

DEUTSCHE TELEKOM AG
Form 6-K
May 12, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of May 2006

DEUTSCHE TELEKOM AG

(Translation of registrant's name into English)

Friedrich-Ebert-Allee 140

53113 Bonn

Germany

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

This report is deemed submitted and not filed pursuant to the rules and regulations of the Securities and Exchange Commission.

Deutsche Telekom at a glance.

(a) For detailed information and calculations, please refer to Reconciliation of pro forma figures, page 47 et seq.

Excellence.

Following the successful completion of our debt reduction and restructuring efforts, which lasted from 2002 through 2005, Deutsche Telekom entered a new stage of its development in 2006, focusing on growth and value enhancement. The Company is systematically pursuing its strategic goal, which reads: "We aim to shape the information and telecommunications sector as Europe's largest integrated telecommunications company and the leading service provider in the industry." With the Excellence Program launched in 2005 the Company began a transformation program for the implementation of the Group's organic strategy. The program consists of three core elements that play a critical role in the achievement of the Company's goals:

Growth programs for the three strategic business areas Mobile Communications, Broadband/Fixed Network, and Business Customers;

Group-wide initiatives to tap the potential of intelligent integration; and

Long-term changes in the corporate culture toward an even stronger focus on customers needs.

Growth programs.

Mobile Communications focuses on maintaining its level of growth. Simple, attractive calling plans, segment-specific options and services tailored to various customer groups will help here. For example, the T-Mobile@Home option, which was launched in early 2006, enables customers to make mobile calls to German fixed-network lines at low rates within a radius of up to 2 kilometres from a preselected address. More than 500,000 customers chose to take advantage of this option in the first quarter of 2006. The further expansion of mobile data services is also supporting continued growth. In total, T-Mobile has already sold more than 530,000 web n walk-compatible devices, proving that the future of mobile Internet lies in fully mobile access. Moreover, the Save for Growth program, which was very successful in 2005, will be continued. The program uses long-term cost savings to create capacity for further investments in growth.

In the **Broadband/Fixed Network** strategic business area, T-Com has set itself the goal of defending its core business and stabilizing its market share in terms of call minutes. Rate innovations and a highly simplified product range will be significant factors here. In addition, the growth market for broadband lines will be further developed with the help of the Conquer the home initiative. Deutsche Telekom is currently building a high-speed network of up to 50 Mbit/s (megabits per second) in 10 major German cities, which will lay the foundation for new combined, particularly high-bandwidth products that bundle voice telephony, broadband Internet access and TV entertainment (triple play). The Company has secured the basis for offering attractive content by acquiring the IP transmission rights to Bundesliga soccer games. In addition, integrated convergence products consisting of fixed-network and mobile elements are also to be offered.

The measures undertaken in the **Business Customers** segment address both telecommunications and information technology (IT). In the area's core business, telecommunication services, the goal is to regain market share among large and mid-sized customers. In the European IT market, Deutsche Telekom is generating long-term growth by offering standardized IT services and solutions for small and medium-sized companies and by expanding its IT outsourcing business among new and existing key accounts. To further develop its portfolio, T-Systems acquired the IT services provider gedas from Volkswagen AG, which will give it a significantly stronger presence in the global automotive market.

Group-wide initiatives.

As an integrated telecommunications provider, the Deutsche Telekom Group is well positioned to develop convergent solutions that meet customers' needs for simplicity and service. T-One – an integrated terminal device that enables both fixed-network and mobile telephony and was unveiled at CeBIT in March 2006 – fulfills these requirements and has met with considerable public interest.

Following the merger with T-Online a Group-wide customer relationship management (CRM) system is to be implemented with the aim of increasing customer satisfaction and better utilizing the potential of cross-selling. The Group is also working to continue the highly successful customer promises initiated in 2005. Additional promises that underscore Deutsche Telekom's performance are in the works and will be implemented soon.

