

DEUTSCHE TELEKOM AG

Form 6-K

May 07, 2009



UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

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 2009

Commission file number 001-14540

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.

Press release

Bonn, May 7, 2009

Deutsche Telekom on growth course with OTE

Deutsche Telekom continued to grow internationally as a result of the first-time consolidation of the Greek OTE group. Following the first-time inclusion of OTE, its subsidiaries and majority shareholdings in Southeastern Europe, the number of fixed-network customers at the end of the first quarter of 2009 increased by 7.5 million in total, of which broadband customers accounted for around 1.7 million. The Broadband/Fixed Network business area recorded around 40 million fixed-network and almost 17 million broadband lines at the end of March. The number of mobile customers grew by around 20 million following the inclusion of the OTE subsidiaries, bringing the total customer base, including net additions in the existing mobile companies, to just under 150 million at the end of March.

Deutsche Telekom expects OTE to boost the Group's adjusted EBITDA by around EUR 2.0 billion in total over the eleven months of the 2009 financial year since its consolidation. As a result, the Group's guidance needs to be increased by a similar amount, having originally been reduced on April 21 by 2 to 4 percent compared with the prior-year figure of EUR 19.5 billion. Deutsche Telekom expects OTE to contribute around EUR 0.6 billion to free cash flow, bringing the Group total to around EUR 7 billion.

In the first three months of 2009, Deutsche Telekom generated revenue of EUR 15.9 billion, 6.2 percent more than in the first quarter of 2008. Deutsche Telekom has thus strengthened its position as the European company with the best top-line performance in the industry. Adjusted EBITDA increased by 2.7 percent to EUR 4.8 billion. Without the inclusion of OTE, revenue in the first quarter was stable at EUR 15.0 billion and adjusted EBITDA declined 4.8 percent to EUR 4.5 billion. Fixed-network business in Germany and abroad, mobile business in Germany and across most of Europe, and T-Systems, have thus all developed in line with or slightly above expectations. In contrast, the mobile communications companies in the United States, the United Kingdom, and Poland all reported decreases, attributable in part to the economic downturn, a more intense competitive environment and, concerning the European companies, to significant changes in exchange rates. Year-on-year the Polish zloty lost around 26 percent on the euro and the pound sterling around 20 percent. "The figures we are presenting today show a mixed picture: Despite the difficult environment in some markets, we are in a relatively stable position," explained Chairman of the Board of Management, René Obermann.

The Group reported adjusted profit in the first quarter of EUR 0.7 billion, a 12.7-percent decline on last year's figure of EUR 0.8 billion, reflecting a slight downward trend in operational terms. Despite the acquisition of OTE, the loss from financial activities remains stable at EUR minus 0.7 billion. Overall, OTE has already made a positive contribution to the Group's net profit and free cash flow.

The unadjusted net loss was EUR 1.1 billion, compared with a net profit of EUR 0.9 billion in the previous year. The difference is mainly due to the impairment of goodwill at T-Mobile UK amounting to EUR 1.8 billion. This impairment, which has no effect on cash flows, echoes the strong economic slowdown and more intense competition in the United Kingdom and was announced in the press release dated April 21. The free cash flow of EUR 0.3 billion can hardly be compared with the prior-year figure of EUR 1.6 billion, due to the considerably higher capital expenditure and cash outflows for staff-related measures in the first quarter of 2009.

The Save for Service program also contributed to safeguarding earnings in the first three months of 2009. By the end of the first quarter of 2009, gross savings since the program was launched in 2006 totaled EUR 4.4 billion, up from EUR 4.1 billion at the end of 2008.

Developments in the operating segments at a glance

Mobile Communications

The mobile communications companies in Europe and the United States served over 148 million customers at March 31. This represents a year-on-year increase of 20.6 percent. Revenue increased by 9.0 percent to EUR 9.2 billion. The companies of OTE subsidiary COSMOTE contributed revenue of EUR 0.5 billion. By the end of the quarter, COSMOTE's subsidiaries had 19.9 million mobile customers, including 5.6 million contract customers.

T-Mobile Deutschland's revenue remained largely stable in the fiercely competitive domestic market, down just 0.5 percent to EUR 1.9 billion. Adjusted EBITDA was EUR 0.7 billion and also declined only slightly by 1.0 percent. The decreases were higher in the same period last year, with revenue down by 3.4 percent and EBITDA 1.1 percent.

