

DEUTSCHE TELEKOM AG
Form 20-F
February 28, 2008
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As filed with the Securities and Exchange Commission on February 28, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Form 20-F

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

Commission file number 001-14540

Deutsche Telekom AG

(Exact Name of Registrant as Specified in its Charter)

Federal Republic of Germany

(Jurisdiction of Incorporation or Organization)

Friedrich-Ebert-Allee 140, 53113 Bonn, Germany

(Address of Registrant's Principal Executive Offices)

Guido Kerkhoff

Chief Accounting Officer

Deutsche Telekom AG

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one Ordinary Share	New York Stock Exchange
Ordinary Shares, no par value	New York Stock Exchange*

Securities registered or to be registered pursuant to

Section 12(g) of the Act:

NONE

(Title of Class)

Securities for which there is a reporting obligation pursuant to

Section 15(d) of the Act:

NONE

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, no par value: 4,361,297,603 (as of December 31, 2007)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer Non-accelerated filer
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other
If Other has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 **Item 18**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes **No**

*Not for trading, but only in connection with the registration of American Depositary Shares.

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DEFINED TERMS

Deutsche Telekom AG is a private stock corporation organized under the laws of the Federal Republic of Germany (the "Federal Republic"). As used in this annual report on Form 20-F ("Annual Report"), unless the context otherwise requires, the term "Deutsche Telekom" refers to Deutsche Telekom AG, and the terms "we," "us," "our," "Company" and "Group" refer to Deutsche Telekom and, as applicable, Deutsche Telekom and its direct and indirect subsidiaries as a group.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Unless otherwise indicated, the financial information contained in this Annual Report has been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements also comply with the regulations under commercial law as set forth in §315a(1) HGB (*Handelsgesetzbuch* German Commercial Code). All IFRSs issued by the IASB, effective at the time of preparing the consolidated financial statements and applied by us, have been adopted for use in the European Union by the European Commission. Therefore our consolidated financial statements also comply with IFRS as adopted by the European Union.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. Forward-looking statements are statements that are not historical facts. Examples of forward-looking statements include statements concerning:

plans, objectives and expectations relating to future operations, products and services;

our prospective share of new and existing markets;

plans, objectives and expectations for our cost savings and workforce reduction programs and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives;

the potential impact of regulatory actions on our financial condition and operations;

the possible outcomes and effects of litigation, investigations, contested regulatory proceedings and other disputes;

future general telecommunications sector and macroeconomic growth rates; and

our future revenues, expenditures and performance.

Forward-looking statements generally are identified by the words "expect," "anticipate," "believe," "intend," "estimate," "aim," "plan," "will," "will seek," "outlook," "guidance" and similar expressions. The "Risk Factors" discussion in Item 3, the "Management Overview" discussion in Item 5 and the "Quantitative and Qualitative Disclosures About Market Risk" discussion in Item 11, in particular, contain numerous forward-looking statements, although such statements also appear elsewhere in this Annual Report.

Forward-looking statements are based on current plans, estimates and projections. You should consider them with caution. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement in light of new information or future events, although we intend to continue to meet our ongoing disclosure obligations under the U.S. securities laws (such as our obligations to file annual reports on Form 20-F and reports on Form 6-K) and under other applicable laws. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are generally beyond our control. We caution you that a

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number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include, among others:

the level of demand for telecommunications services in the markets we serve, particularly for wireless telecommunications services, broadband access lines, voice and data traffic, new higher-value products and services, and new rate offerings;

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competitive forces, including pricing pressures, technological developments and alternative routing developments, all of which affect our ability to gain or retain market share and revenues in the face of competition from existing and new market entrants;

the effects of our price reduction measures and our customer acquisition and retention initiatives, particularly in the fixed-line voice telephony business, the mobile telecommunications business and our interconnection business;

the effects of industry consolidation on the markets in which we operate, particularly with respect to our mobile and leased lines businesses;

the success of new business, operating and financial initiatives, many of which involve substantial start-up costs and are untested, and of new systems and applications, particularly with regard to the integration of service offerings;

our ability to achieve cost savings and realize productivity improvements, particularly with respect to our workforce-reduction initiatives, while at the same time enhancing customer service quality;

