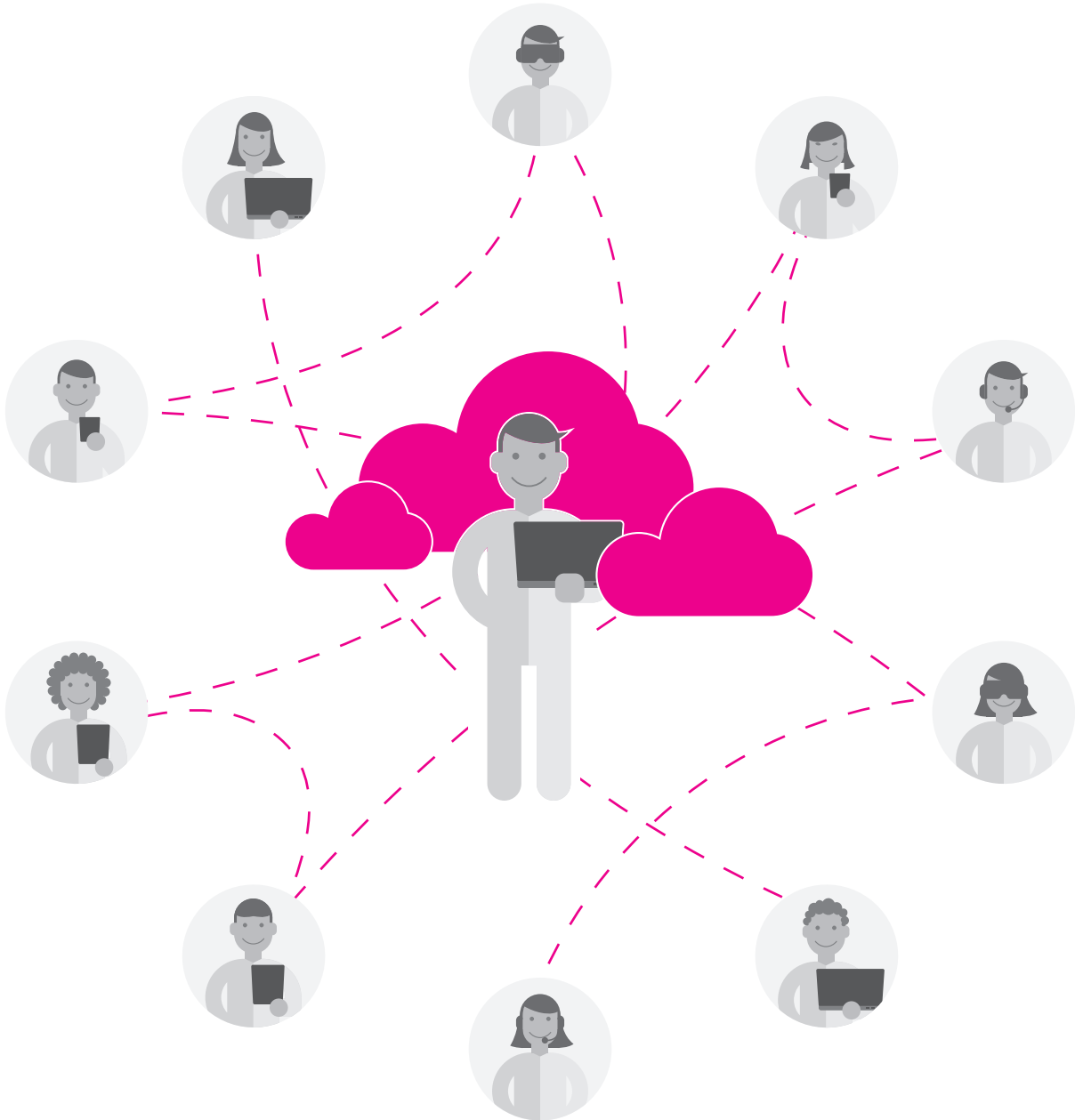


HR FACTBOOK 2016

PEOPLE. FACTS. DEVELOPMENTS.



LIFE IS FOR SHARING.

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ABOUT THE HR FACTBOOK 2016

Dear Readers,



What is typical for a Deutsche Telekom employee? How many people work in the different countries? How much revenue and earnings before interest, taxes, depreciation and amortization does a Deutsche Telekom employee generate? What do the health and fluctuation rates amount to? And how much money do we save due to innovative ideas of our employees? The HR Factbook is all about our key figures in Human Resources. We would like to give you a clear overview of the results of our HR work and its progression.

For an easy start, we have summarized the most important data of our reports in three infographics. These are followed by more detailed descriptions on the next pages.

Please enjoy reading.
Best wishes,

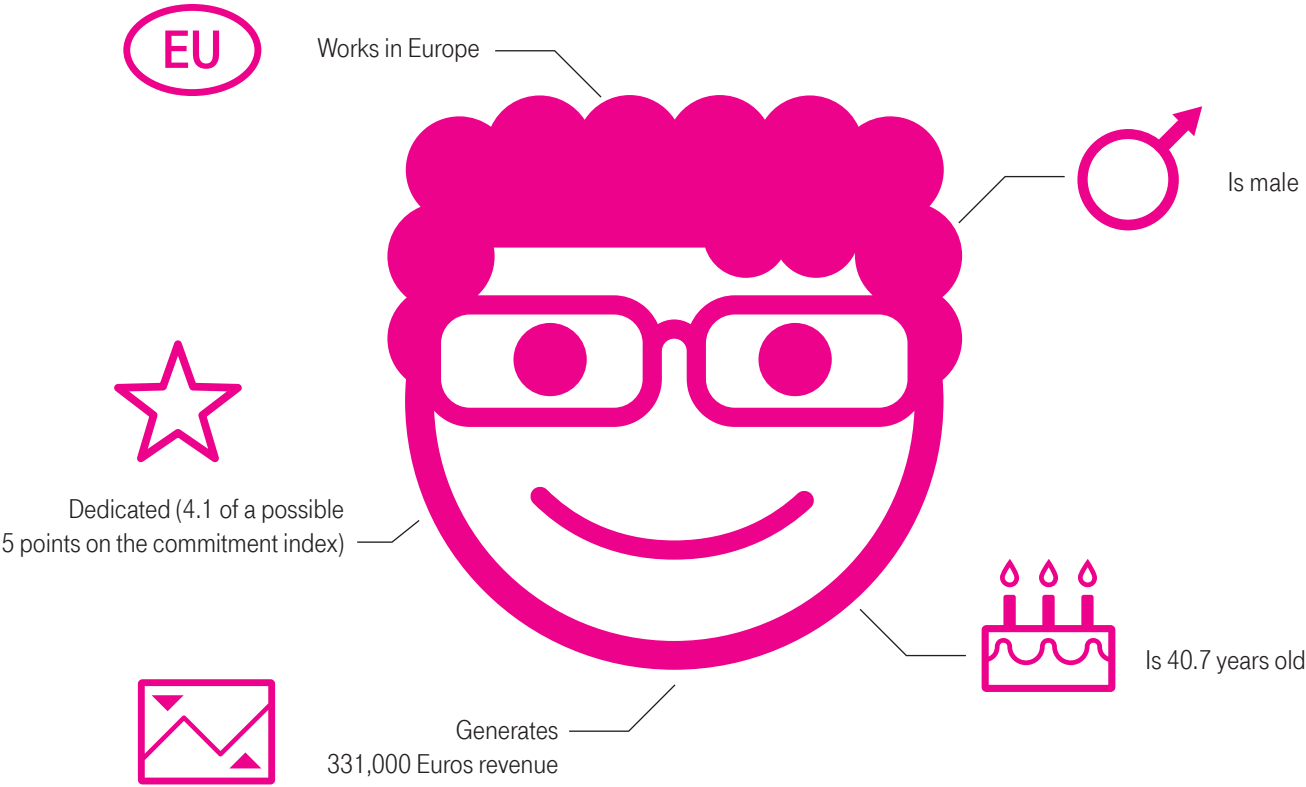
Michael Rubas

Senior Vice President
Human Resources Planning & Operations

The disclosures in the report generally refer to the calendar year 2016 as of December 31st. Exceptions are marked accordingly. All figures are based on more precise data. Since some values are rounded, totals may differ slightly. The figures are often divided into the categories "Germany", "International" and "Group". In this case, Germany represents employees located in Germany (irrespective of segment). International refers to all employees located outside Germany while Group refers to the entire workforce. Part of the data is broken down to our operating segments i.e. Germany, United States, Europe and Systems Solutions. Group Headquarters & Group Services comprises all Group units that are not directly assigned to one of the operating segments.

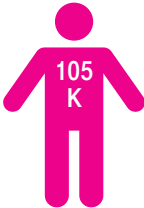
FTE stands for full-time equivalent and is specified in the Factbook as the unit of measurement for the size of the workforce. FTE therefore reflects the calculated number of full-time equivalents based on all full-time and part-time employees.

INTRODUCING: A TYPICAL DEUTSCHE TELEKOM EMPLOYEE

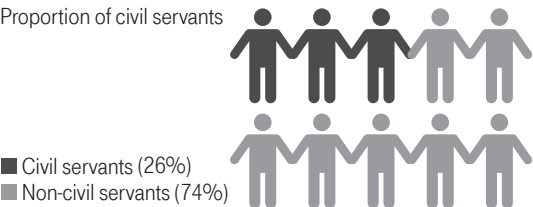


DEUTSCHE TELEKOM AT A GLANCE: GERMANY

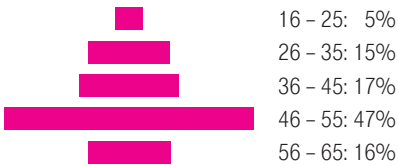
Employees



Proportion of civil servants



Age structure



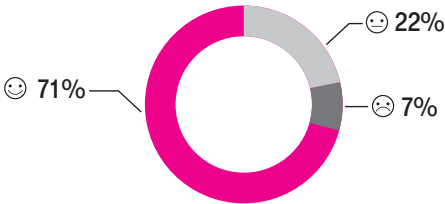
Health rate



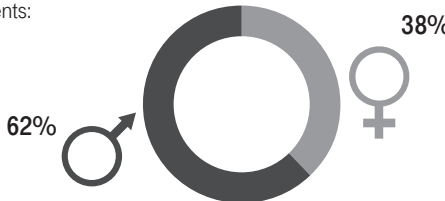
Average number of training days per employee