T-Mobile USA reported revenue growth of 19.5 percent to EUR 4.1 billion and an increase in adjusted EBITDA of 9.8 percent to EUR 1.1 billion. Measured in U.S. dollars, the growth in revenue was significantly lower, at 4.1 percent, while EBITDA decreased by 4.4 percent. The impact of the marked downturn in the economic environment was felt as much in the United States as in the United Kingdom and Poland, where negative exchange rate effects further intensified the declining trend in revenue and earnings.

Data business continued to develop positively. In Europe, non-voice revenue increased by more than 40 percent year-on-year to EUR 432 million in the first three months. The Web'n'Walk service is now used by 6.5 million customers in six countries (D, UK, NL, A, CZ, PL). The first quarter alone saw 636,000 customers opting for a corresponding rate plan. This is an increase of 53 percent compared with the same quarter last year. The trend at T-Mobile USA is also positive, where non-voice revenue on a dollar basis increased year-on-year by 31 percent to USD 467 million. Rapid roll-out of the 3G network will create the potential for further growth.

Broadband/Fixed Network

The figures for the Broadband/Fixed Network segment are largely influenced by the first-time inclusion of OTE. Revenue increased by 3.6 percent to EUR 5.9 billion and adjusted EBITDA by 6.2 percent to EUR 2.0 billion. The volume of international business virtually doubled as a result of the consolidation of OTE. Revenue generated outside of Germany totaled EUR 1.1 billion, with adjusted EBITDA at EUR 0.4 billion in the first quarter of 2009. At March 31, Deutsche Telekom's international subsidiaries served around 3.2 million retail DSL customers, including 1.6 million at OTE's subsidiaries in Greece and Romania.

As expected, T-Home's revenue from business in Germany declined 5.7 percent to EUR 4.8 billion in the first quarter as a result of losses caused by regulatory factors. Thanks to systematic cost discipline, adjusted EBITDA decreased just 2.5 percent in the same period to EUR 1.6 billion. The figures include the new Deutsche Telekom Business Customers business unit with around 160,000 customers. The prior-year figures were adjusted for better comparability.

T-Home reported a DSL net add market share of around 53 percent; a record high since the complete packages have been introduced. 390,000 new retail broadband customers have been added, up 14.9 percent year-on-year, bringing the number of retail DSL customers to 11 million. The number of line losses in the German fixed network caused by competitive and regulatory factors totaled around 360,000 in the first three months of 2009. In addition, some 240,000 lines were lost as a result of the transfer of DSL resale customers to the all-IP platform.

Systems Solutions

T-Systems' international revenue increased by 6.4 percent and continued the positive development of the prior quarters. This positive trend is partly attributable to contracts signed, for example with Shell and OMG, in 2008. In contrast, revenue in Germany declined 8.2 percent. This decrease in domestic revenue is largely due to the reduced volume of internal business with Deutsche Telekom, which was down 12.4 percent. This clearly demonstrates the contribution T-Systems makes to cutting the Group's costs. Total revenue in the first quarter of 2009 amounted to EUR 2.1 billion, a year-on-year decrease of 4.3 percent. External revenues remained virtually stable at the prior-year level, despite the generally difficult market situation.

Adjusted for the one-time effect of the disposal of Media&Broadcast in the prior year, profit from operations (EBIT) more than doubled. Adjusted EBITDA totaled EUR 0.2 billion. This represents an increase of 3.4 percent on the previous year due to the successfully launched programs to cut costs and enhance efficiency, and more than offset the effects of the revenue decrease.

New orders in the first quarter of 2009 were down 14.7 percent year-on-year. This is mainly because last year's figures included the major deal with Shell. However, T-Systems won some important new orders in the first quarter of 2009, too, including large-scale contracts with Linde, Rewe, and the federal states of North Rhine-Westphalia and Baden-Württemberg.

