

DEUTSCHE TELEKOM AG
Form 6-K
November 12, 2004

**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 November 2004

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 if the registrant is submitting the Form 6-K in paper as permitted by
Regulation S-T Rule 101 (b)(1):

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by
Regulation S-T Rule 101 (b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this form, the registrant 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.

Group Report

January 1 to September 30, 2004

Deutsche Telekom

Deutsche Telekom at a glance.

(a) For detailed information and calculations, please refer to Reconciliation of pro forma figures, page 43 et seq.

At a glance

	Third quarter of 2004			First three quarters of 2004			
	Q3 2004 millions of	Q3 2003 millions of	Change %	Q1 2004 millions of	Q3 2003 millions of	Change %	2003 millions of
Net revenue	14,524	14,077	3.2	42,922	41,288	4.0	55,838
Domestic	8,535	8,553	(0.2)	25,560	25,689	(0.5)	34,691
International	5,989	5,524	8.4	17,362	15,599	11.3	21,147
Results from ordinary business activities	1,974	691	n.a.	4,726	1,783	n.a.	1,398
Financial expense, net	(793)	(789)	(0.5)	(2,584)	(2,734)	5.5	(4,031)
Depreciation and amortization of property, plant and equipment	(2,991)	(3,165)	5.5	(9,022)	(9,646)	6.5	(12,884)
of intangible assets	(1,128)	(1,169)	3.5	(3,380)	(3,517)	3.9	(4,678)
Other taxes	(47)	(38)	(23.7)	(144)	(134)	(7.5)	(162)
EBITDA(a)	5,805	4,683	24.0	16,476	14,297	15.2	18,475
Special factors affecting EBITDA(a), (b)	541	(28)	n.a.	1,844	512	n.a.	187
Adjusted EBITDA(a), (b)	5,264	4,711	11.7	14,632	13,785	6.1	18,288
Adjusted EBITDA margin(a), (b)(%)	36.2	33.5		34.1	33.4		32.8
Net income	1,387	508	n.a.	3,211	1,617	98.6	1,253
Special factors(b)	398	45	n.a.	1,267	879	44.1	1,031
Adjusted net income(b)	989	463	n.a.	1,944	738	n.a.	222
Earnings per share(c) ()/ADS(d) (German GAAP)	0.33	0.12	n.a.	0.77	0.39	n.a.	0.30
Investments in property, plant and equipment and intangible assets (excluding goodwill)	(1,275)	(1,431)	10.9	(3,811)	(3,536)	(7.8)	(6,234)
Net cash provided by operating activities	3,680	4,784	(23.1)	10,808	11,044	(2.1)	14,316
Equity ratio (%)				34.0	29.0		29.1
Net debt(e)				40,779	49,156	(17.0)	46,576

Number of employees at balance sheet date

Number of fixed-network and mobile customers

	Sept. 30, 2004	June 30, 2004	Change Sept. 30, 2004/ June 30, 2004 %	Dec. 31, 2003	Change Sept. 30, 2004/ Dec. 31, 2003 %	Sept. 30, 2003	Change Sept. 30, 2004/ Sept. 30, 2003 %
Deutsche Telekom Group	247,891	247,830	0.02	248,519	(0.3)	249,974	(0.8)
Non-civil servants	200,120	199,866	0.1	198,726	0.7	200,199	(0.04)
Civil servants	47,771	47,964	(0.4)	49,793	(4.1)	49,775	(4.0)
Telephone lines(f)(millions)	57.4	57.7	(0.5)	57.9	(0.9)	58.0	(1.0)
Broadband lines (in operation)(millions)	5.4	4.9	10.2	4.1	31.7	3.8	42.1
Mobile subscribers(g)(millions)	73.4	71.6	2.5	66.7	10.0	63.1	16.3

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- (a) Deutsche Telekom defines EBITDA as the results from ordinary business activities excluding other taxes, net financial income/expense, amortization and depreciation.
 - (b) A detailed explanation of special factors and special factors affecting EBITDA, adjusted EBITDA, and the adjusted net income can be found under Reconciliation of pro forma figures, page 43 et seq.
 - (c) Earnings per share (according to German GAAP) for each period are calculated by dividing net income/loss by the weighted average number of outstanding shares.
 - (d) One ADS (American Depositary Share) corresponds in economic terms to one share of common stock of Deutsche Telekom AG.
 - (e) Bonds, liabilities to banks, liabilities to non-banks from loan notes, and other liabilities after deduction of liquid assets, including marketable securities, other investments in noncurrent securities, other assets, and loan discounts. For detailed information, please refer to Reconciliation of pro forma figures, page 43 et seq.
 - (f) Telephone lines of the Group (including ISDN channels), including for internal use.
 - (g) Number of subscribers of T-Mobile's fully consolidated mobile communications companies, plus the majority shareholdings of MATÁV and Hrvatske telekomunikacije. Mobimak subscribers included for the first time as of March 31, 2004. The figures for the previous year have been adjusted accordingly.
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Agenda 2004.