Employee satisfaction



Apprentices and students: proportion of women



Recruitment



Employees with disabilities

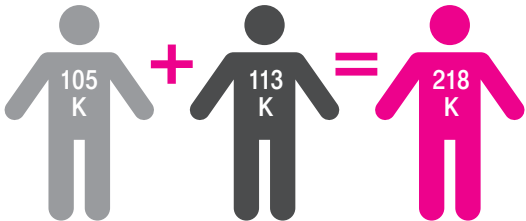


Savings due to employee ideas

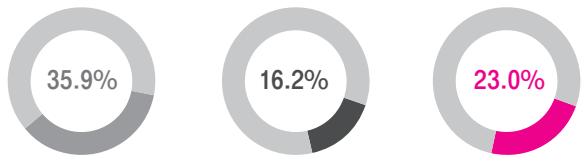


DEUTSCHE TELEKOM AT A GLANCE: THE GROUP

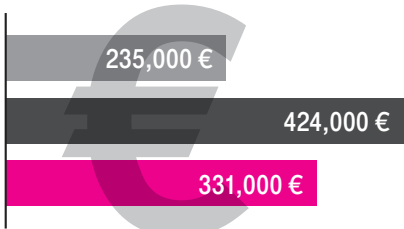
Employees



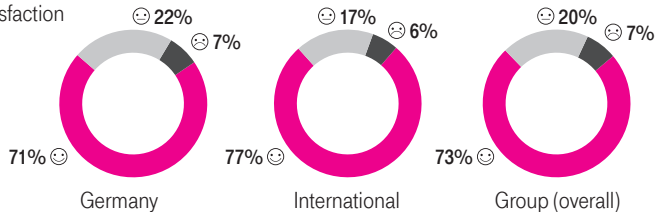
Total workforce quota



Revenue per employee



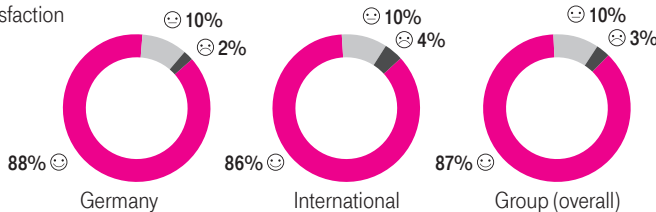
Overall employee satisfaction



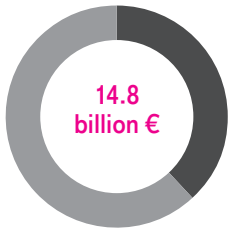
Group revenue



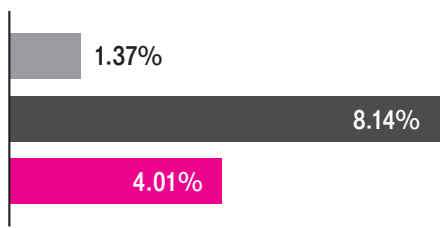
Overall manager satisfaction



Personnel costs adjusted



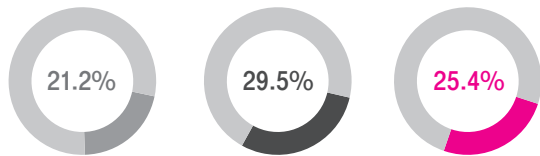
Natural attrition



Total workforce costs



Women in middle and upper management



■ Germany ■ International ■ Group (overall)

Working in the digital age

WORLDWIDE – DIGITAL – CONNECTED

WEBEX	2012	2013	2014	2015	2016
Minutes of online conferences (global)			416,608,331	533,861,025	672,524,751
Jabber					
Jabber accounts				15,110	27,254
You-and-Me					
Created user profiles	40,168	73,787	90,734	104,297	120,325

Effective cross-border collaboration is based on digital communication. Virtual conferences not only enable to work from (almost) any place in the world, they also reduce travel costs. Deutsche Telekom employees spent over 672 million minutes in online conferences last year, using the WebEx conferencing program. This is an increase of 61% compared to 2014.

In order to combine several communication formats (telephony, chat, video calls, email) in one tool, 27,254 workplaces have already been equipped with the Jabber instant messaging system by the end of 2016.

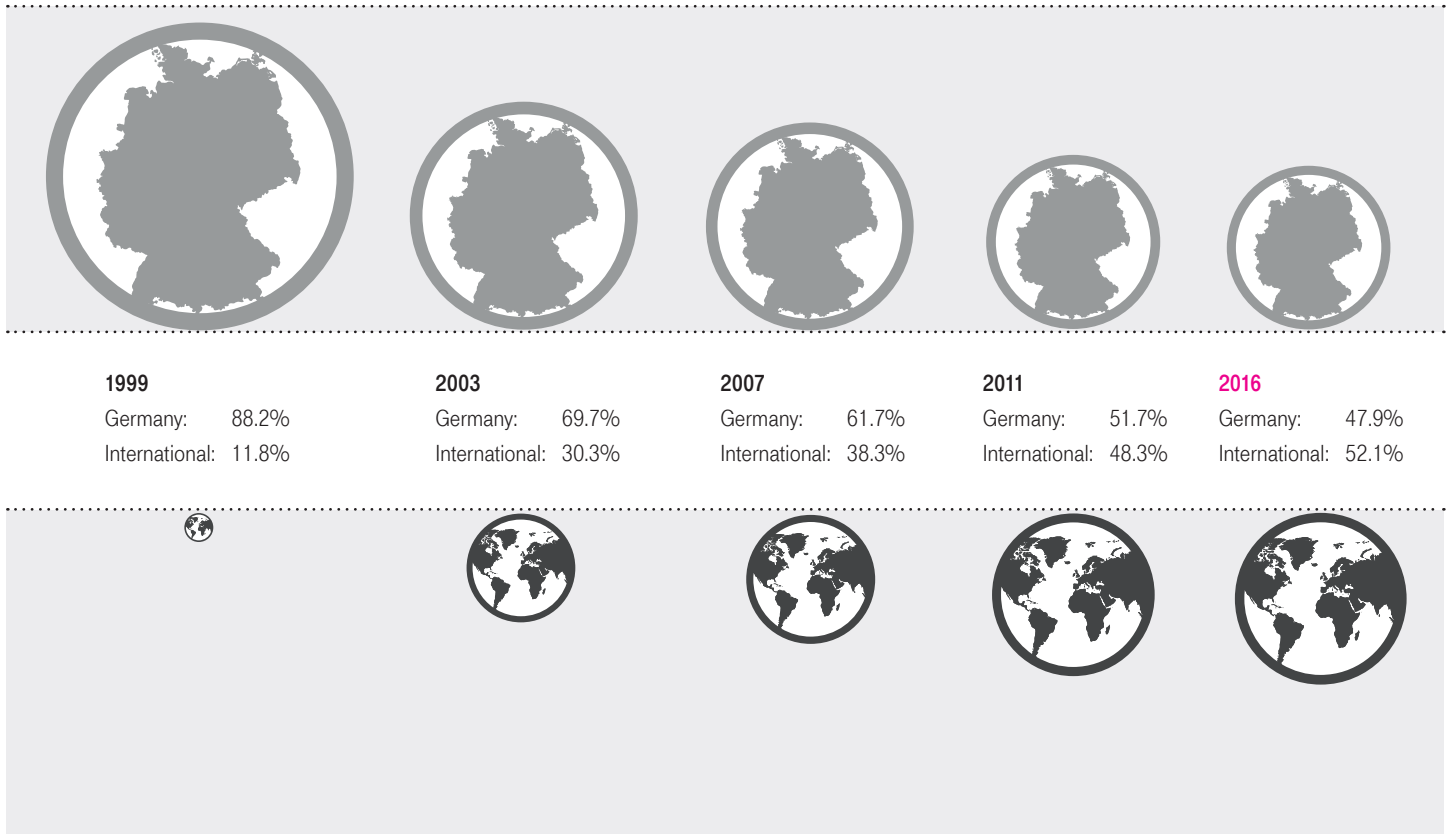
You and Me – our Group’s internal collaboration and communication platform – reached 120,000 users worldwide in 2016. More than half of the entire workforce gets the chance to participate in an intensive online exchange of ideas, experiences and views. Our online magazine

about “Working in the Digital Age” that is part of the platform already recorded 171,233 views, although it has only been launched in July 2016.

Another indicator of the use of digital media for collaboration is our “Magenta Massive Open Online Course”. Around 3,500 employees from 31 countries registered for the Magenta MOOC in 2016. Over 1,000 of them were able to develop their digitization skills with virtual training offers. In their virtual teams, they tackled real challenges and collaborated on finding solutions.

Employees by location (thousands of FTEs as of Dec. 31)

INTERNATIONAL COLLABORATION



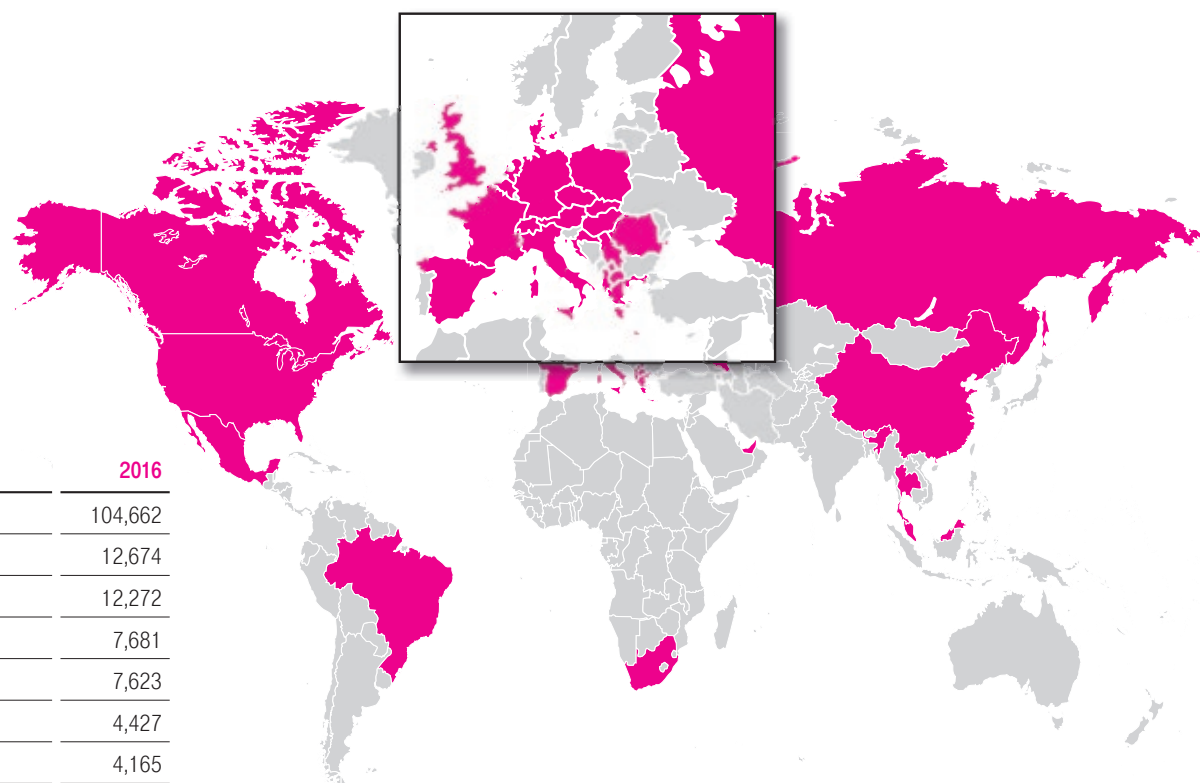
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Germany	172.7	179.2	178.3	177.8	173.3	171.0	168.0	160.0	148.9	131.7	127.5	123.2	121.6	118.8	116.6	114.7	110.4	104.7
Group (overall)	195.8	227.0	257.0	256.0	248.5	244.6	243.7	248.8	241.4	227.7	259.9	246.8	235.1	229.7	228.6	227.8	225.2	218.3
International	23.1	47.8	78.7	78.1	75.2	73.7	75.7	88.8	92.5	96.0	132.4	123.6	113.6	110.8	112.0	113.1	114.9	113.7

The percentage of employees at international locations has risen substantially since the end of the 1990s. Whereas as many as 88.2 percent

were employed in Germany in 1999, the proportion has leveled at around 50 percent since 2009. In 2016 it was 48 percent.