The Deutsche Telekom Group at a glance*:

	Q1 2009	Q1 2008	Change	Change	FY 2008
	millions of €	millions of €	millions of €	%	millions of €
Net revenue	15,902	14,978	924	6.2	61,666
- Domestic	6,943	7,254	(311)	(4.3)	28,885
- International	8,959	7,724	1,235	16.0	32,781
Profit (loss) before taxes	(498)	1,621	(2,119)	n.a.	3,452
Adjusted profit (loss) before taxes	1,200	1,395	(195)	(14.0)	5,884
Net profit (loss)	(1,124)	924	(2,048)	n.a.	1,483
Adjusted net profit (loss)	655	750	(55)	(12.7)	3,426
EBITDA	4,942	4,955	(13)	(0.3)	18,015
Adjusted EBITDA	4,812	4,686	126	2.7	19,459
Net cash from operating activities	2,801	3,331	(530)	(15.9)	15,368
Free cash flow before dividend payments	251	1,629	(1,378)	(84.6)	7,033
Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill)	(2,611)	(1,792)	819	45.7	(8,707)
Net debt at balance sheet date	42,833	35,894	6,939	19.3	38,158
Number of employees at balance sheet date	260,798	237,757	23,041	9.7	227,747

The Mobile Communications at a glance*:

	Q1 2009 a	Q1 2008 b	Change	Change	FY 2008 b
	millions of €	millions of €	millions of €	%	millions of €
Total revenue	9,206	8,445	761	9.0	35,586
- Europe	5,077	4,992	85	1.7	20,663
- USA	4,137	3,461	676	19.5	14,957
Net revenue	9,027	8,292	735	8.9	34,920
Profit (loss) from operations c	(635)	1,260	(1,895)	n.a.	5,487
EBITDA	2,607	2,660	(53)	(2.0)	11,246
Adjusted EBITDA	2,613	2,663	(50)	(1.9)	11,400
Average number of employees	73,201	63,731	9,470	14.9	65,313

Comments on the table:

a Including first-time consolidation of OTE from the beginning of February 2009 in the Mobile Communications Europe operating segment.

b Including first-time consolidation of SunCom from February 22, 2008 in the Mobile Communications USA operating segment.

c Including an impairment loss of EUR 1.8 billion recognized on the goodwill of the cash generating unit T-Mobile UK in the first quarter of 2009.

Broadband/Fixed Network at a glance*:

	Q1 2009 a	Q1 2008	Change	Change	FY 2008
	millions of €	millions of €	millions of €	%	millions of €
Total revenue	5,882	5,677	205	3.6	22,501
- Domestic	4,836	5,126	(290)	(5.7)	20,226
- International	1,063	564	499	88.5	2,329
Net revenue	5,235	5,032	203	4.0	19,779
Profit (loss) from operations	1,170	889	281	31.6	2,759
EBITDA	2,175	1,796	379	21.1	6,395
Adjusted EBITDA	2,010	1,892	118	6.2	7,385
Average number of employees	112,613	104,051	8,562	8.2	100,671

Comments on the table:

Since January 1, 2009, around 160,000 business customers of the Systems Solutions operating segment (until December 31, 2008, called the Business Customers operating segment) have been included in the Broadband/Fixed Network operating segment. Prior-year comparatives have been adjusted.

a Including first-time consolidation of OTE from February 1, 2009.

Systems Solutions at a glance*:

	Q1 2009	Q1 2008	Change	Change	FY 2008
	millions of €	millions of €	millions of €	%	millions of €
Total revenue	2,106	2,200	(94)	(4.3)	9,343
- Domestic	1,472	1,604	(132)	(8.2)	6,634
- International	634	596	38	6.4	2,709
- Computing & Desktop Services	900	898	2	0.2	3,877
- Systems Integration	400	423	(23)	(5.4)	1,741
-	806	879	(73)	(8.3)	3,725
Telecommunications					
Net revenue	1,496	1,504	(8)	(0.5)	6,368
New orders	2,010	2,357	(347)	(14.7)	10,235
Profit (loss) from operations	11	483	(472)	(97.7)	81
EBITDA	188	671	(483)	(72.0)	862
Adjusted EBITDA	211	204	7	3.4	826
Average number of employees	44,449	46,554	(2,105)	(4.5)	46,095

Comments on the table:

Since January 1, 2009, around 160,000 business customers of the Systems Solutions operating segment (until December 31, 2008, called the Business Customers operating segment) have been included in the Broadband/Fixed Network operating segment. Prior-year comparatives have been adjusted.

Headquarters & Shared Services at a glance*:

Q1 2009 a	Q1 2008	Change	Change
millions of €	millions of €	millions of €	millions of €