our ability to attract and retain qualified personnel, particularly in view of our cost reduction efforts;

regulatory developments and changes, including with respect to the levels of tariffs, terms of interconnection, customer access and international settlement arrangements;

our ability to secure and retain the licenses needed to offer new and existing services and the cost of these licenses and related network infrastructure build-outs, particularly with respect to advanced services;

the outcome of litigation, disputes and investigations in which we are involved or may become involved;

risks and uncertainties relating to the benefits anticipated from our international expansion, including in the United States;

risks and costs associated with integrating our acquired businesses and with selling or combining businesses or other assets;

the progress of our domestic and international investments, joint ventures, partnerships and alliances;

concerns over health risks associated with the use of wireless mobile devices and other health and safety risks related to radio frequency emissions;

the availability, terms and deployment of capital, particularly in view of our financing alternatives, actions of the rating agencies and the impact of regulatory and competitive developments on our capital outlays;

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the level of demand in the market for our debt obligations, and for the debt obligations of our subsidiaries and associated companies, and our shares, as well as for assets that we may decide to sell, which may affect our financing and acquisition strategies;

risks of infrastructure failures or damage due to external factors, including natural disasters, intentional wrongdoing, sabotage, acts of terrorism or similar events;

the effects of foreign exchange rate fluctuations, particularly in connection with subsidiaries operating outside the euro zone; and

changes in general economic conditions, government and regulatory policies, new legislation and business conditions in the markets in which we and our subsidiaries and associated companies operate.

Certain of these factors are discussed in more detail elsewhere in this Annual Report, including, without limitation, in Item 3, Item 4 and Item 5. We caution investors that the foregoing list of important factors is not exhaustive. When reviewing forward-looking statements contained in this document, investors and others should carefully consider the foregoing factors, as well as other uncertainties and events and their potential impact on our operations and businesses.

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Certain information in this Annual Report has been provided by external sources. Due to the rapid changes in our industry, it is possible that some of this information is no longer accurate. Assessments of market share in particular involve the use of information released or estimated by regulatory authorities, our competitors, third parties or us.

World Wide Web addresses contained in this Annual Report are for explanatory purposes only and they (and the content contained therein) do not form a part of, and are not incorporated by reference into, this Annual Report.

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PART I

ITEM 1. Identity of Directors, Senior Management and Advisors

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

SELECTED FINANCIAL DATA

The following table presents selected consolidated financial and operating information. This selected consolidated financial and operating information should be read together with Item 5. Operating and Financial Review and Prospects and our consolidated financial statements and the notes thereto that are included elsewhere in this Annual Report.

The selected consolidated financial information as of and for each of the five years ended December 31, 2003 through 2007 are extracted or derived from our consolidated financial statements and the notes thereto, which have been audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (E&Y) and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC).

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	% Change 2007/2006 ⁽¹⁾⁽²⁾	2007	2006	2005	2004	2003
		(billions of €, except as otherwise indicated)				
Income Statement Data						
Net revenues	1.9	62.5	61.3	59.6	57.3	55.6
Domestic	(5.4)	30.7	32.4	34.2	34.7	34.4
International	10.2	31.8	28.9	25.4	22.6	21.2
Profit from operations	0.0	5.3	5.3	7.6	6.3	8.3
Net profit	(82.0)	0.6	3.2	5.6	1.6	2.1
Balance Sheet Data						
Total assets ⁽³⁾	(7.3)	120.7	130.2	128.5	125.5	136.2
Total financial liabilities (in accordance with the consolidated balance sheet)	(7.7)	42.9	46.5	46.7	51.1	64.1
Shareholders' equity ⁽³⁾	(8.9)	45.2	49.7	48.6	45.5	43.5
Cash Flow Data⁽⁴⁾						
Net cash from operating activities ⁽⁵⁾	(3.6)	13.7	14.2	15.1	16.7	15.0
Net cash used in investing activities ⁽⁵⁾	43.7	(8.1)	(14.3)	(10.1)	(4.5)	(2.2)
Net cash used in financing activities	n.m.	(6.1)	(2.1)	(8.0)	(12.9)	(5.8)
Ratios and Selected Data						
Additions to intangible assets (including goodwill) and property, plant and equipment	(32.3)	9.1	13.4	11.1	6.6	7.6
Capital expenditures ⁽⁴⁾	(32.1)	8.0	11.8	9.3	6.4	6.4
Equity ratio (%) ⁽³⁾⁽⁶⁾	(1.1)	34.7	35.8	35.5	34.2	31.9
Number of employees averaged over the year (full-time employees excluding trainees) (thousands)	(1.9)	244	248	244	248	251
Revenues per employee (thousands of euro) ⁽⁷⁾	3.9	256.5	246.9	244.3	231.7	221.3
Earnings per share/ADS - basic and diluted (euro) ⁽⁸⁾	(82.4)	0.13	0.74	1.31	0.39	0.50
Weighted average number of ordinary shares outstanding (basic) (millions)	(0.3)%	4,339	4,353	4,335	4,323	4,302
Total number of ordinary shares at the reporting date (millions)	0.0%	4,361	4,361	4,198	4,198	4,198
Dividend per share/ADS (euro) ⁽⁸⁾⁽⁹⁾	8.3	0.78	0.72	0.72	0.62	
Dividend per share/ADS (U.S. dollar) ⁽⁸⁾⁽⁹⁾⁽¹⁰⁾	16.3	1.14	0.98	0.91	0.80	