Agenda 2004 supports Deutsche Telekom's goal of profitable growth. This Group-wide program encompasses six initiatives. The focus and contents of Agenda 2004 were seminal to the realignment of Deutsche Telekom to the strategic growth areas of broadband/fixed network, business customers and mobile communications.

Broadband

Broadband is a key issue for the future of Deutsche Telekom. In September 2004, four years after T-DSL was launched on the market, the five-millionth line went online in Germany. The target is for this figure to reach 10 million DSL lines by 2007. The success achieved up to now has also been the result of joint marketing activities by T-Com and T-Online. In order to offer customers an integrated product bundle and fulfill the stated objectives, the Board of Management and Supervisory Board of Deutsche Telekom have decided to merge T-Online AG into Deutsche Telekom AG.

Business customers

Deutsche Telekom's selling power has been further increased in the segment of small and medium-sized enterprises by pooling the strengths of T-Com and T-Systems. The portfolio of attractive, advanced solutions for small and medium-sized enterprises has been expanded as a result of the coordination of sales activities and the optimization of processes. The success of the business customer initiative can be seen in revenue growth in these product areas.

Quality

The objective of the quality campaign is to improve the quality of products and services from the customer perspective. Employees from all business areas are working on a large number of projects to implement this quality drive, which aims to further improve customer satisfaction.

Innovation

The sustained, profitable growth of Deutsche Telekom will be ensured through the development of new products and services. As part of the "Partners for Innovation" initiative launched in January 2004 by the German Chancellor Gerhard Schröder in cooperation with the worlds of politics, business and science, Deutsche Telekom has taken over management of the "Networked Worlds" (vernetzte Welten) project. Since October 2004, it has been possible to experience the innovation potential of Deutsche Telekom first hand in the T-Gallery at Group Headquarters.

Efficiency

The efficiency campaign also continues to successfully support the strategy of profitable growth by increasing productivity and constantly improving efficiency. The measures that contribute toward sustained profitability growth are cost reductions and restrictions on investment, process optimization, synergies from the Group-wide use of technical platforms, reduction of the commitment of capital, coordination of procurement processes and optimization of the employment of capital through the disposal of noncurrent assets no longer needed for operations.

Human resources

The core issues of the human resources initiative are the employment alliance, Vivento, and the motivation and qualification campaign. The employment alliance has been implemented as planned following the passing of the amendment to the Act Concerning the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz - PostPersRG) by the German national parliament, the Bundestag, and the chamber representing the regions, the Bundesrat. The PostPersRG ensures funding for the reduction in weekly working hours for civil servants of Deutsche Telekom AG, thereby also ensuring the planned cost reduction. Vivento continues to develop promisingly. Of the more than 19,000 employees assigned to Vivento, more than two thirds were in active positions as of September. The 2004/2005 collective bargaining negotiations at T-Systems have been successfully completed.

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Developments in the Group.

In the first nine months, net revenue increased 4.0 percent year-on-year from EUR 41.3 billion to approximately EUR 42.9 billion; organic(1) net revenue growth of 6.3 percent.

Group EBITDA(2) increased by 15.2 percent year-on-year from EUR 14.3 billion to EUR 16.5 billion; adjusted EBITDA up by 6.1 percent to EUR 14.6 billion. Organic growth in adjusted Group EBITDA of 7.6 percent.

Turnaround achieved at T-Mobile Deutschland; adjusted EBITDA margin up from 38.5 percent at June 30, 2004 to 41.2 percent.

Results from ordinary business activities increased by EUR 2.9 billion year-on-year from EUR 1.8 billion to EUR 4.7 billion.

Net income doubled from EUR 1.6 billion to EUR 3.2 billion; adjusted for special factors, it almost tripled from EUR 0.7 billion to EUR 1.9 billion.

Net cash provided by operating activities of EUR 10.8 billion at prior-year level.

Free cash flow(3) before dividend payments decreased from EUR 7.4 billion in the first nine months of the previous year to EUR 6.6 billion as a result of higher capital expenditure.

Net debt(4) reduced by EUR 5.8 billion to EUR 40.8 billion compared with EUR 46.6 billion at December 31, 2003.

Strong subscriber growth in the third quarter of 2004.

1.6 million new mobile communications subscribers, of which more than half at T-Mobile USA.

Another 0.5 million new broadband lines in Germany and abroad; 5.4 million DSL customers in total.

Financial flexibility restored.

Investors can expect a dividend payment of between EUR 0.56 and EUR 0.62 from Deutsche Telekom for the 2004 financial year, depending on the development of results in the fourth quarter.

Moody s upgrades Deutsche Telekom s rating to Baa1 ; Deutsche Telekom s rating with all agencies is now within target range.

(1) Organic growth is adjusted for the effects of exchange rate fluctuations and changes to the composition of the Deutsche Telekom Group.