Employees by country (FTE)

OUR EMPLOYEES IN 31 COUNTRIES ON 4 CONTINENTS



	2016
Germany	104,662
Greece	12,674
Hungary	12,272
Romania	7,681
Slovakia	7,623
Croatia	4,427
Poland	4,165
Czech Republic	3,312
Spain	2,568
Netherlands	1,745
Austria	1,903
Macedonia	1,019
Russia	1,167
UK	637
Switzerland	612
Montenegro	534
Albania	416
France	229
Belgium	144
Italy	28
Denmark	48

	2016
United States (incl. T-Mobile US)	45,358
Brazil	1,683
South Africa	998
Malaysia	1,120
Mexico	944
China	221
Singapore	95
Thailand	33
United Arab Emirates	18
Canada	6

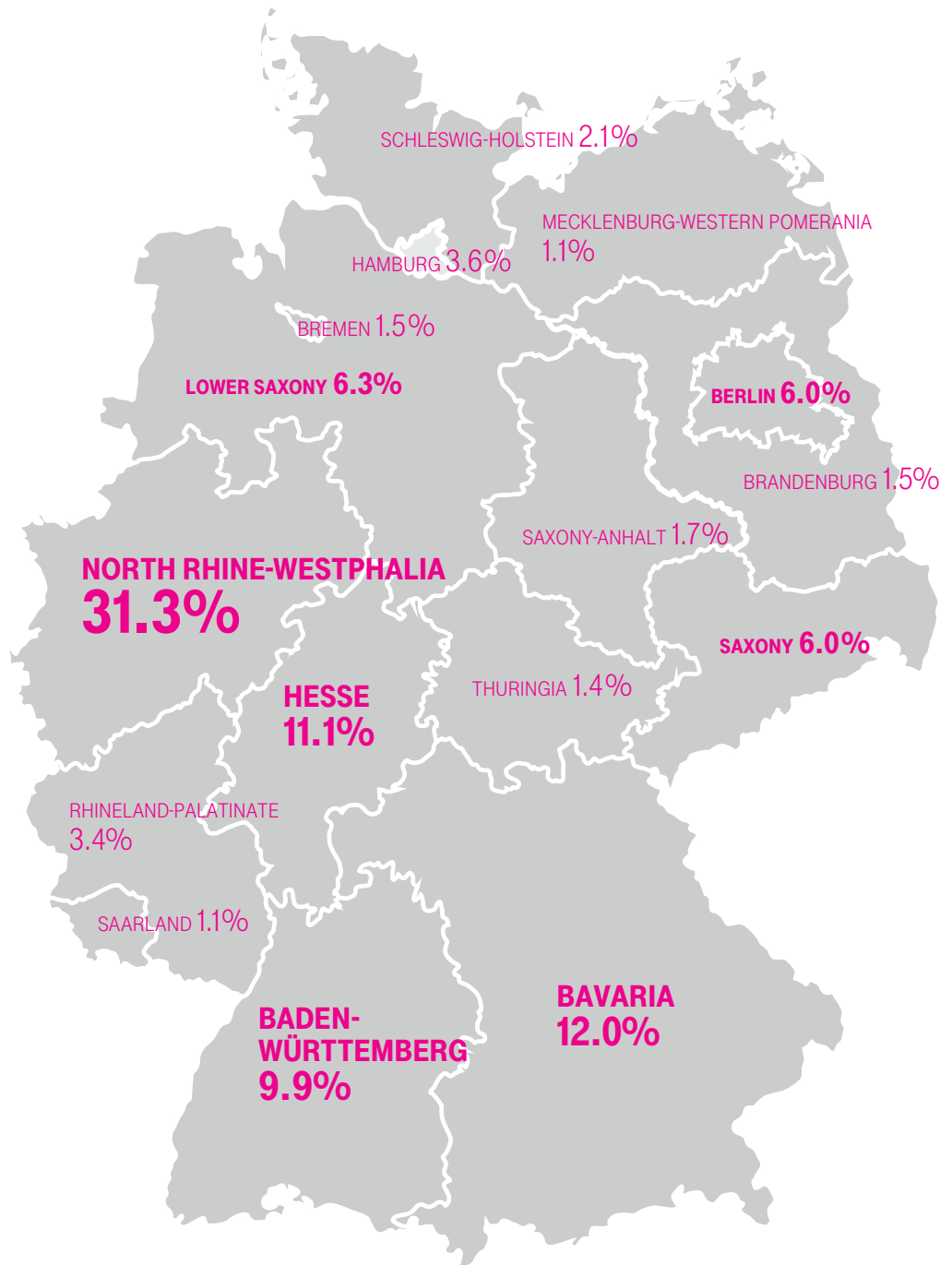
In 2016, the number of employees in Germany decreased by around 5 percent from 110,354 to 104,662 compared to the previous year. This corresponds to a 48 percent share of the overall Group employees.

The Group achieved its highest growth in the United States, where the number of employees increased from 44,797 to 45,358. This is mainly due to a significant growth of T-Mobile US in 2016.

Employees in Germany by federal state (FTE)

NATIONWIDE PRESENCE – FOR BETTER SERVICE

	2016 ¹
North Rhine-Westphalia ²	32,065
Bavaria	12,327
Hesse	11,417
Baden-Württemberg	10,167
Lower Saxony	6,452
Berlin	6,162
Saxony	6,120
Hamburg	3,692
Rhineland-Palatinate	3,433
Schleswig-Holstein	2,197
Saxony-Anhalt	1,764
Bremen	1,574
Brandenburg	1,527
Thuringia	1,416
Saarland	1,135
Mecklenburg-Western Pomerania	1,074



¹ excl. Deutsche Telekom Capital Partners Management GmbH, Detecon International GmbH, Cronon AG, Strato AG, Deutsche Telekom Clinical Solutions GmbH, Orbit GmbH, operational services GmbH & Co. KG.

² incl. all employees transferred to Telekom Placement Services irrespective of location.

Almost a third of Deutsche Telekom employees in Germany work in North-Rhine Westphalia. A large proportion of them is employed at Group Headquarters location in Bonn. With more than 10,000 employees each, Deutsche Telekom is represented in Bavaria, Hesse and

Baden-Württemberg. Providing the best customer experience is one of the key elements of our strategy. This includes delivering the best service. Our nationwide presence enables us to keep close to our customers and meet their individual needs.

Employees by operating segment (FTE)

WORKFORCE TRENDS IN OUR SEGMENTS

	2012	2013	2014	2015	2016
Germany	67,497	66,725	68,754	68,638	66,142
United States	30,288	37,071	39,683	44,229	44,820
Europe	57,937	53,265	53,499	51,125	48,883
Systems Solutions	52,106	49,540	46,244	44,504	43,724
Group Headquarters & Group Services	21,858	21,995	19,631	16,747	14,772
Group (overall)	229,686	228,596	227,811	225,243	218,341

The Group's FTE decreased slightly by 3.1 percent compared to 2015. The number of employees declined in almost all segments. Employees in the United States segment increased by 1.3 percent where new staff were recruited for retail as well as for customer service and administration. In our segments Europe and Systems Solutions business the employee base decreased as a result of efficiency improve-

ment and personnel restructuring measures. The FTE count in the segment Group Headquarters & Group Services decreased by 11.8 percent compared to the previous year. Again, this can be attributed to personnel restructuring and efficiency improvements, above all at Vivento.

Employees by status groups in Germany (FTE)

FEWER CIVIL SERVANTS AT DEUTSCHE TELEKOM

	2012	2013	2014	2015	2016
Active civil servants	21,958	20,523	19,881	18,483	15,999
Civil servants on temporary leave from civil servant status ¹	1,430	1,412	1,340	1,220	889
Civil servants at affiliated companies	14,836	14,179	13,260	12,292	10,827
Civil servants (total)	38,224	36,114	34,482	31,995	27,716
Non-civil servants in Germany	80,616	80,529	80,267	78,360	76,946
Total employees in Germany	118,840	116,643	114,749	110,354	104,662
Proportion of non-civil servants in Germany (%)	67.84	69.04	69.95	71.01	73.52
Proportion of civil servants in Germany (%)	32.16	30.96	30.05	28.99	26.48

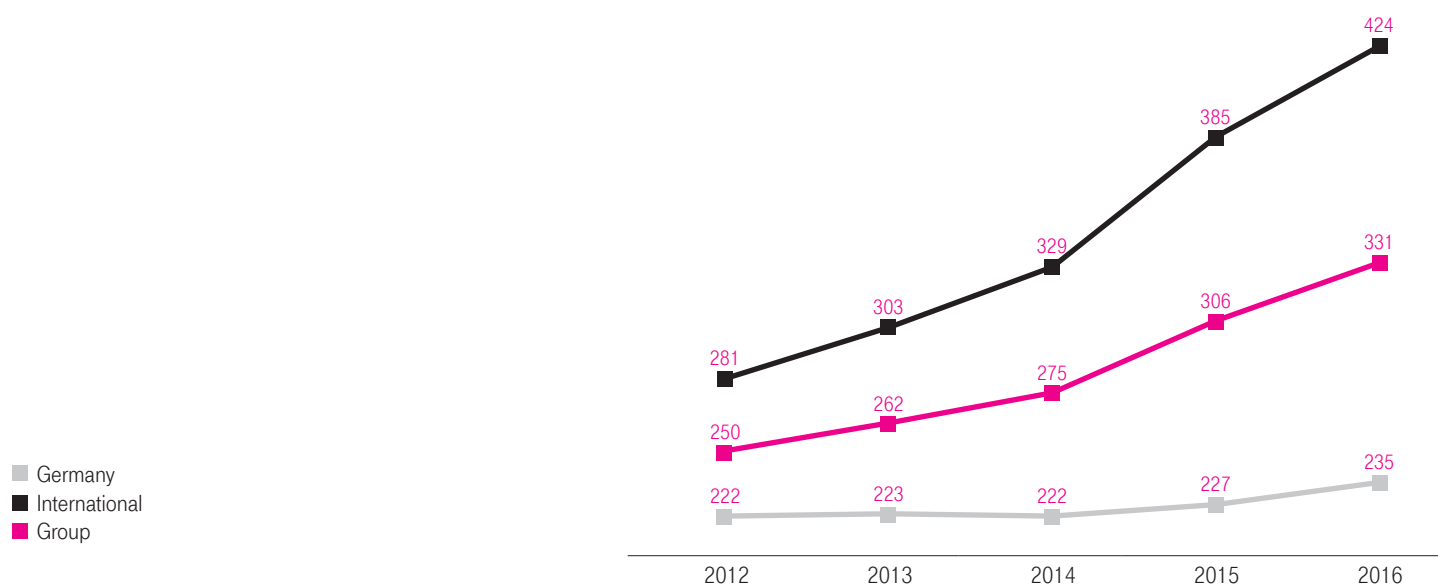
¹ Civil servants whose civil servant's status is currently suspended. They have temporarily switched to a non-civil servant contract.

The proportion of civil servants employed in the company decreased once again in 2016. This happened because Deutsche Telekom has not recruited any new civil servant staff since the company was privatized. Other contributing factors include natural attrition due to retire-

ment, early retirement offers and transfers to positions with public authorities. This led to a continual reduction in the proportion of civil servants in the workforce from about one third in 2012 to less than 27 percent in 2016.

Revenue and EBITDA per employee (per FTE, year average)

VAST IMPROVEMENT IN PRODUCTIVITY – UNITED STATES KEY DRIVER OF GROWTH



	2012	2013	2014	2015	2016
Revenue, Germany (€ billion) ¹	26.7	26.3	25.7	25.7	25.3
Revenue, International (€ billion) ¹	31.5	33.9	36.9	43.5	47.8
Revenue, Group (€ billion)	58.2	60.1	62.7	69.2	73.1
International revenue as percentage of Group revenue ¹	54.1%	56.3%	58.9%	62.9%	65.4%
Total employees, Germany	120,614	117,995	116,067	113,277	107,793
Total employees, International	111,728	111,709	112,181	113,055	112,790
Total employees, Group (overall)	232,342	229,704	228,248	226,332	220,583

¹ Revenue is allocated on a Germany/International basis by employee location (FTE), unlike the annual report allocates revenue to the country in which it is generated. The calculation is based on rounded figures in millions.

