g., the Talents@T-Systems initiative in Austria.

Transparency in harmonized HR development.

Executive Search Council and Leadership Quality Gates – forward-looking processes ensure high leadership quality. The quality and performance of executives are key factors in the continued development and expansion of a competitive workforce. In order to make sure they remain at a consistently high, reviewable and comparable level in all units and national companies, we need systematic and standardized Group-wide succession management. One tried and tested element of this succession management is the Executive Search Council (ESC). In order to achieve comparable, standardized and thus objective candidate selection Group-wide, T-Systems and the Europe board department piloted the Leadership Quality Gates (LQG). As a future quality check for executive appointments, the LQG focus on assessing the social skills as well as the leadership and management qualities of executives. They focus clearly on our Group targets, the Group-wide competency model and our Guiding Principles; their declared aim is to improve management continuity and quality in the company. Following a structured interview, the best candidate in the shortlist of candidates goes through an assessment center in order to give the assessment a valid basis. The assessment center comprises business cases, simulations and meetings. The observers then discuss the results and recommend whether or not the candidate should be appointed. The response to the new method has been favorable from both candidates and observers. According to observers, it allows leadership qualities to be evaluated for which there had not previously been any measuring tool. In the Europe board department, the results are also compared against an external benchmark. The evaluation of the Leadership Quality Gates pilot at Group level will also provide further results.

Performance & Potential Review, an established tool for personal feedback and development. The Performance & Potential Review (PPR) makes a significant contribution to establishing Group-wide transparency and harmonizing HR development processes. In 2010, we successfully used it for international executive development as part of STEP up!. Furthermore, the PPR was extended to 2,700 executives and team leaders not covered by collective agreements in Germany and more than 2,000 executives in other countries in 2010. Overall, our executives are very satisfied with the PPR as the platform for personalized management development. We used the feedback of executives to improve the IT tool once again, which was used for the first time in 2009. In order to determine how satisfied the newly included executives and team leaders are with the PPR, we are carrying out a new customer satisfaction survey at the start of 2011. The extension of the PPR to executives and team leaders not covered by collective agreements underlines the huge importance of this tool. In a Group that is increasingly coming together as One Company, the Performance & Potential Review creates a transparent and consistent basis for assessing performance, competencies and potential; it systematically improves the development opportunities of each individual; and overall it contributes to a consistent leadership approach throughout all parts of the Group. Thus the PPR substantially simplifies and optimizes talent recruiting and succession management.

STEP up! – international roll-out of development programs in full swing. In order to further develop high performers from within the company, to network them and prepare them for tasks with greater responsibility, we have established a wide array of development programs for executives throughout the Group. This includes the Leadership Excellence Programs (LEP), which are differentiated by management group. In 2010, more than 800 executives took part in LEPs, also including participants from international units. The Executive Development Program (FEP) and its international equivalent, the Leadership Development Program (LDP), particularly support employees who are preparing for their first management position, but also executives.

Expert career path throughout the Deutsche Telekom Group. As an alternative to a traditional management career, we have introduced a development program for experts (Go Ahead!) in the company. Currently, some 33,000 T-Systems employees in Germany alone benefit from Go Ahead!. Added to them are employees at T-Systems' Local Business Units and in European fixed network and mobile subsidiaries. The expert development focuses on competitive areas such as information and communications technology and project management. In addition, more than 3,000 experts from T-Systems took part in the strategic CAMPUS training programs for expert development in 2010.

Alternatives to a management career. In addition to broad-scale further training activities for our specialists, T Systems also selected more than 560 top performers and high potentials in 2010 to take part in development programs for expert careers. The employees have already been assigned to the relevant expert groups. In the international programs Professional Expert Program and Professional Expert Conference, as well as the Top Expert Community, experts network with each other and with top management. Thanks to the positive feedback, the programs will be continued in 2011 with larger numbers of participants and a greater proportion of women and international participants.

We are also further rolling out Go Ahead! internationally. Other Group companies are also joining the internationalization of T-Systems Go Ahead! At T-Mobile Austria, the development program for professionals has already been fully implemented for around 1,200 experts. Go Ahead! has also been introduced for selected groups of experts at the Croatian company Hrvatski Telekom, in the Netherlands and in the Czech Republic. Initial preparations are underway at Magyar Telekom (Hungary) and PTC (Poland). We are gradually continuing our international roll-out in the Czech Republic, Slovakia, the Netherlands and Greece.