Further increasing efficiency is another goal that the entire Group is steadfastly pursuing. Efforts include measures undertaken in the areas of IT network infrastructure and real estate-related costs, as well as steps to improve the personnel cost ratio. Implementation of the announced staff restructuring began on schedule. As part of the improvement of central functions, it was decided that the number of staff working at Group Headquarters be reduced to 850.

Performance and service culture.

Improved customer orientation is the focus of the lasting cultural changes taking place within the Company. The Five days with the customer program, which was launched in 2005 and under which all of the Group's top managers must spend at least 5 days in direct contact with customers, will continue in 2006. The STEP up! program, an executive development program that defines and realizes uniform competency profiles and performance management processes across the Group, was developed in recognition of the distinctive function of executives as role models. In addition, all newly hired employees complete an introductory program that will also bring them into direct contact with customers.

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Developments in the Group.

Net revenue increased by 3.9 percent from EUR 14.3 billion in the first quarter of 2005 to EUR 14.8 billion.

Group EBITDA(1) adjusted for special factors increased by 2.7 percent year-on-year, from EUR 4.8 billion to EUR 5.0 billion; Group EBITDA increased by 1.4 percent from EUR 4.8 billion to EUR 4.9 billion.

Profit before income taxes up 11.3 percent year-on-year from EUR 1.6 billion to EUR 1.8 billion.

Net profit increased by 9.7 percent from EUR 1.0 billion to EUR 1.1 billion; adjusted for special factors, net profit remained at the prior-year level of EUR 1.0 billion.

Free cash flow(2) before dividend payments increased by EUR 1.7 billion to EUR 0.8 billion

Net debt(3) decreased from EUR 43.0 billion to EUR 37.8 billion compared with the first quarter of 2005. This represents a decrease of EUR 0.9 billion as against December 31, 2005.

Continued strong customer growth in the fixed network and mobile communications in the first quarter of 2006:

The number of mobile customers rose by 1.1 million to a total of 87.7 million.

Strong growth in the number of broadband lines to 9.2 million, mainly as a result of resale marketing. Of the 0.7 million new lines in the first quarter of 2006, 0.6 million were generated in Germany from resale to third parties.

Business Customers recorded new orders totalling EUR 2.9 billion.

(1) For a detailed explanation of the special factors affecting EBITDA, adjusted EBITDA, the adjusted EBITDA margin and special factors affecting net profit/loss after income taxes and the adjusted net profit, please refer to Reconciliation of pro forma figures, page 47 et seq.

(2) Deutsche Telekom defines free cash flow as cash generated from operations less interest paid and cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill). For calculation of free cash flow, please refer to Reconciliation of pro forma figures, page 50.

(3) For detailed information, please refer to Reconciliation of pro forma figures, page 51.

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At a glance

	Q1 2006 millions of	Q1 2005 millions of	Change millions of	Change %	FY 2005 millions of
Net revenue	14,842	14,288	554	3.9	59,604
Domestic	8,208	8,511	(303)	(3.6)	34,183
International	6,634	5,777	857	14.8	25,421
EBIT (profit from operations)	2,318	2,287	31	1.4	7,622
Special factors affecting EBIT(a)	(92)	(20)	(72)	n.a.	(2,546)
Adjusted EBIT (profit from operations)(a)	2,410	2,307	103	4.5	10,168
Adjusted EBIT margin(a)	(%) 16.2	16.1			17.1
Loss from financial activities	(568)	(715)	147	20.6	(1,410)
Profit before income taxes	1,750	1,572	178	11.3	6,212
Depreciation, amortization and impairment losses of property, plant and equipment	(2,570)	(2,534)	(36)	(1.4)	(12,497)
of intangible assets	(617)	(613)	(4)	(0.7)	(4,427)
EBITDA ^b	4,888	4,821	67	1.4	20,119
Special factors affecting EBITDA(a),(b)	(82)	(20)	(62)	n.a.	(610)
Adjusted EBITDA(a),(b)	4,970	4,841	129	2.7	20,729
Adjusted EBITDA margin(a),(b)	(%) 33.5	33.9			34.8
Net profit	1,079	984	95		