	2015	2016
EBITDA per FTE (average) in Euros, adjusted	87,959	97,105

In 2016, Deutsche Telekom generated Group revenues of 73.1 billion Euros. With growth of 3.9 billion Euros, this figure is significantly above the previous year's level. The international share of Group revenue increased by 2.5 percentage points to 65.4 percent. Likewise, revenue per employee increased steadily in 2016 to 331,000 Euros, i.e. a growth rate of 8.2 percent.

In Germany revenue per employee rose by about 8,000 Euros. Our international business documented a growth in revenue per employee of more than 10 percent. This is largely accounted for by our U.S. business. The number of employees in our United States operating segment increased by 1.3 percent partly due to growth of 8.2 million new mobile customers, a result of the successful Un-carrier initiatives launched by T-Mobile US.

As a result the United States segment achieved a revenue increase of more than 16 percent against the previous year. Thereby the United States segment generated the largest share of the Group revenue of 46.2 percent. The disproportionate high growth in the Group's revenue compared to the decline in the number of employees leads to the segment's higher productivity.

The average full-time employee at Deutsche Telekom generated EBITDA (earnings before interest, taxes, depreciation and amortization) of 97,105 Euros in 2016, an increase of 10.4 percent compared to 2015.

Personnel costs (€ billion) and personnel cost quota (%)

LOWER PERSONNEL COST QUOTA DUE TO REVENUE GROWTH

	2012	2013	2014	2015	2016
Personnel costs of the Group, unadjusted (total)	14.7	15.1	14.7	15.8	16.5
Thereof Germany	9.2	9.4	9.1	9.4	9.8
Special factors	1.2	1.4	0.9	1.2	1.5
Personnel costs of the Group (adjusted for special factors)	13.5	13.7	13.8	14.6	14.8
Group revenue	58.2	60.1	62.7	69.2	73.1
Thereof Germany ¹	26.7	26.3	25.7	25.7	25.3
Adjusted personnel cost quota, Group (total, %)	23.2	22.7	22.0	21.2	20.3
Adjusted personnel cost quota, Germany (%)	31.1	32.3	32.9	33.0	32.9

¹ Revenue is allocated on a Germany/International basis by employee location (FTE), unlike the annual report allocates revenue to the country in which it is generated.

Group-wide the personnel cost ratio decreased continually since 2012 from 23.2 to today's figure of 20.3 percent. The significant increase in revenue is the key driver of the Group's adjusted personnel cost quota which improved by 0.9 percentage points on 2015. It more than compensated the increase in personnel costs in the Group.

Personnel costs mean basic personnel costs (salaries and wages) plus fringe costs (social expenses). This figure is adjusted for special factors related to personnel restructuring measures (individual workforce reduction schemes). The personnel cost quota represents personnel costs in relation to revenue. The trend of this figure serves as a benchmark for the company. Since the personnel cost quota does not take into account external workforce costs the total workforce costs quota is the key ratio to manage personnel costs.

Total workforce costs, adjusted (€ billion)

U.S. BUSINESS SUCCESS EXPLAINS SLIGHT RISE IN PERSONNEL COSTS

		2012	2013	2014	2015	2016
TWC ¹		15.5	15.3	15.4	16.5	16.8
Of which Germany		9.4	9.3	9.2	9.2	9.1
	IWC ² (adjusted PC ³)	8.3	8.5	8.5	8.5	8.3
	EWC ⁴ Leased and temporary staff	0.1	0.1	0.05	0.05	0.03
	EWC ⁴ Freelancers and consultants	1.0	0.8	0.7	0.7	0.7
Of which International		6.0	6.0	6.1	7.2	7.8
	IWC ² (adjusted PC ³)	5.2	5.2	5.3	6.1	6.5
	EWC ⁴ Leased and temporary staff	0.3	0.2	0.3	0.4	0.5
	EWC ⁴ Freelancers and consultants	0.6	0.6	0.6	0.7	0.8

¹ Total workforce costs: external workforce costs + personnel costs adjusted for special factors

² Internal workforce costs

³ Personnel costs

⁴ External workforce costs: cost for leased and temporary workers, freelancers and consultants

Total workforce management (TWM) provides a holistic view for HR management at Deutsche Telekom. Apart from internal workforce and our internal workforce costs TWM also focuses on the external staff working for Deutsche Telekom. Incorporating the costs of consultants or leased and temporary workers is important in order to enable qualitative and quantitative personnel planning in the long term. Since the personnel cost quota does not take into account external workforce costs the total workforce costs quota is the key ratio used to manage personnel costs in the Group.

Total workforce costs of the Group increased by 0.37 billion Euros between 2015 and 2016. This is largely due to success of our U.S. business and the associated growth of the workforce. On the other hand, internal workforce costs and costs for leased and temporary staff decreased slightly in Germany while the cost for freelancers and consultants remained stable.

Total workforce quota, adjusted (costs and revenue in € billion)

TOTAL WORKFORCE QUOTA IMPROVED AGAIN

		2015	2016
Germany	PC ¹ , adjusted	8.5	8.3
	EWC ²	0.7	0.8
	TWC ³	9.2	9.1
	Revenue ⁴	25.7	25.3
	TWQ ⁵ , adjusted	35.9%	35.9%
International	PC ¹ , adjusted	6.1	6.5
	EWC ²	1.1	1.3
	TWC ³	7.2	7.8
	Revenue ⁴	43.5	47.8
	TWQ ⁵ , adjusted	16.6%	16.2%
Group (overall)	PC ¹ , adjusted	14.6	14.8
	EWC ²	1.8	2.0
	TWC ³	16.5	16.8
	Revenue ⁴	69.2	73.1
	TWQ ⁵ , adjusted	23.8%	23.0%

¹ Personnel costs

² External workforce costs: cost for leased and temporary workers, freelancers and consultants

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

⁴ Revenue is allocated on a Germany/International basis by employee location (FTE), unlike the annual report allocates revenue to the country in which it is generated.

⁵ Total workforce quota = TWC/revenue

Deutsche Telekom again improved its total workforce quota. The adjusted ratio of the whole Group decreased by 0.8 percentage points compared to the previous year. Whereas total revenue increased by 5.6 percent (3.9 billion Euros) in 2016, total workforce costs only increased by around 1.8 percent year on year.

The total workforce quota describes the relationship between total personnel expenditure (internal and external) and revenue. That means if the ratio falls in comparison to the previous year either total workforce costs dropped or revenue increased.

Personnel costs (€ million), proportion of total operating costs (%)

INVESTING IN PERSONNEL IS THE BASIS OF OUR BUSINESS SUCCESS

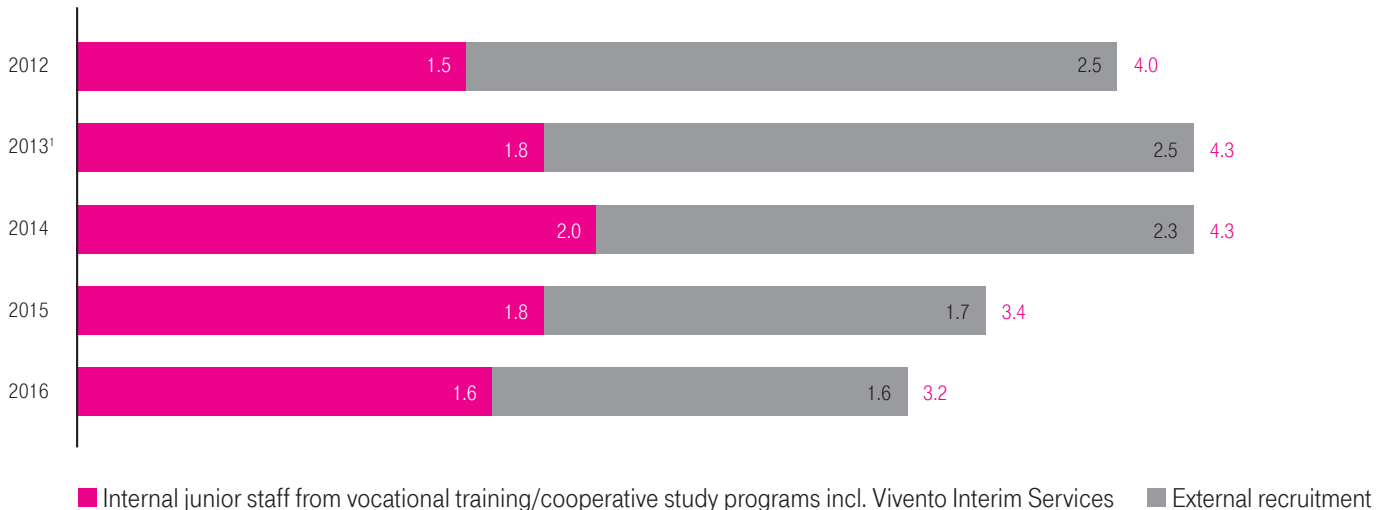
Personnel costs (subaccounts)		2015	2016
Salaries and wages	DT Group	11,746	11,900
	National	6,726	6,639
	International	5,020	5,262
Social security contributions and company pension scheme	DT Group	2,899	2,924
	National	1,770	1,679
	International	1,129	1,245
Adjusted personnel costs in € million, accumulated	DT Group	14,646	14,824
	National	8,496	8,318
	International	6,149	6,507
Personnel costs as proportion of total operating expenses			
Adjusted operating expenses	DT Group	50,723	52,718
	National	17,854	17,484
	International	32,869	35,234
Personnel costs as proportion of total expenses	DT Group	28.9%	28.1%
	National	47.6%	47.6%
	International	18.7%	18.5%

In 2016, Deutsche Telekom posted adjusted personnel costs totaling to 14.8 billion Euros. Thereof 11.9 billion were accounted for salaries. Additionally, we paid 2.9 billion Euros for the social security and company pension schemes. Thereby we enable our staff to top up their statutory pensions.

Compared to Deutsche Telekom's total operating costs of 52.7 billion Euros 28.1 percent were spent on its personnel base. This is one of the biggest expenditure positions which at the same time represents the basis for our success. Our employees contribute substantially to the overall success of our company's business.

Recruitment in Germany (thousands of FTE)

HALF OF NEW HIRES ARE RECRUITED FROM INTERNAL JUNIOR STAFF



¹ Change from net perspective (excl. expiring temporary employment contracts) to gross perspective of recruitment since 2013 to reflect increased influence of workforce management.

In 2016 Deutsche Telekom hired around 1,600 new employees from the external labor market in Germany. In addition, we offered permanent jobs to 1,600 internal junior staff after completion of their vocational training or cooperative study courses. A total of 8,400 employees were recruited outside Germany.

We look for tech-oriented, creative minds and talented people who will help Deutsche Telekom to design tomorrow's digital world. By means of creative and target-group oriented appearances in social medias and remarkable campaigns Deutsche Telekom positions itself consequently as an attractive employer. This has also been confirmed by the 2016 Online Talent Communication study conducted by Potentialpark, which rated our Careers website the best employer presence in Germany.

In addition to addressing our target group via the Internet we take a proactive approach and invite potential staff to attend networking events, trade fairs and other events. The "Leave Your Mark" university campaign gives students, graduates and career starters the chance

to get to know Deutsche Telekom on a personal level and to take a look behind the scenes, apart from standard application forms. The campaign includes such offers as career brunches, workshops and other special events. Visitors are given a hands-on experience of day-to-day work in various company functions and are invited to find out more about the employer, tasks and career prospects. We are proud of winning a Trendence Employer Branding award for the best university marketing campaign in 2016.