A special career path: the project career. In view of the increasing importance of projects for future growth and current business, we are planning, as part of Go Ahead!, to establish a new career path in the Telekom Group in the future: the project career. In addition to a high level of added value for the company, it will offer top performers and high potentials in particular new career options in project management. Among other things, we want this option to increase transferability between project and management career paths, improve and standardize development processes, and encourage networking between project and program managers. In 2011, we plan to define the form and structure of the project career and launch an initial pilot by the end of the year.

Telekom X-change, professional programs and master classes – international exchange and knowledge transfer. In order to promote the development of know-how as well as a shared concept of One Company at a business-specific level and across national borders, we set great store by international development measures:

- **Telekom X-change:** The program offers high performers the opportunity to experience everyday work in an international environment for three to six months. This includes assignments to and from Germany, as well as directly between national companies.
- **Professional programs (PP):** Together with renowned business schools, we are further expanding the specialist knowledge and strategically relevant skills of our employees. In 2010, a total of 162 participants visited English-language courses in the areas of finance, HR, marketing and IT. The PPs also provide opportunities to acquire a Master's degree.
- **Master classes:** This development offer is aimed at top performers among our experts from all functions in Germany and the national companies. In 2010, we offered four master classes: Change Management, Influence and Leadership, Innovation, and General Management. Due to the extremely positive feedback from participants, we will increase the number of master classes offered in 2011.

Nucleus of company development.

Telekom School of Transformation – breeding ground for a culture rethink. In order to step up our efforts to drive Telekom's transformation at the personal, enterprise and social levels, we are set to found our Telekom School of Transformation in 2011. This will not be a classic corporate university but, instead, the breeding ground for our new culture, improved organization and changed business. Its object is to influence our leadership culture, international collaboration and the focus of our business. It will shape the long-term transformation in the Group, its units and each and every individual. It will, additionally, strengthen the attraction of Telekom as an employer for talented people and promote exchange with society.

HR@2012: HR excellence as the foundation for business-centric HR work.

Best service and outstanding products – the key elements in a top customer experience are also the cornerstones of our internal HR organizational structure and HR culture. We are strengthening the service culture in our HR department and its position as a “partner in business” within Deutsche Telekom. HR also supports Telekom’s growth in international markets with strategic contributions, efficient structures and smooth-running processes.

HR Global Roadmap – further internationalization of our HR mission and action areas. Under One Company, Deutsche Telekom is increasingly fusing into a global corporation. HR is driving this development forward with a consciously international approach to HR work under one strategic umbrella: One HR. One Company also applies to HR itself. We standardize HR processes across the Group whenever we find an opportunity for synergies or competitive advantages, for example with regard to talent management. In order to meet both local and global requirements, we have established four levels of standardization: From specification of a Group-wide framework, to uniform HR products and standardized processes, through to identical IT tools.

