November 23, 2016

Prof. Dr. Ulrich Lehner
Chairman Supervisory Board
Deutsche Telekom AG
Friedrich-Ebert-Allee 140
53113 Bonn
Germany

Dear Dr. Lehner,

We are writing to you as Chairman of the Supervisory Board of Deutsche Telekom AG ("DT"), the controlling shareholder of T-Mobile US ("TMUS"). We are worried about the significant risk posed by the business practices of TMUS. For this reason, we urge you to review the analysis presented below and in the attached materials, and to contact us as soon as possible to discuss these concerns in greater detail and work toward their resolution. Moreover, we also call on you to initiate your own investigation and report back to DT investors before you publish DT's full year results in February 2016.

We have raised these issues with the Deutsche Telekom Management Board in the past – in particular in a letter to CEO Timotheus Höttges in May 2016 – but have received no response. Consequently, we call on you and the Supervisory board to address these concerns, including:

- Misleading advertising in T-Mobile's "UnCarrier" campaign leading to consumer rights investigations by state attorneys general, and federal regulators.
- An apparent but undisclosed change in T-Mobile's accounting estimates, which boosted earnings by $120 million over a four quarter period covering parts of 2014 and 2015.
- Excessive use of non-GAAP performance measures in its earnings releases, which may be misleading and which make it nearly impossible for investors to compare performance periods over time.
- An unresolved labor conflict over organizing rights, which has resulted in numerous findings against the company by US courts with jurisdiction over federal labor law.

We are concerned that these practices will lead to further regulatory enforcement actions, taken both by consumer practices regulators, including state attorneys general and the US Securities and Exchange Commission. We are further concerned that, because T-Mobile US is such an important contributor to Deutsche Telekom's revenue and earnings that any such regulatory actions – along with their attendant consequences for the reputation of both T-Mobile and Deutsche Telekom – will have a significant and negative impact on Deutsche Telekom's German employees, who may bear the brunt of losses and penalties stemming from T-Mobile's risky business practices.

The CtW Investment Group works with U.S. union sponsored pension funds that hold over $250 billion in assets, and are shareholders in Deutsche Telekom and T-Mobile US.

T-Mobile US's Risky Business Practices

Over the past few months shareholders in both Deutsche Telekom and T-Mobile US have repeatedly expressed concerns over T-Mobile's "UnCarrier" campaign, its violations of US law and regulation including labor rights, and both the accounting assumptions related to the equipment installment plans ("EIPs") sold to customers and T-Mobile US's extensive use of non-GAAP performance measures in its earnings releases. As we noted in a letter from May 23 of this year to Mr. Höttges, there is considerable evidence that T-Mobile US's advertisements and marketing material for its "UnCarrier" campaign was incomplete, misleading, and led to customers signing on to plans that they did not understand. Unfortunately, Mr. Höttges has chosen not to respond to our letter directly, and so we have decided to file a complaint with the US Securities and Exchange Commission ("SEC").

In our May 23 letter, we noted that over the first three years of the UnCarrier campaign, T-Mobile US's market-share adjusted customer complaints to regulators substantially exceeded those of its rivals, especially related to billing questions and debt collection practices. We also noted that both state and federal regulators were scrutinizing T-Mobile's practices. Much as we suggested, on October 19, 2016 the US Federal Communications Commission ("FCC") levied a fine of $7.5 million on T-Mobile US, along with requiring the company to pay customers $35.5 million in compensation for misleading sales practices.

This confirmation of the misleading character of T-Mobile's marketing reinforces our concerns over T-Mobile US's EIP accounting. Our analysis shows that during the fourth quarter of 2014, and the first three quarters of 2015, T-Mobile's allowance for credit losses shrank even as both the proportion of EIP sales to subprime customers grew, and the rate of delinquencies among subprime customers increased. Since this fall in the allowance for credit losses boosted net income by over $121 million, materially affecting both the 2014 and 2015 fiscal years, it seems reasonable for shareholders to request an explanation for this puzzling drop in the allowance, and absent a compelling explanation to insist on a board-level review of EIP accounting.

US Audit Opinions Are No Guarantee That Accounting Risk Is Non-existent

But rather than provide such an explanation to shareholders, Mr. Höttges has reportedly asserted that, because T-Mobile US had received an unqualified opinion from its external auditor, there was no reason to even consider shareholder concerns, let alone explain puzzling accounting decisions. This response demonstrates a failure to understand the well-recognized weaknesses in the processes and procedures used by external auditors of US companies, which have been extensively documented by the Public Company Accounting Oversight Board ("PCAOB"), the regulator for the audit industry.