We are currently working to increase our attractiveness as employer in new and growing markets. One example is the Women's STEM Award which we launched together with the audimax academic journal and the "MINT Zukunft schaffen" (Creating a STEM future) initiative in 2013. Awards are given for the most convincing theses in the growth areas: networks of the future, Industry 4.0, cyber security, automotive technologies and digital life. Our specific objective is to attract women to the STEM study courses. Furthermore our recruiting does not stop at national borders. Our international focus enables a world-wide search in internal and external talent pools for top talents.

Tools for social responsible staff reduction in Germany, personnel cuts (FTE)

OUR SOCIAL RESPONSIBLE PERSONNEL CUTBACKS

	2012	2013	2014	2015	2016
Early retirement, civil servants	2,266	1,618	927	1,219	3,849
Early retirement, non-civil servants	<6	27	27	29	47
Severance payments	955	1,316	826	1,448	726
Partial retirement (start of passive phase)	1,417	711	332	1,345	1,393
Transfers to public authorities (final) ¹				711	418
Other social compatible instruments ²	120	241	471	11	<6

¹ Permanent transfers (civil servants not entitled to return to Deutsche Telekom Group), established as a cluster in 2015.

² Variances compared to 2015 are due to the separate cluster "Transfers to public authorities (final)."

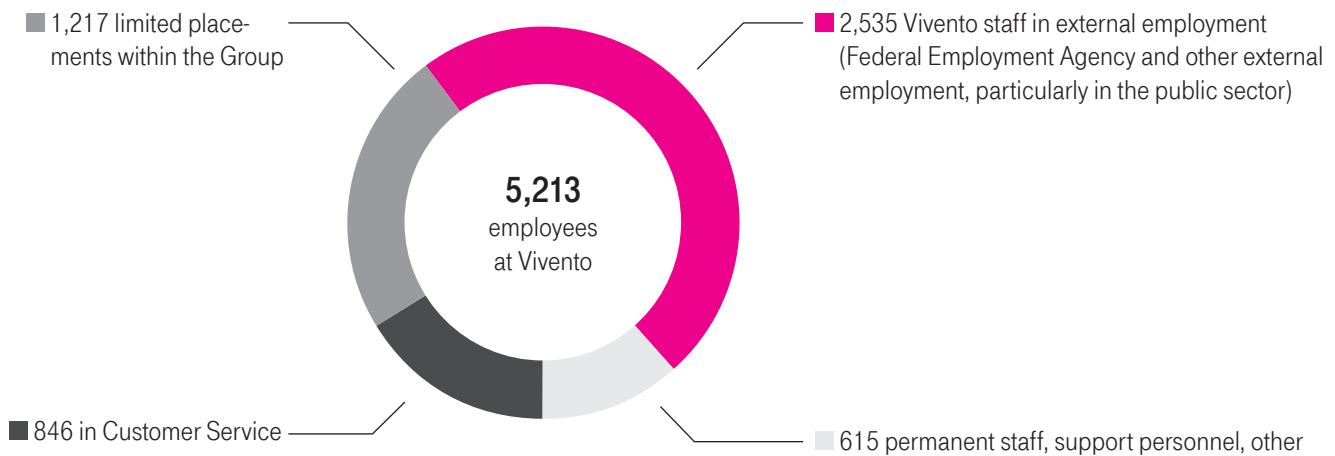
Deutsche Telekom continues to ensure that its personnel cutbacks are social responsible. In doing so the company relies on the proven tools of early retirement, partial retirement and severance payments.

3,849 civil servants took advantage of early retirement in 2016. This significant increase compared to the previous year is largely due to the end of the statutory early retirement scheme for civil servants in Germany as per December 31, 2016.

Partial retirement is usually based on a block model, i.e. employee works full time during the first few years of the "active phase" followed by an equally long "passive phase" which leads directly to regular retirement. In 2016 1,393 employees moved from the 'active' to the 'passive phase' of the partial retirement scheme in Germany. Another 726 employees took advantage of our severance pay offer.

Vivento employees (in FTE)

VIVENTO CREATES CAREER PROSPECTS FOR DEUTSCHE TELEKOM EMPLOYEES



Employees permanently transferred to the public sector by Vivento in 2016:	418
Staff transferred to Vivento since its foundation:	53,496
Staff leaving Vivento since its foundation:	48,283

Personnel service provider Vivento continued to support the Group in its workforce restructuring efforts in 2016. Since its foundation, Vivento has created new career prospects for more than 48,000 employees – above all in the public sector. Last year, for example, 400 civil servants were seconded to BAMF, the Federal Office for Migration and Refugees, where they support refugee aid work, e.g. processing asylum applications. In fact, Deutsche Telekom employees are now working in more than every second one of the BAMF offices in Germany.

In addition, it was again possible to offer internal vacancies to employees from units with personnel surplus in 2016. During the subject period only over 1,200 employees have been transferred to new positions within the Group as per December 31, 2016.

Health rate in Germany (%)

WINTER FLU IMPACTS HEALTH RATE

	2012	2013	2014	2015	2016
Germany	94.2	93.9	94.4	94.0	93.8

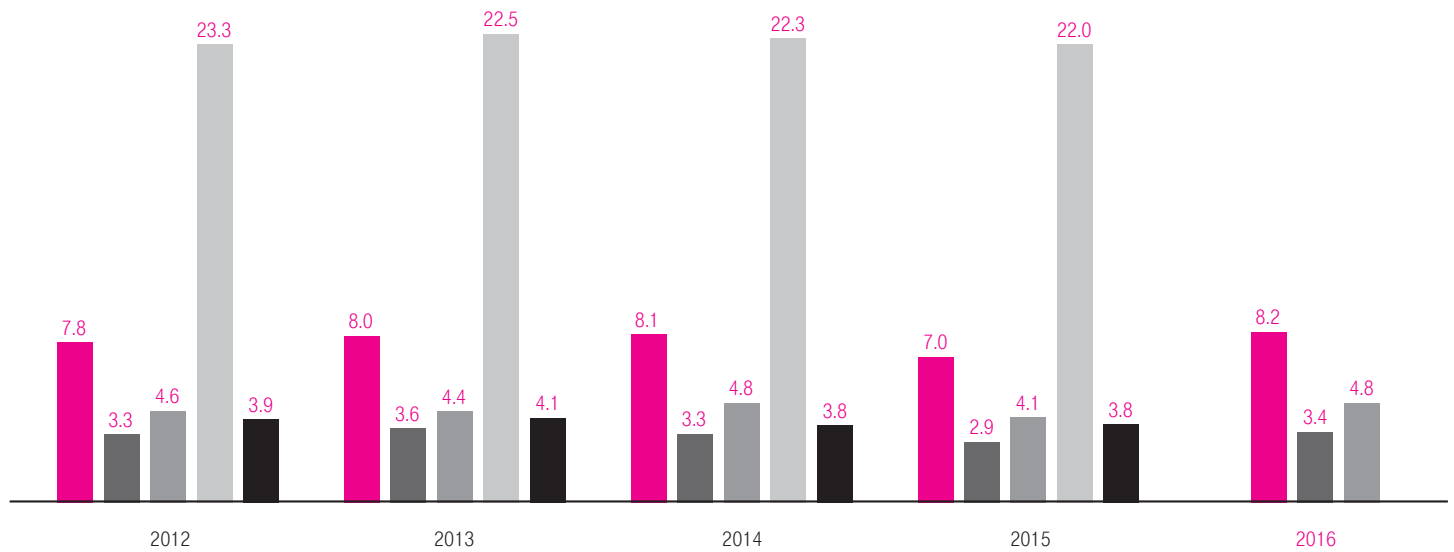
The employee's health rate dropped slightly in Germany in 2016. This was mainly due to the numerous cases of respiratory illnesses that occurred during the winter months. With 93.8 percent, the health rate almost matched the previous year's figure. However, the rise in work incapacity figures did not react proportionally to the rise in average age.

In statistical terms, we would have expected work incapacity figures to rise more steeply in line with the increase in average age. In fact, the figures at Deutsche Telekom reveal a trend similar to external figures from various German health insurance funds.



Work-related accidents in Germany (per thousand FTE)

SLIGHT INCREASE OF WORK-RELATED AND COMMUTING ACCIDENTS



■ Total number of work-related and commuting accidents
 ■ Work-related accidents
 ■ Commuting accidents
 ■ Work-related accidents, ø all industries¹
 ■ Commuting accidents, ø all industries¹

¹ Accidents in 2016 have not yet been included in the statistics published to date.

The number of work-related and commuting accidents increased slightly compared to 2015. We note that many accidents were the result of carelessness, e.g. people stumbling, slipping, falling or twisting one's ankle. We therefore developed a special training format together with the employers' liability insurance association.

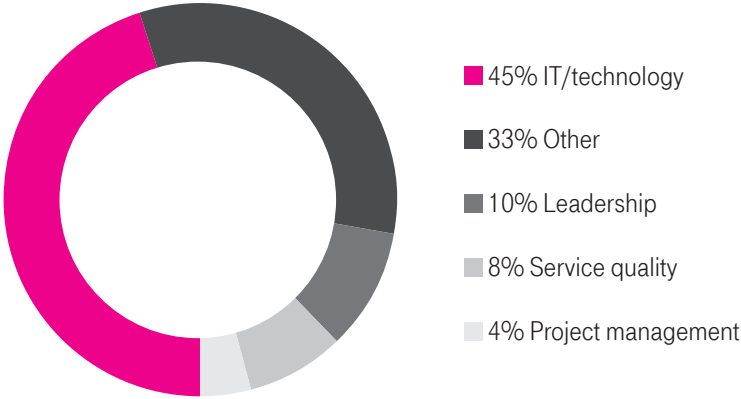
The increase in commuting accidents may well be due to longer journeys to work and the increase in traffic on the roads. Many accidents are caused by third parties. Since commuting accidents provoke longer absences than accidents which occur at work itself we continue to manage and evolve our existing set of preventive measures. In 2016 Deutsche Telekom again offered its employees safe-driving training at a discounted rate with provider ADAC. Training is held for users of

company and service vehicles as well as of private cars. Special driving training is also available to young employees and apprentices. These measures are designed to stabilize or improve the rate of commuting accidents.

In order to reduce the number of work-related accidents Deutsche Telekom has a health and safety management system in place. This certified system makes it possible to map the entire health and safety process and to develop sets of measures to further improve employee's safety.

Skills development in Germany (by subject area)

TRAINING: THE FUTURE IS DIGITAL



Seminars:	28,819
Participants:	245,804
Participant days :	378,058
Ø training days per participant:	1.5
Ø training days per employee:	3.6
4% Project management:	706,591

World-wide our employees spent 4.2 million hours on advanced training in 2016. 56 percent of these were invested by staff in Germany and over 30 percent in digital learning formats.

Deutsche Telekom plans to intensify its focus on digital learning formats in the future. Virtual learning gives numerous employees easy access to study content, helps them safeguard their performance and opens up new development prospects.

International development and leadership programs

GROUP-WIDE UPSKILLING PROGRAMS FOR OUR HIGH POTENTIALS

		2012	2013	2014	2015	2016
Start up! trainee program participants ¹	Total	30	31	30	31	18
Start up! trainee program participants ¹	There of women	43%	35%	36%	45%	28%
Talent Space participants ²	Total	-	-	161	300	253
Talent Space participants ²	There of women	-	-	29%	32%	35%
FEP ³ /LDP ⁴ participants	Total	409	491	487	473	359
FEP ³ /LDP ⁴ participants	There of women	43%	37%	39%	40%	42%

¹ The program lasts 15 to 18 months. Annual new hires are listed.

² Group-wide program for selected high potentials. The program lasts 12 months (starts every June).

