

DEUTSCHE TELEKOM AG

Form 20-F

March 30, 2004

As filed with the Securities and Exchange Commission on March 30, 2004

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SECURITIES AND EXCHANGE COMMISSION

Form 20-F

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR (G) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**for the fiscal year ended December 31, 2003**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

Commission file number 1-14540

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Deutsche Telekom AG

(Exact Name of Registrant as Specified in its Charter)

Germany

(Jurisdiction of Incorporation or Organization)

Friedrich-Ebert-Allee 140, 53113 Bonn, Germany

(Address of Registrant's Principal Executive Offices)

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

Title of each class  
American Depositary Shares, each  
representing one Ordinary Share

Name of each exchange on which registered  
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: 4,195,081,597 (as of December 31, 2003)

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 which financial statement item the registrant has elected.

Item 17      Item 18

\* 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 corporation organized under the laws of the Federal Republic of Germany. As used in this Annual Report, unless the context otherwise requires, the term "Deutsche Telekom" refers to Deutsche Telekom AG and the terms "we," "us" and "our" refer to Deutsche Telekom and, as applicable, Deutsche Telekom and its direct and indirect subsidiaries as a group.

**GERMAN GAAP**

Unless otherwise indicated, the financial information contained in this Annual Report has been prepared in accordance with the requirements of the German Commercial Code (HGB — German GAAP). See notes (41) through (44) to our consolidated financial statements for the years ended December 31, 2003, 2002 and 2001 included in this Annual Report for a description of the principal differences between German GAAP and U.S. generally accepted accounting principles (U.S. GAAP), as they relate to us and our consolidated subsidiaries, and a reconciliation of net income and shareholders' equity to U.S. GAAP.

**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:

- financial projections and estimates and their underlying assumptions;
- statements regarding plans, objectives and expectations relating to future operations, products and services;
- statements regarding the potential consequences of our debt reduction and liquidity improvement initiatives;
- statements regarding the potential impact of regulatory actions on our financial condition and operations;
- statements regarding our prospective share of new and existing markets;
- statements regarding the possible effects of adverse determinations in litigation, investigations, contested regulatory proceedings and other disputes;
- statements regarding general industry and macroeconomic growth rates and our performance relative to them; and
- statements regarding our future performance.

Forward-looking statements generally are identified by the words "expects," "anticipates," "believes," "intends," "estimates," "aims," "plans," "will," "will continue," "seeks" and similar expressions. The "Risk Factors" discussion in Item 3, "Strategy" discussion in Item 4, "Operating and Financial Review and Prospects — Outlook for 2004" discussion in Item 5 and "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, and therefore you should not place too much reliance on them. 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 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 other factors:

- risks and uncertainties relating to the benefits anticipated from our international expansion, particularly in the United States;
- risks and costs associated with integrating our acquired businesses and with selling or combining businesses or other assets;

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- the progress of our domestic and international investments, joint ventures and alliances;
  - the level of demand for telecommunications services, particularly for wireless telecommunications services, access lines, traffic and new higher-value products and services;
  - competitive forces, including pricing pressures, technological developments and alternative routing developments;
  - our ability to gain or retain market share in the face of competition from existing and new market entrants;
  - our ability to secure the licenses needed to offer new services given the cost of these licenses and related network infrastructure build-outs, particularly with respect to our Universal Mobile Telecommunications System (UMTS) licenses;
  - the effects of price reduction measures and our customer acquisition and retention initiatives, particularly in the fixed-line voice telephony business, the mobile telecommunications business and our other interconnection businesses;
  - regulatory developments and changes, including with respect to the levels of tariffs, terms of interconnection, customer access and international settlement arrangements;
  - the outcome of litigation, disputes and investigations in which we are involved or may become involved;
  - 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;
  - concerns over health risks associated with the use of wireless handsets and other health and safety risks related to radio frequency emissions;
  - the effects of industry consolidation on the markets in which we operate, particularly with respect to our mobile and leased lines businesses;
  - the progress and degree of success of our debt reduction and liquidity improvement initiatives;
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the availability, terms and deployment of capital, particularly in view of our debt refinancing needs, actions of the rating agencies and the impact of regulatory and competitive developments on our capital outlays;

- the level of demand in the market for our debt instruments and our shares and for the debt instruments and shares of our subsidiaries and associated companies, as well as for assets which we may decide to sell, which may affect our financing and acquisition strategies;
- the development of the German real estate market in view of our goal of monetizing a portion of our real estate portfolio;
- our ability to achieve cost savings and realize productivity improvements;
- our ability to attract and retain qualified personnel, particularly in light of our cost reduction efforts;
- 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 affiliates 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.

Certain information in this Annual Report was 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

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of market share in particular involve the use of information released or estimated by regulatory authorities, our competitors, third parties or us.

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. Unless otherwise indicated, all amounts are in accordance with German GAAP.

The selected consolidated financial information as of and for each of the five years ended December 31, 1999 through 2003 are extracted or derived from our consolidated financial statements and the notes thereto, which have been audited by Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftspruefungsgesellschaft and PwC Deutsche Revision Aktiengesellschaft Wirtschaftspruefungsgesellschaft in the case of the periods ended and at December 31, 2003, 2002 and 2001, and by PwC Deutsche Revision Aktiengesellschaft Wirtschaftspruefungsgesellschaft in the case of the periods ended and at December 31, 2000 and 1999.

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Selected Consolidated Financial Data of the Deutsche Telekom Group

	%					
	Change					
	2003/2002 <sup>(1)</sup>	2003	2002	2001	2000	1999
		(billions of €, except as otherwise indicated)				
<b>Income Statement Data</b>						
Net revenue	4.0%	55.8	53.7	48.3	40.9	35.5
Results from ordinary business activities	n.m.	1.4	(27.2)	(2.5)	6.4	3.1
Net income (loss)	n.m.	1.3	(24.6)	(3.5)	5.9	1.3
<b>Balance Sheet Data</b>						
Total assets	(7.7)%	116.1	125.8	164.5	124.2	94.6
Debt (in accordance with the consolidated balance sheet)	(12.1)%	55.4	63.0	67.0	60.4	42.3
Shareholders' equity	(4.5)%	33.8	35.4			