In a series of reports over the past several years, the PCAOB has found widespread deficiencies in audits that it has reviewed, even though the auditors in question provided their clients with an unqualified opinion. Since 2012, the PCAOB has found that in 15%-38% of the unqualified audit opinions it examined the auditors "at the time it issued its audit report, had failed to obtain sufficient appropriate audit evidence to support its audit opinion on the financial statements." These examinations covered hundreds of audit opinions each year, including examinations focused on quality reviews, risk assessments, and internal controls.

Moreover, Helen A. Munter, the Director of the PCAOB's Division of Inspections has noted that

> the Global Survey of Inspection Results of the International Forum of Independent Audit Regulators ("IFIAR") has reported recurring audit deficiencies in key audit areas – internal control, fair value and revenue recognition being the top three. Not unlike our experience here in the U.S. the persistence of these issues has the attention and focus of regulators globally. Regulators expect firms to continue to take active steps to address deficiencies in these areas.

We note that the concerns over T-Mobile US's accounting assumptions relates directly to internal controls and revenue recognition, two of the top three problem areas identified by both US and global accounting regulators.

While blind trust in audit opinions would make our lives easier, such trust is neither supported by evidence nor consistent with fiduciary duties the Supervisory Board as well the Management Board of Deutsche Telekom AG owe to stakeholders, including shareholders as defined by the German Corporate Governance Code. Instead, directors should be aware that considerable risk of unsupported audit opinions exist, and that therefore credible and specific questions about accounting decisions must be addressed by the Supervisory Board.

T-Mobile's Repeated Violations of US Labor Law

In the past three years T-Mobile US has embarked on a systematic campaign to suppress the free speech of its workers. This effort has included multiple instances in which workers were disciplined or threatened with discipline for speaking with each other, with union representatives, and even with regulators. These restrictions, in addition to being unlawful, also appear to exacerbate customer frustration with T-Mobile's billing, collections, and sales practices. In the past year, T-Mobile's effort to suppress worker's speech has resulted in multiple adverse findings by Administrative Law Judges, including:

- On March 18, 2015, T-Mobile was found guilty of nationwide violations of labor law. The Judge ordered T-Mobile to rescind multiple corporate policies and inform all 46,000 US employees that it had done so. On April 29, 2016, the NLRB upheld the Judge's ruling over an appeal by T-Mobile, and also found an additional violation.

- In August 2015, an Administrative Law Judge found the company guilty of imposing an unlawful nondisclosure agreement on an employee who was attempting to complain about sexual harassment and threatening her with discipline if she discussed the matter with her co-workers.

- In December 2015, yet another Administrative Law Judge found the company guilty of interfering with employees' right to talk about a union while at work.

- By the end of 2015, the U.S. Government issued additional complaints against T-Mobile which are pending trial in Kansas and Washington, one of which concerns the discipline of a technician who reported unsafe conditions to the appropriate government regulator, and all of which concern the rights of employees to freely discuss their working conditions.

- In June 2016, an Administrative Law Judge found that the company had committed 13 labor law violations in its Wichita, KS call center, including discriminatory application of work rules, surveillance and coercive questioning of union activists, and threatening and isolating union activists. T-Mobile was ordered to cease and desist from such activities, revise unlawful rules, and take affirmative steps to remedy the violations.

These actions and policies are clearly unlawful and inconsistent with the international labor rights standards to which Deutsche Telekom has committed itself, as the company explains in its 2007 Statement on Corporate Responsibility: "This voluntary commitment is based … on the internationally recognized conventions, guidelines and standards of the International labor Organization (ILO) […]."

With that in mind, we again urge you as the Chairman of the Supervisory Board and of its Special Committee USA to investigate the risks associated with T-Mobile US's business strategy, its risks management, and their impact on DT. The report should also include recommendations for TMUS's accounting and business practices.

We believe that DT, as controlling shareholder, has a duty to ensure sustainable business practices at TUMS, including a mutually beneficial relationship with all stakeholders. We are prepared to help foster such practices and are open for a constructive dialogue at any time.

We look forward to hearing from you soon. Please contact my colleague Richard Clayton at +1 (202) 721-6038 or richard.clayton@changetowin.org to arrange a convenient time to meet.

Sincerely,

Dieter Waizenegger
Executive Director

Attachments
SEC complaint
Letter to CEO Mr Hötges from May 23 2016