³ Management development program (FEP, German-speaking)

⁴ Leadership Development Program

Our Group-wide development and leadership programs aim at high potentials and high performers to gain a foothold in the Group, to keep them loyal to the company and to position them in suitable jobs. They focus on development of the upcoming leadership generation and on support in coping with the challenges it faces now and in the future. At the same time, we want to enhance the sense of belonging, increase knowledge exchange and promote personal responsibility.

Our Start up! trainee program is designed for innovative graduates with entrepreneurial mindsets. In the second half of 2016 we concentrated on reorganizing and redesigning this program. Our aim was to define the type of program we want to use to innovatively address the strategic top issues of the future with the help of our high potentials. The object is to take a bold and collaborative approach in developing participants and supporting the business units. For this reason the number of program participants was lower in 2016 but in 2017 we will recruit a greater number of high potentials for the program again.

High potentials chosen from all areas of the Group take part in the Talent Space: experts, project managers and leaders. During the program they work on vital projects outside their own areas of work, networking with other international high potentials and executives.

Via our management development programs in German (Führungskräfte-Entwicklungsprogramm, FEP) and English (Leadership Development Program, LDP) we also offer a large range of advanced training courses for future leaders. The programs prepare participants to assume their first or more complex leadership position. Another aim is to achieve a common vision of leadership in the Group.

Natural attrition

DOWNWARD TREND IN FLUCTUATION IN THE GROUP

	2012	2013	2014	2015	2016
Germany	1.95%	1.82%	1.42%	1.28%	1.37%
International ¹	- ²	7.63%	8.57%	9.25%	8.14%
Group (overall) ¹	-	4.17%	4.21%	4.39%	4.01%

¹ Excluding USA² Data about the employee attrition rate of Systems Solutions was not fully collected in 2012.

At international level, the employee attrition rate decreased significantly compared to 2015. Around 5,660 contracts were terminated by the employer or employees. This figure is 1,060 lower than in 2015, which equals a decrease of 15.8 percent. In addition, around 100 employees outside Germany retired when reaching the statutory pension age or due to incapacity for work, 30 more than in 2015.

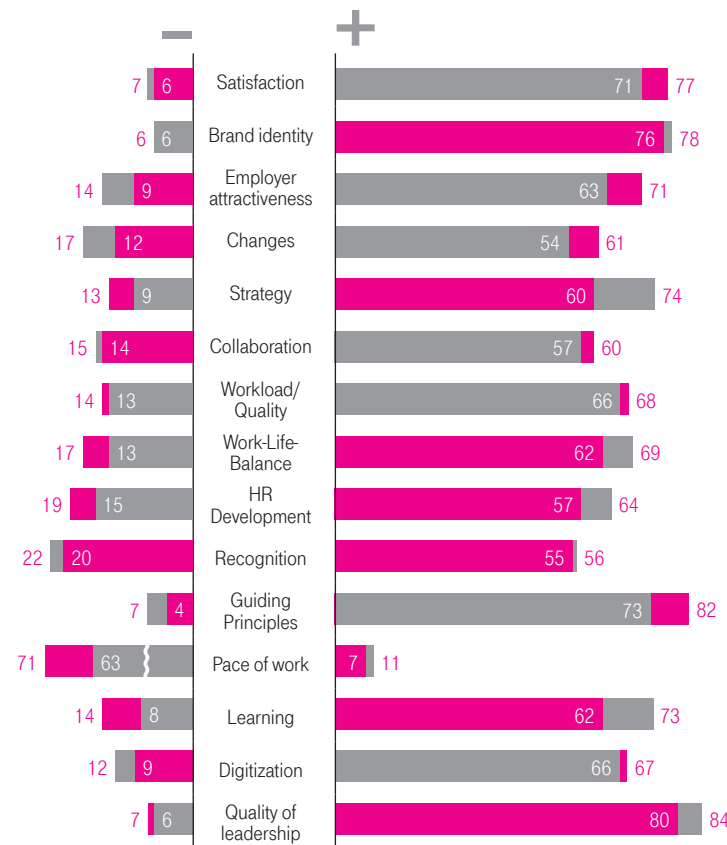
The employee attrition rate increased slightly in Germany with around 1,090 employees quitting their jobs in 2016. 430 of them left the company due to reaching retirement age or to incapacity for work. However,

the strong decrease in contract terminations at international level reduced the overall employee attrition rate of the Group.

Natural attrition means normal staff reductions that occur without specific cutback measures, for example due to retirement, incapacity for work, contracts terminated by employees, or contracts terminated by the employer for conduct or personal reasons. These are rated against the total workforce (as per end of the previous year).

Pulse survey (percent) and commitment index from employee survey

EMPLOYEE SATISFACTION CONSTANTLY AT A HIGH LEVEL



■ Germany ■ International

"Neither agree nor disagree" ratings are not included.

Figures are taken from the latest pulse survey results.

The most recent pulse survey was carried out in November 2016.

	2012	2013	2014	2015	2016
Commitment index ¹	4.0	4.0 ¹	4.0 ¹	4.1	4.1 ¹
Scale 1 to 5					

¹ Figures are taken from the employee survey results current at the time. The most recent employee survey was carried out in spring 2015. The next one is scheduled for 2017. The commitment index is the mean value of several ones in the employee survey.

Deutsche Telekom promotes a productive exchange with its staff. New working models and state-of-the-art communication options as well as regular employee surveys are helping to accomplish this. The main feedback tools which the Group uses to assess employee satisfaction are the employee survey which is carried out every two years and the semi-annual pulse survey, containing the 15 Group questions shown above.

Explanations of questions asked:

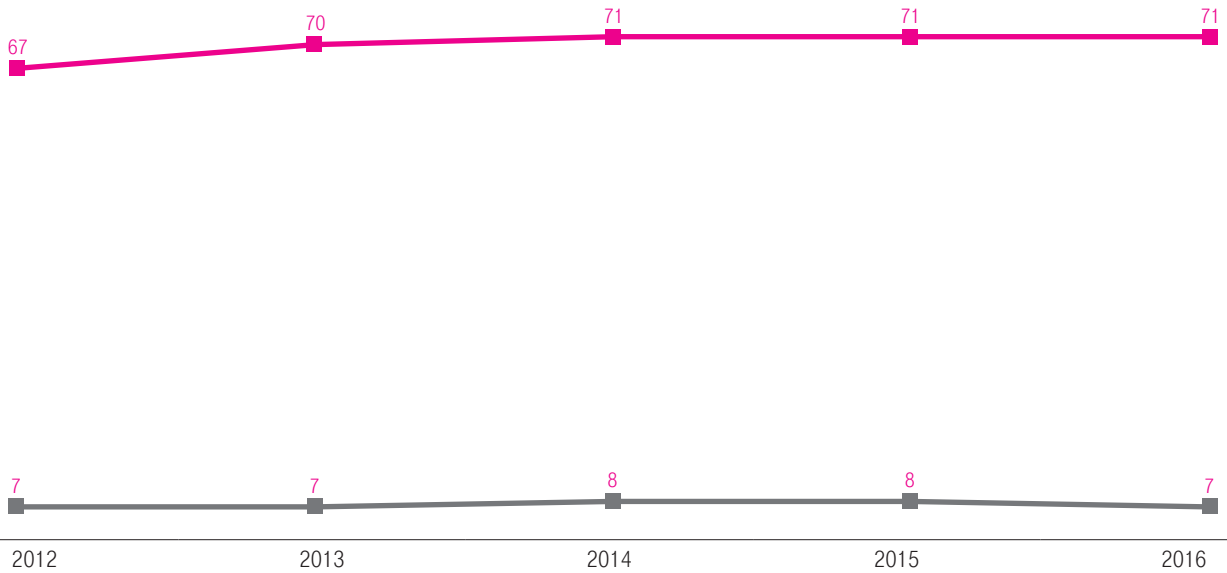
- SATISFACTION** How do you feel at our company?
- BRAND IDENTITY** I am proud of the Telekom brand.
- EMPLOYER ATTRACTIVENESS** I would recommend our company as a great place to work.
- CHANGES** The changes taking place in our company are comprehensible.
- STRATEGY** I can explain Deutsche Telekom's strategy to others.
- COLLABORATION** In my experience, we all work together as partners at Deutsche Telekom in favor of the Group's success.
- WORKLOAD/QUALITY** In my team, there is a reasonable balance between workload and expected quality. .
- WORK-LIFE-BALANCE** My current working hours allow me to strike a good balance between my private (family/hobbies) and professional life.
- HR DEVELOPMENT** Our company offers sufficient training and career development opportunities to support my professional advancement.
- RECOGNITION** Considering all my efforts and achievements I think that I receive the appropriate amount of recognition at work.
- GUIDING PRINCIPLES** I experience that the Guiding Principles are reflected in my day-to-day work.
- PACE OF WORK** The work pace demanded from me is very high.*
- LEARNING** Our company supports innovative learning formats and offerings.
- DIGITIZATION** In my experience, digital platforms/tools (e.g., YAM, WebEx, Sharepoint) facilitate exchanging ideas, networking, sharing knowledge and collaborating within our company.
- QUALITY OF LEADERSHIP** My supervisor acts with integrity and walks the talk.

* For this question, the "% agreement" category is formed of the two negative answers. The "% rejection" category is formed of the two positive answers.

The set of questions is adjusted on a regular basis to suit changes in working environments and strategic requirements. For example the pulse survey in 2016 contained additional questions on state-of-the-art learning formats, cultural change in the digital age and measurement of leadership quality. In November 2016 more than 127,000 employees (73%) took part in the survey. This is the highest pulse participation rate so far. Overall the results are comparable to last year's figures. The figures for "recognition", "HR development" and "Guiding Principles" continue to improve.

Employee satisfaction in Germany (from pulse and employee surveys, in percent)

EMPLOYEES STILL HIGHLY SATISFIED



Pulse and employee surveys 2011–2015: “How do you feel at Deutsche Telekom?”

Figures are taken from the latest pulse and employee survey results. The most recent pulse survey was carried out in November 2016.

■ Positive ■ Negative

Employee satisfaction in Germany has improved greatly since 2012 and settled at a positive level. This is mainly due to sets of measures which guarantee improvements directly at individual teams. The measures are defined in a structured process that follows the employee survey. By this process we analyze the results of all 90 questions and make them available to the teams. Responsibility for subsequent steps lies with managers who use the results to develop and implement specific measures in order to for example improve employee’s commitment and satisfaction.

In this respect, management staff is provided with valuable ideas for collaboration that will make their leadership and the company more successful.

The pulse survey offers an annual review of the effectiveness of these measures. Management staff can use the results to make any necessary adjustments and to ensure that the activities derived are effective in over the long term.

Satisfaction rate and commitment index, all managers

VERY HIGH SATISFACTION AND BROAD COMMITMENT AMONG MANAGEMENT STAFF

Satisfaction rate	2012	2013	2014	2015	2016
Germany	85%	86%	86%	87%	88%
International	82%	81%	82%	85%	86%
Group (overall)	84%	84%	84%	87%	87%
Commitment index¹, scale 1 to 5					
All employees	4.0	4.0 ¹	4.0 ¹	4.1	4.1 ¹
All management staff	4.4 ²	4.4 ²	4.4 ²	4.5	4.5 ¹
Employees excl. managers	3.9	3.9 ¹	3.9 ¹	4.0	4.0 ¹

Figures are taken from the latest pulse and employee survey results. The most recent pulse survey was carried out in November 2016, the last employee survey in spring 2015. The next employee survey is scheduled for 2017. The commitment index is the mean value of several ones in the employee survey.

¹ The figures for 2013, 2014 and 2016 are taken from the previous years' employee surveys.

² Divergences from previous reports result from a report of the commitment index until 2014 considering all employees

Satisfaction among management staff has improved continually in recent years and has stabilized at a high level throughout the Group. The commitment index for managers lies at a very good 4.5 on a scale from 1 to 5. Managers act in accordance with our binding leadership principles "Collaborate", "Innovate" and "Empower to perform" as well as our Guiding Principles.