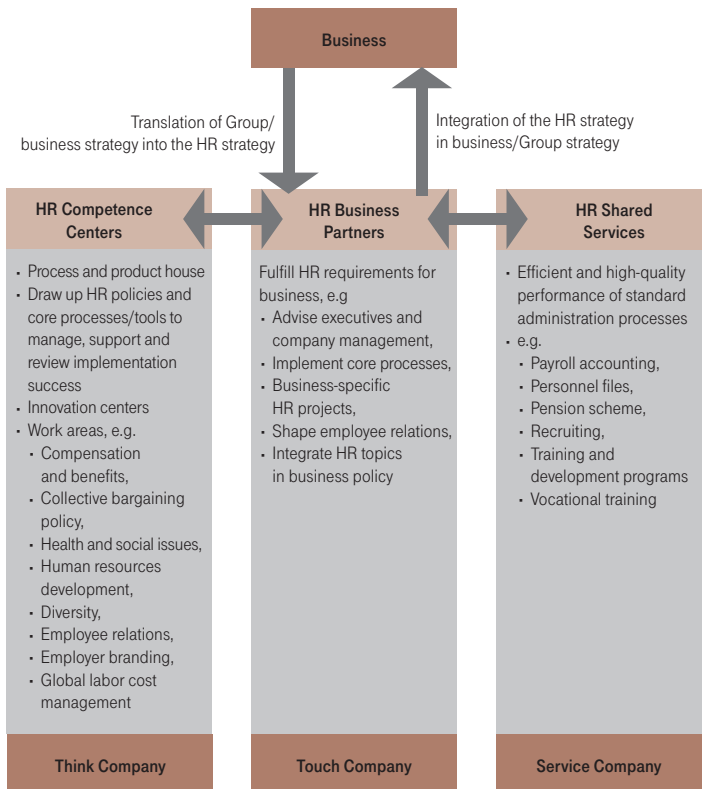
Best HR people: Having the best employees lets us offer HR’s customers an excellent experience. The demands Deutsche Telekom makes of its HR department, and which are anchored in its HR “partner for business” mission statement, are high. If we are to meet our internal customers’ expectations on the one hand, and improve the company’s overall competitiveness on the other, we need an optimum organizational structure, as well as in-depth business expertise and a professional service culture among the HR team. Best HR People, one of our top HR projects, is therefore designed to strategically advance the role of HR work. In particular, the project focuses on the following aspects of HR work within the Group:

- Honing our business partner role in Germany, particularly via training on the topic of Total Workforce Management (TWM).
- Talent management for HR
- Ensuring a fresh supply of talent for HR, from “HR Start-up!s” to improved onboarding for new HR employees, e.g. with Welcome@HR events.
- Broad-based training of HR employees via HR CAMPUS

HR CAMPUS – first steps toward developing a Group-wide HR community. At T-Systems, HR CAMPUS has been a permanent feature of vocational development for HR employees since 2008. The program has been so successful that we have now rolled it out across the Group as part of “Best HR People”. For the first time, it enables HR employees in all units to learn together, engage in debate and network. In 2011, the training modules in the existing program will be supplemented with an international HR Conference Camp on “Sustainable Transformation” and systematic on-the-job learning.

Targeted identification and promotion of HR talents. We have optimized onboarding for new HR professionals with the Welcome@HR initiative. The first Welcome@HR event took place in late October 2010, accompanied by an information brochure and a mentoring concept for HR. We are also on a mission to attract academically qualified junior HR staff with our “HR Start up!” program, which enabled us to meet our target of recruiting a further ten talented individuals to a career in HR in 2010. The on-going implementation of Talent Spaces and Talent Pools is designed to make HR talents more visible and facilitate the comprehensive, selective promotion of talents. We are also forging ahead with the further internationalization of the HR unit, supported by our HR development initiative Telekom X-change (see page 34), international Start up!s and cooperation arrangements with AIESEC, the world’s largest international student organization, represented at more than 1,700 universities worldwide.

The three-pronged HR organization.



Further streamlining of the three-role model. As part of HR@2009, we established a new, three-pronged organization consisting of HR Business Partners, competence centers and shared services. This structure is currently being further streamlined in certain areas. For example, we are enhancing our “customer-facing quality” by automating and further simplifying selected processes to the benefit of users. That has allowed us to make our HR organization even more efficient.

Processes and structures for a customer-centric HR organization.

Human Resources Services Telekom boosting customer satisfaction.

Positive ratings of our work continue to grow year by year, as indicated by our recent in-house customer satisfaction survey. In the year under review, satisfaction among executives worldwide rose to 6.9 (+ 0.3), while among employees it remained stable at 6.2 on a scale of zero to ten. Our target is to achieve a Service Excellence score of 8.0, which means there is still significant scope for further improvements. The generally good work and social competence of the HR Business Partners is confirmed by our executives, with a score of 7.3 (+0.3) in the sub-index “Service orientation” (with some units even exceeding a score of 8.0). Our central employee interface in the German Group, HR Services Telekom (PST), has played a pivotal role in helping to boost customer satisfaction. In the year under review, customer satisfaction with PST rose to its highest level in three years, at 7.2. The availability of the PST unit consistently remained above 75 percent, and the complaints quota in the second half of the year was well below 0.2 percent at all times. In the context of the formation of Telekom Deutschland GmbH, PST’s availability score rose to 87 percent, despite a 30 percent increase in the volume of calls. Employee satisfaction and the health quota at PST have likewise showed clear improvements.