n.m. - not meaningful

- (1) Percentage change based on figures expressed in millions.
- (2) In this Annual Report, increases in the size of negative numbers are expressed in percentage terms with negative percentage amounts, and decreases in the size of negative numbers are expressed with positive percentage amounts.
- (3) As of December 31, 2006, we voluntarily changed our accounting policies relating to provisions for pensions as permitted under IAS 19.93A, which allows for actuarial gains and losses to be recognized directly under retained earnings in shareholders' equity. We believe that fully recognizing actuarial gains and losses when they occur results in a better presentation of the financial position in the balance sheet. The corresponding prior-year comparatives have been adjusted as follows: reduction in consolidated shareholders' equity - 2005: EUR 983 million, 2004: EUR 291 million, 2003: EUR 224 million; increase in provisions for pensions - 2005: EUR 1,571 million, 2004: EUR 479 million, 2003: EUR 368 million; increase in deferred tax assets - 2005: EUR 588 million, 2004: EUR 188 million, 2003: EUR 144 million.
- (4) In accordance with the statement of cash flows.
- (5) Current finance lease receivables were previously reported in net cash from operating activities. From January 1, 2007, they are reported in net cash from/used in investing activities. The prior-year comparatives have been adjusted accordingly.
- (6) The ratio equals total stockholders' equity divided by total assets. Amounts proposed as dividends are treated as short-term debt rather than as equity for purposes of the calculation of this ratio.
- (7) Calculated on the basis of the average number of employees for the year, excluding trainees, apprentices and student interns.
- (8) ADS refers to the Deutsche Telekom American Depositary Shares traded on the New York Stock Exchange (NYSE). One ADS corresponds to one ordinary share of Deutsche Telekom AG.
- (9) Dividends per share are presented on the basis of the year in respect of which they are declared, not the year in which they are paid. The proposed 2007 dividend per share amounts are subject to approval by the shareholders at the annual shareholders' meeting.

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- (10) Dividend amounts have been translated into U.S. dollars (using Moneyline Telerate) for the relevant dividend payment date, which occurred during the second quarter of the following year, except for the 2007 amount, which has been translated using the applicable rate on December 31, 2007. As a result, the actual U.S. dollar amount at the time of payment may vary from the amount shown here.

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Exchange Rates

Unless otherwise indicated, all amounts in this Annual Report are expressed in euros.

As used in this document, euro, EUR or means the single unified currency that was introduced in the Federal Republic and ten other participating Member States of the European Union on January 1, 1999. U.S. dollar, USD or \$ means the lawful currency of the United States. British pound sterling or GBP means the lawful currency of the United Kingdom. As used in this document, the term noon buying rate refers to the rate of exchange for euros, expressed in U.S. dollars per euro, in the City of New York for cable transfers payable in foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes, as required by Section 522 of the U.S. Tariff Act of 1930, as amended. Unless otherwise stated or as converted in ac