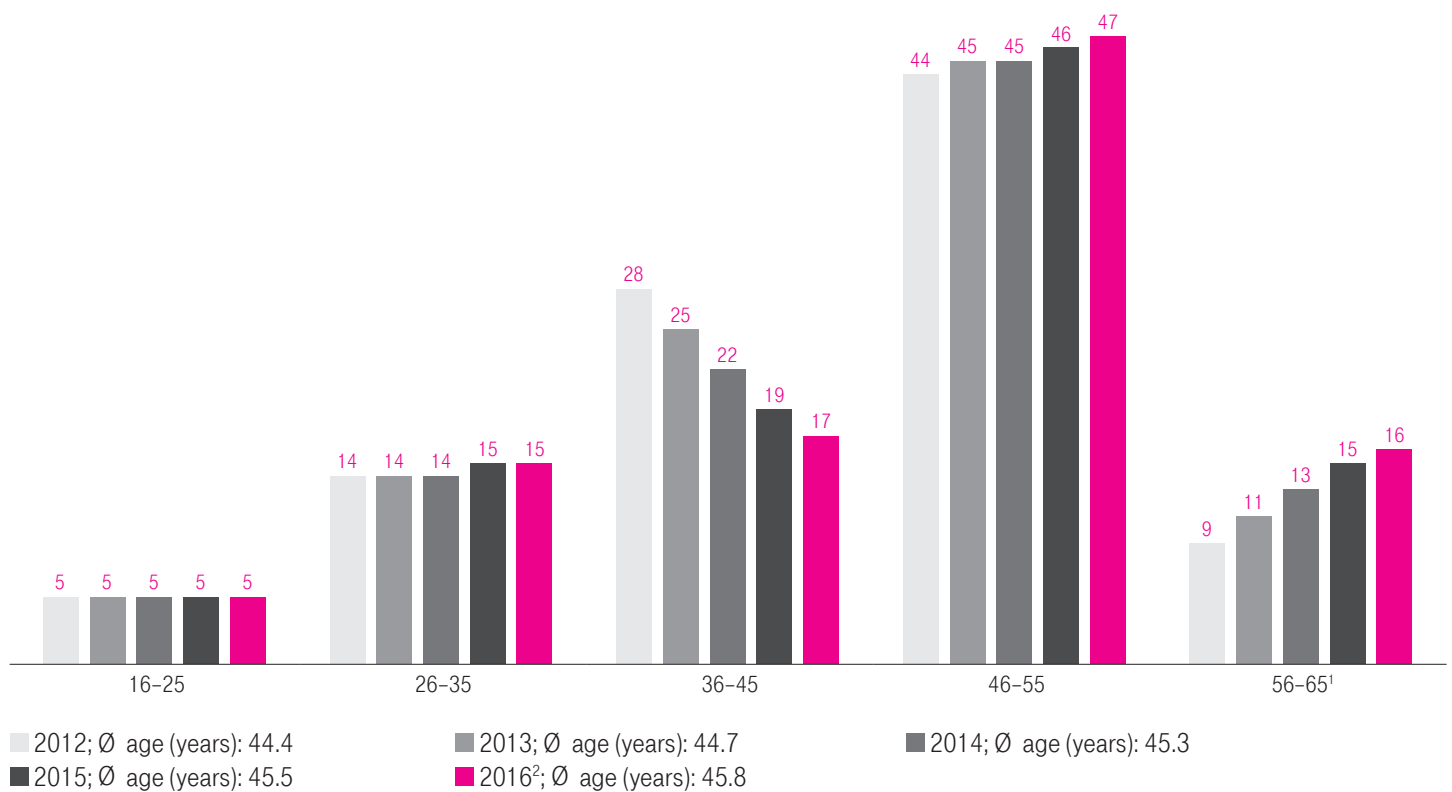
Our leadership model "Lead to Win" applies to all executives on a global scale. The performance and development process includes the Performance Dialog, an exchange with managers and colleagues that

serves to improve individual performance. The model pinpoints personal development paths and combines performance assessment and incentives.

We focus on systematic, integrated leadership development at all management levels. In doing so, we offer various, state-of-the-art management tools. Offers are derived from the Group's strategy and empower managers all over the world to face the challenges of the digital age. Management staff can adapt them to their personal development status and integrate them in their day-to-day work whenever needed.

Age structure in Germany (percent)

AVERAGE EMPLOYEE AGE HAS RISEN SLIGHTLY

¹ incl. > 65 years.

² excl. Deutsche Telekom Capital Partners Management GmbH, Detecon International GmbH, Cronon AG, Strato AG, Deutsche Telekom Clinical Solutions GmbH, Orbit GmbH, operational services GmbH & Co. KG.

As a result of demographic change and low natural attrition, the proportion of employees over 55 years of age has increased in the last five years from 9 to 16 percent. The average age of employees increased slightly to 45.8 years in 2016. One advantage is that many experienced employees with vast know-how work for Deutsche Telekom. We respond to the challenges of a rising average age of employees with activities in three areas:

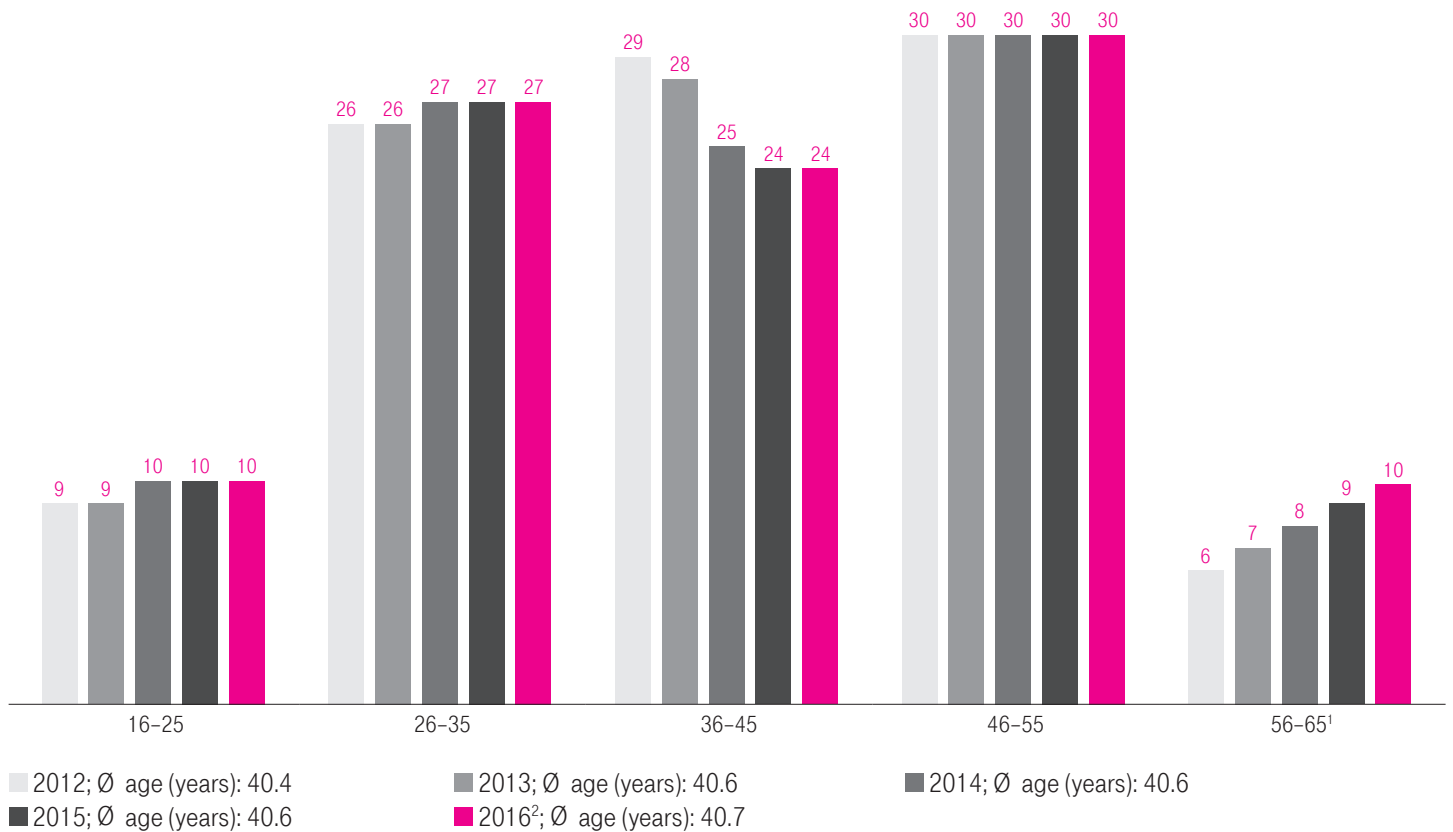
1. Skill development & knowledge: We support lifelong learning. In 2016 for example a new Magenta MOOC (massive open online course) started on the subject of digitization. Participation was free of charge and could be arranged flexibly.

2. Health: We offer programs to protect employees from illness and improve physical and mental fitness. For example our employees have access to a broad range of sport facilities. Deutsche Telekom also offers its staff attractive terms in fitness studios and clubs.

3. Working environment: We offer our staff flexible working conditions that fit their needs at every stage of their lives. We also guarantee that employees working part-time can return to full-time work.

Age structure in the Group (percent)

INTERNATIONAL AVERAGE AGE COUNTERBALANCES RISE IN GERMANY



¹ incl. > 65 years.

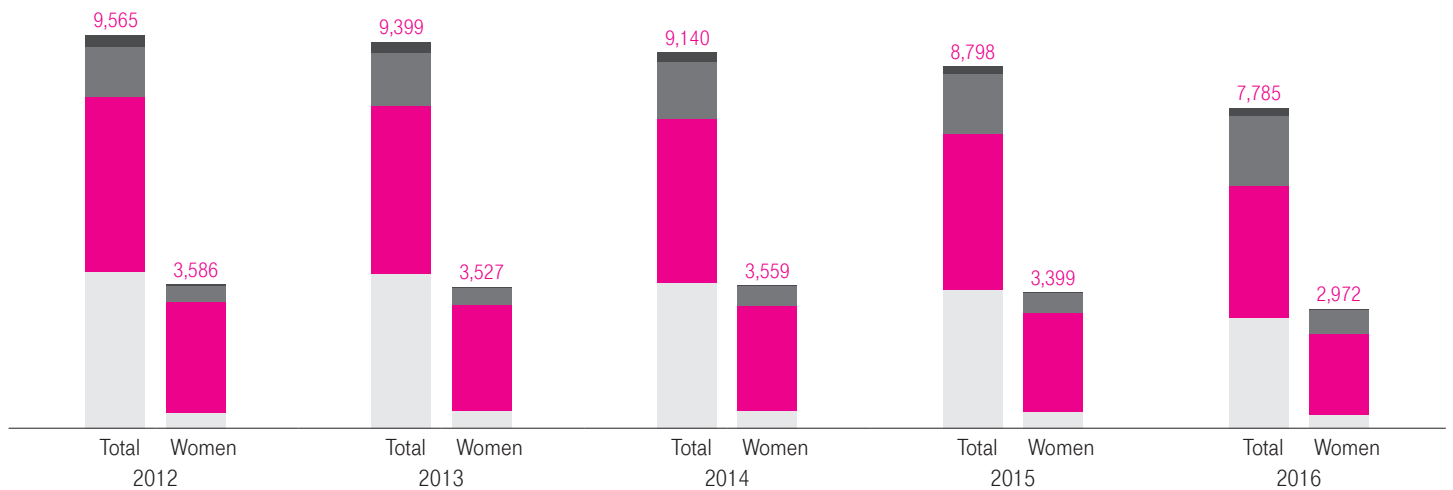
² excl. Deutsche Telekom Capital Partners Management GmbH, Detecon International GmbH, Cronon AG, Strato AG, Deutsche Telekom Clinical Solutions GmbH, Orbit GmbH, operational services GmbH & Co. KG.