Development of internal HR service quality.

Example: Handling times, HR Services Telekom (PST).

	Ø 2009	Ø 2010
Processing travel expenses	3 WD	3 WD
Handling child/family benefits for civil servants	20 WD	16 WD
Availability (overall)	76 %	87 %
Complaints rate**	0.37 %	0.23 %

WD (working days): All data refers to processing days at HR Services Telekom

* 2010 figure refers to PST-related complaints

** Target 2009 = 75%

In 2010, HR Services Telekom (PST)

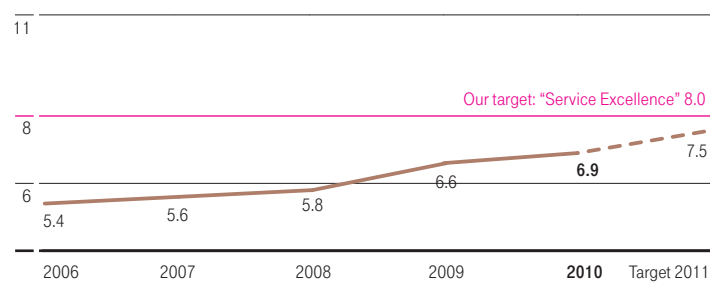
- Supported around 130,000 active employees along with 120,000 benefit recipients and retired employees,
- Handled a total request volume of around 3 million transactions,
- Processed some 475,000 travel requests and 1.6 million payslips,
- Received some 500,000 telephone queries, 73% of which were resolved during the initial contact.

In direct dialog with employees. Once a year, we invite direct questions and suggestions from employees at Germany’s largest sites. The “HR on site” series of events provides information about improvements in the HR division with a view to bringing HR closer to employees. We have also established HR Communication Services (HCS), which is likewise based at HR Services Telekom. At HCS, our aim is to provide as much communication as possible, but no more than necessary, and we pursue this goal by tightening our internal and non-strategic HR communication processes in a structured, target group-specific manner. Telekom Wiki is another tool which packages HR information together for all Telekom employees and managers.

Simply HR and HR Process Excellence. One standard, one process, one service experience. The two strategic projects Simply HR and HR Process Excellence were specifically devised to make the HR product portfolio even simpler and more efficient, and to unify and de-bureaucratize HR processes within the Group. Both projects were successfully completed in 2010. Where necessary, we have either followed them up with additional projects, or implemented them as uniform standard processes in Germany. HR Process Excellence, for example, defined more than 200 central HR processes and coordinated them across all companies and roles. Simply HR has helped us to minimize complexity and bureaucracy in the HR unit in a customer-friendly way: More than 75 percent of the topics covered by the project have now been simplified. For example, 750 of the 4,000 or so HR documents have been abolished altogether, with a further 1,250 being completely rewritten. Communications within the HR unit have also been reorganized for greater clarity. As well as setting up HR Communication Services, the Group’s HR portal has been further standardized. HR reporting has also been simplified: Enquiries and problems are dealt with more quickly, and terms and definitions have been harmonized. The introduction of a new contract document, offers legal certainty and makes in-Group transfers much simpler.

Executives’ satisfaction with HR.

Development 2006–2010. Survey of 13,000 executives in 29 countries.



Coherent process and IT landscape. The efficiency and quality 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. Ultimately, our support is crucial to the satisfaction of HR customers. 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. The process for transforming selected individual projects into the future global HR service architecture is controlled by a dedicated program. In the HR department, the GHSA also supports the Group's IT strategy, One.ERP. One.ERP aims to standardize corporate processes and data models for finance, controlling, procurement, human resources, and merchandise & production logistics, aided by coordinated guidelines and a coordinated implementation approach. Between now and 2013, GHSA is being developed in three action areas:

- Customer interaction ("One interface for all") – a central, personalized portal with different communication and feedback channels. In future, executives, secretaries and employees will be able to find all relevant services and work tools in a central location. The new portal design is being piloted in the Netherlands.
- Global processes ("One product, one price") – globally harmonized and quality-assured HR processes, which are reflected in customer-centric products and services. Clearly regulated areas of responsibility allow Business Partners and HR product owners to steer the HR service portfolio in a business-oriented manner. An initial HR Service Portfolio booklet is already available, and is currently being further refined in collaboration with the product owners and national companies.
- Global IT infrastructure ("One size fits all") – a flexible HR IT architecture with an SAP HR system based on standardized global data structures, IT-assisted HR processes, and a central infrastructure framework. We will reuse best practices (programs, data, customizing etc.) and shed unwanted legacies. Only the data required for operations will be migrated. Migration planning for the launch of the new system will be coordinated with One.ERP, the HR Europe Business Partner organization, and the on-going standardization of the T-Systems HR system (CHRIS platform). The new global SAP HR system will likewise be piloted in the Netherlands.

International HR work: Harmonization and respect for differences.

Employee relationships: National autonomy, global framework. When crafting relationships with our employees, we need to focus our attention on regional, national and cultural features. In this area in particular, it is important that we show respect for each individual country's legal and cultural characteristics. This is true above all in dealings with employee representatives and national labor unions but also with national companies in which specific, legally required recognition proceedings prevent union representation.

We do not consider it appropriate to "export" Germany's regulations to other countries. Instead, we respect the other forms of cooperation with legitimate employee representatives and/or workforces that have developed in different countries. In our Guideline for Cooperation with Employee Representatives, we have made it very clear that we support the individual responsibility of national management bodies and their HR functions in building employee relations. Our Guideline is based on our Guiding Principles as well as on national regulations and internationally recognized rules such as the United Nations Global Compact, the OECD guidelines, and the core labor standards issued by the International Labor Organization (ILO).

Global Employee Relations Management – a varied approach to employee relationships. The Global Employee Relations Management (ERM) unit offers guidance and encourages the exchange of experiences on structuring employee relationships in different countries. To this end, the unit has collaborated with the international HR community and other competence centers to develop a Group-wide Employee Relations Policy. This outlines our global philosophy regarding our relationship with our employees, while respecting the valid laws and cultural customs in the respective individual countries. Within the context of shaping our global employee and industrial relations management, in spring 2011 the "Employee Relations in a Connected World" forum will promote and intensify dialog on this topic. The department also offers support and advice on ensuring that Group-wide international regulations are compliant with labor law. Finally, ERM is responsible for HR coordination and integration tasks within the context of Deutsche Telekom's international mergers and acquisitions.

Glossary.

Go Ahead!

Group-wide expert development. Go Ahead! facilitates uniform skills management with Group-wide standards in expert development. Optimization of this program is one of the eleven strategic Human Resources projects.

HR@2012

One of HR's top projects which focuses on all HR staff and executives in Germany. Objective: to implement the reorganization of HR.

STEP up!

STEP up! (Systematic & Transparent Executive Development Program) is the Group-wide HR development system which addresses executives throughout the Group.

Simply HR

Cutting red tape by simplifying HR processes and products. Objective: improved, more transparent and quicker task execution.

HR – Your partner in business.

HR's mission, based on four strategic cornerstones: Add Value, Enable Transformation, Best People and HR Excellence.

Add Value

Staff performance, company labor costs in line with the market.

Best People

Long-term HR development focused on promoting employees from among the company's own ranks.