The employee's age in Germany increases steadily but is compensated by the average age at international level (36.3 years). As a result, the average age in the Group increased only slightly to 40.7 years.

In Germany we place special emphasis on collaboration and an exchange of experiences between the generations. The soft skills and professional expertise of our employees aged over 50 are valuable assets for Deutsche Telekom facing the demographic trend.

Apprentices and students in Germany; total and proportion of women (heads)

WE SUPPORT OUR JUNIOR STAFF EMBARKING ON THEIR CAREERS



■ IT ■ Commercial ■ Students on cooperative degree courses ■ On-campus students at the Leipzig University of Applied Sciences (HfTL)

Examples of IT training programs: IT systems electronics technicians, IT system business administrators, IT technicians for application development /systems integration

Examples of commercial training programs: office management administrators, dialog marketing administrators, retail sales assistants

Examples of cooperative study programs: BA in Business Management, BEng in Communications and Media Technology, BSc in Business Information Systems

Deutsche Telekom responds to the various needs and performance levels of school-leavers, offering young people from vastly different backgrounds the optimal scenario for integration in the company. We offer young people equal opportunities and flexible programs to meet the needs of specific target groups, irrespective of gender, ethnic and social background or physical disability.

The options available include entry-level training schemes, training positions and grants for the Group's in-house University of Applied Sciences in Leipzig (HfTL), also for refugees.

As an example, Deutsche Telekom has cooperated with the Federal Employment Agency since 2011 to allow young parents to attend part-time training. Around 20 young people began vocational training or a cooperative course of study on a part-time basis in 2016. For many of them this is the only way to combine training and their first job with the challenges of life as a single parent. Part-time training is available for all of our vocational training programs, meaning 25 hours per week spent either in the company, in school or at the vocational training center. The highlight: like all trainees, part-time candidates can reduce the duration of their training due to outstanding achievements to two and a half years and therefore be admitted to the final examination earlier than would usually be the case. A success model all round.

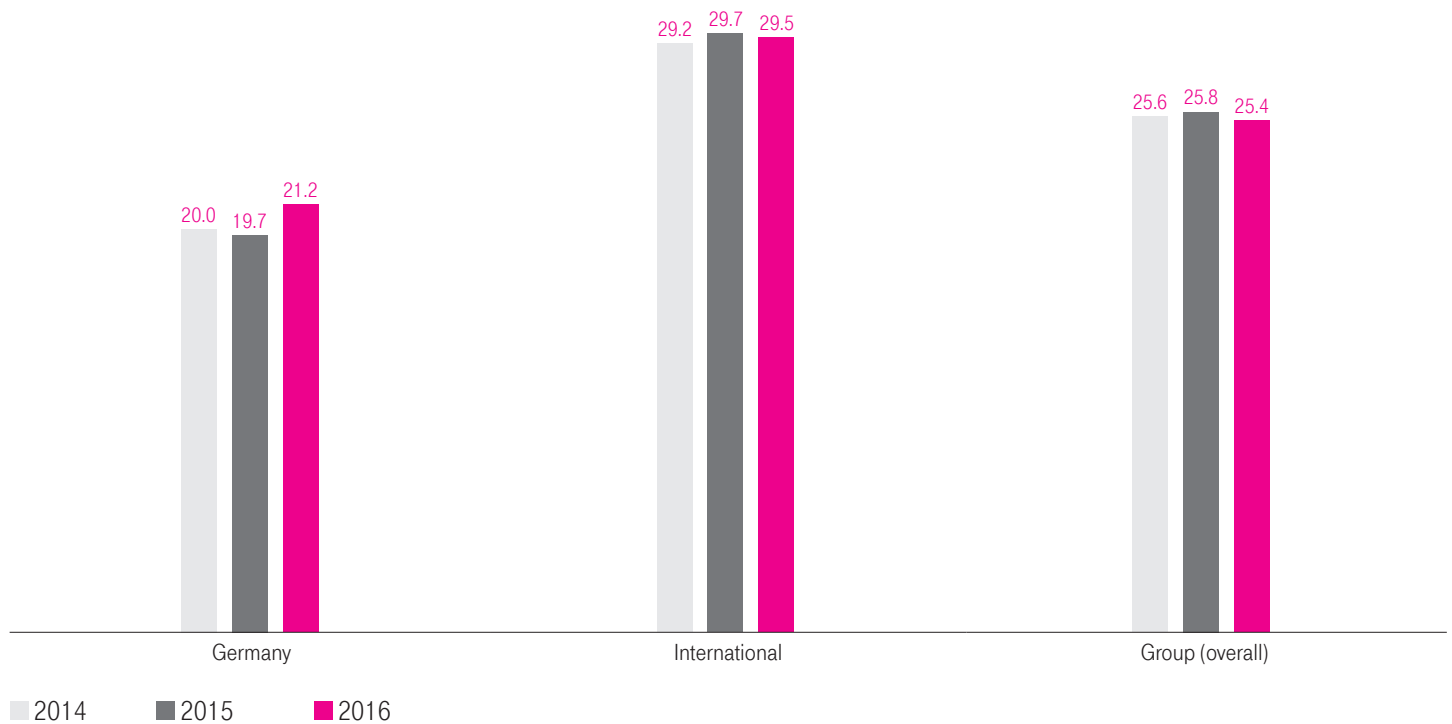
We want to teach the junior staff in our company how to acquire and share know-how, connect with other people and reflect on their own actions. Telekom Vocational Training has embedded these points in a "didactic concept", which we implement systematically.

Our trainees and students have the opportunity to use a personal digital learning platform, where they can store job-related content for future use. Exchange with colleagues is supported by use of the company's own social network You And Me. In addition to this, we arrange for our junior staff to meet via our WebEx conferencing program and in virtual classrooms. That's how we link knowledge transfer with an active exchange.

This knowledge management system benefits our junior employees as soon as they embark on the practical phases of training in the Group as well as after their vocational training or course of study. Besides this, they pass on the key competencies they acquired to other employees in the Group.

Women in middle and upper management (%)

RATE OF WOMEN IN MIDDLE AND UPPER MANAGEMENT AT A CONSTANT LEVEL



Calculation of the women's quota in middle and upper management: female managers (heads) at levels MG1-3 plus middle management per total managers at levels MG1-3 plus middle management x 100.

In 2016, we again pursued our goal of appointing women to 30 percent of management positions, supported by the "Fair Share" initiative. In Germany, the percentage of women in middle and upper management increased from 19.7 to 21.2 percent. At Group level, the figure dropped slightly from 25.8 to 25.4 percent as a result of reorganization activities and transformation projects.

The percentage of female employee's and employer's representatives on supervisory boards in Germany now totals 34.8 percent. Deutsche Telekom is one of only a handful of DAX corporations with an established track record of women in its Board of Management. The number of women working in the international leadership team reporting to the Group Board of Management has also increased. Whereas in December 2015 the figure was only nine out of a total of 58 members, it increased to 16 out of 54 members in 2016.

In the second round of the Supervisory Board Readiness Program, women were prepared for taking on one of some 250 supervisory board mandates in Deutsche Telekom's subsidiaries and affiliates. 60 female and 7 male employees completed the second training cycle in June 2016. In 2016, Deutsche Telekom became a member of the "Chefsache" initiative. This network of management staff from business, science, the public sector and the media is dedicated to establishing equal opportunities for men and women. The object is to support the requisite social change as an innovative initiative with new concepts and approaches.

Employees with disabilities in Germany (%)

INCLUSION CREATES EQUAL OPPORTUNITIES

	2012	2013	2014	2015	2016
Germany	6.4	6.4	7.0	7.2	7.5*

*excl. Deutsche Telekom Capital Partners Management GmbH, Detecon International GmbH, Cronon AG, Strato AG, Deutsche Telekom Clinical Solutions GmbH, Orbit GmbH, operational services GmbH & Co. KG.

With a broad portfolio of offers to support people with disabilities, Deutsche Telekom helps to create equal opportunities for them and get them involved in the community. In 2016 the company published its Experience Diversity – Inclusion@Telekom action plan. It provides valuable suggestions for working together with colleagues with disabilities and describes some best practices in this context. In Rhine-land-Palatinate, Deutsche Telekom was commended as a model employer for its exemplary recruitment of people with disabilities.

Deutsche Telekom has exceeded the prescribed minimum rate of 5 percent of employees with disabilities for a good many years, placing it well above the German average (4.1 percent in the last survey). This figure increased once again in 2016 and now lies at 7.5 percent.

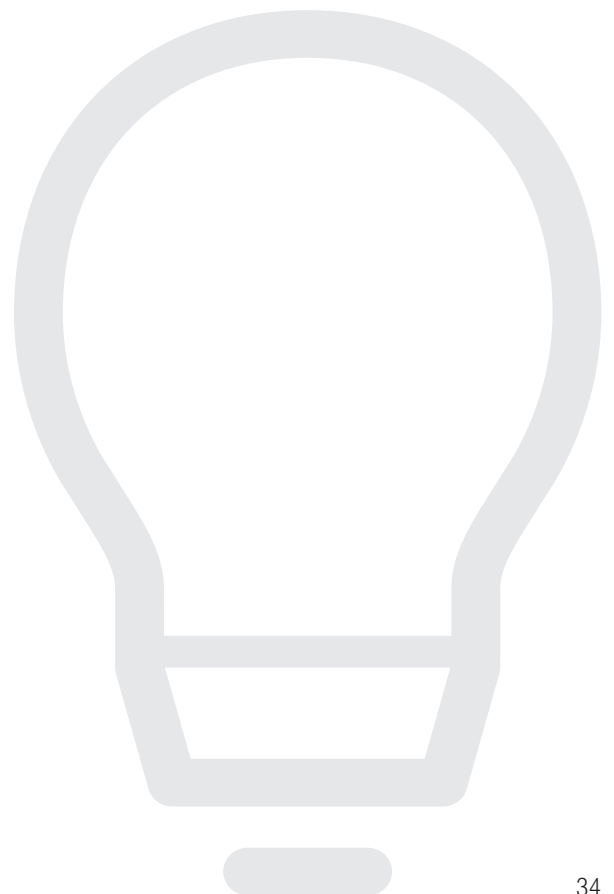
genial@Telekom in Germany

168.5 MILLION SAVED DUE TO EMPLOYEE IDEAS

	2012	2013	2014	2015	2016
Ideas submitted	13,043	12,164	13,231	13,728	10,125
Savings in € million	104	83	106.6	146.5	168.5

Ideas of our staff saved a record of 168.5 million Euros for the company in 2016. By submitting their ideas to the company, employees have the chance to actively shape their workplaces. Apart from this, they also help to keep Deutsche Telekom competitive. Thanks to the commitment of its employees, the company becomes more innovative and sustainable. As an incentive for idea generators, Deutsche Telekom awards attractive bonuses for successful suggestions.

The idea for a mounting tool facilitating the fiber-optic roll-out ranked 3rd in the "Best idea for occupational health and safety" category of the 2016 Ideas Management Award presented by "Deutsches Institut für Ideen- und Innovationsmanagement". In addition, Deutsche Telekom achieved third place in the "Best ideas management" category of the German Ideas Prize 2016 awarded by Deutsches Institut für Betriebswirtschaft.



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LIFE IS FOR SHARING.