Enable Transformation

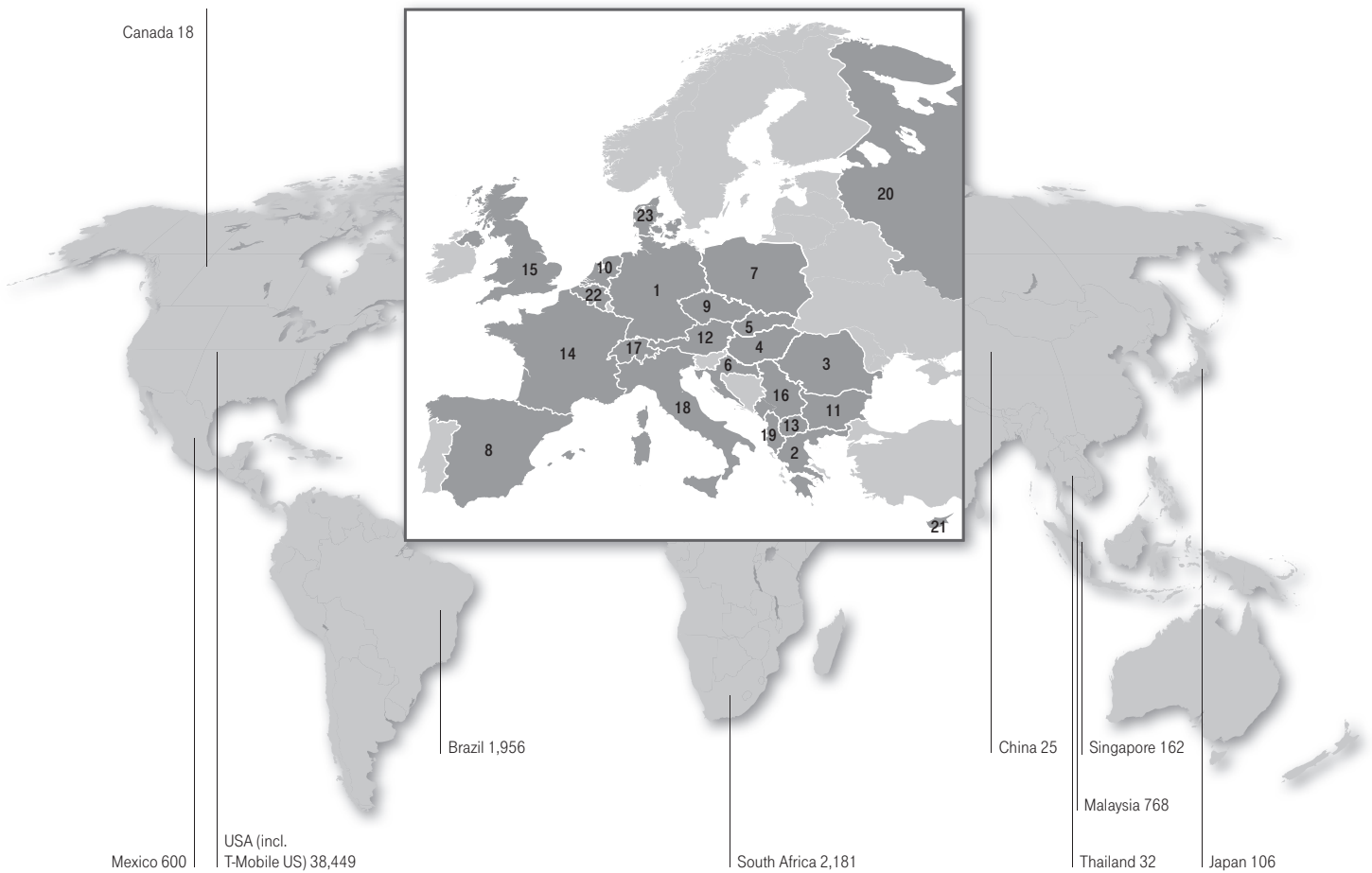
Development of a service culture embraced by all executives and employees. Objective: to create a common understanding of service excellence within the Group.

HR Excellence

Reorganization of the HR department. The HR@2012 project has been designed to sharpen HR's profile as a partner in business.

246,777 employees in the Deutsche Telekom Group, worldwide.

As of December 31, 2010, in FTE (full time equivalents).



1	Germany	123,174
2	Greece	16,649
3	Romania	11,480
4	Hungary	9,899
5	Slovakia	7,050
6	Croatia	6,323
7	Poland	5,351
8	Spain	4,531
9	Czech Republic	3,546
10	Netherlands	2,563
11	Bulgaria	2,239
12	Austria	2,123
13	Macedonia	1,698
14	France	1,478
15	United Kingdom	1,284
16	Serbia/Montenegro	821
17	Switzerland	670
18	Italy	508
19	Albania	479
20	Russian Federation	374
21	Cyprus	114
22	Belgium	100
23	Denmark	26

123,174 employees in the Deutsche Telekom Group, Germany.

As of Dec. 31, 2010, in FTE (full time equivalents).