(2) Deutsche Telekom defines EBITDA as the results from ordinary business activities excluding other taxes, net financial income/expense, amortization and depreciation. A detailed explanation of the special factors affecting EBITDA, adjusted

EBITDA, and the adjusted EBITDA margin can be found under Reconciliation of pro forma figures, page 43 et seq.

(3) Deutsche Telekom defines free cash flow as cash generated from operations minus interest payments and cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill). For the calculation of free cash flow please refer to Reconciliation of pro forma figures, page 47.

(4) For detailed information and calculations, please refer to Reconciliation of pro forma figures, page 48.

Strategic realignment.

Deutsche Telekom steps up efforts to implement new strategic focus.

The strategic realignment announced by the Group is taking shape. The new rules of procedure and schedule of responsibilities for the Group Board of Management came into force on October 1, 2004. The three strategic business areas (SBAs) – Broadband/Fixed Network, Business Customers, and Mobile Communications – will be official reporting bodies with effect from January 1, 2005. T-Systems Business Services, the new business unit to be created as part of the Business Customers SBA that will support the Group's medium-sized and large corporate customers, will be officially launched on January 1, 2005. This first major step in the strategic realignment is the logical consequence of a stronger focus on customers and their specific needs.

Walter Raizner appointed Member of the Board of Management for the Broadband/Fixed Network business area.

The Supervisory Board of Deutsche Telekom AG has appointed Walter Raizner to the Group Board of Management effective November 1, 2004. Walter Raizner is the Board member responsible for the newly created Broadband/Fixed Network Board department, which combines the two divisions active in the consumer market, T-Com and T-Online, at Board level. Walter Raizner also heads the T-Com Board of Management.

Deutsche Telekom launches integration of T-Online.

The Board of Management and Supervisory Board of Deutsche Telekom AG have decided to integrate T-Online into Deutsche Telekom by way of a statutory merger of T-Online International AG into Deutsche Telekom AG. Deutsche Telekom has started negotiations for this purpose with the Board of Management of T-Online. As part of this merger, T-Online shareholders will be granted shares in Deutsche Telekom in exchange for their T-Online shares. The ratio for this share exchange will be determined on the basis of valuations of Deutsche Telekom and T-Online and will be reviewed by an independent auditor. Deutsche Telekom also intends to repurchase own shares to the extent required to prevent any increase in the total number of Deutsche Telekom shares outstanding as a result of the merger. In the context of the merger transaction, Deutsche Telekom will make a voluntary tender offer to T-Online shareholders to buy back T-Online stock at a cash price of EUR 8.99 per share in order to provide liquidity and a price guarantee to all T-Online shareholders who wish to sell their shares rather than wait for the completion of the merger.

Framework Agreement in principle on T-Online merger.

Deutsche Telekom AG and T-Online International AG have signed a framework agreement in which the parties have expressed their intention to pursue a statutory merger and have agreed details of the intended future integration of T-Online into Deutsche Telekom as well as on procedural matters regarding the implementation of the proposed merger.

Highlights.

Group

Act Concerning Legal Provisions for Former Deutsche Bundespost Staff approved by the German Bundesrat.

After the German Bundestag passed the amendment to the Act Concerning the Legal Provisions for the Former Deutsche Bundespost Staff (Postpersonalrechtsgesetz - PostPersRG) in September 2004, the Bundesrat also approved it in October 2004.

This means that the last hurdle toward implementation of the employment alliance has now been cleared, because the removal of the year-end bonus so far guaranteed in the PostPersRG will fund the planned reduction in weekly working hours for civil servants. The amended Act will come into effect in November 2004.

Toll Collect arbitration proceedings.

Deutsche Telekom AG and DaimlerChrysler Services, as members of the Toll Collect consortium, as well as the consortium itself received written notification of the institution of arbitration proceedings from the Federal Republic of Germany. Under the terms of the agreement between the members of the consortium and the Federal Republic of Germany, any disputes relating to the toll collection system shall be settled by an arbitral court. In this notification, the Federal Republic of Germany asserts its claim for damages of EUR 3.56 billion plus interest for lost toll revenues resulting from the delays in toll collection. In addition, the Federal Republic of Germany is asserting a claim for contractual penalties in the amount of EUR 1.03 billion plus interest for alleged violations of the agreement for the period up to July 31, 2004. The amount of EUR 1.03 billion may rise, because the Federal Republic is also claiming time-related contractual penalties. Deutsche Telekom believes the claims are unsustainable and will defend itself against them.

Slovak Telecom intends to acquire all shares in EuroTel Bratislava.

Slovak Telecom (ST), Deutsche Telekom's majority-owned subsidiary in Slovakia, plans to acquire the remaining 49-percent stake in its mobile communications arm EuroTel Bratislava. An agreement to this effect was concluded on September 27, 2004 with the Atlantic West B.V. (Verizon Communications and AT&T Wireless) consortium. ST's acquisition of the remaining 49-percent stake in EuroTel is a major prerequisite for extending the successful cooperation between EuroTel and T-Mobile International. This transaction will turn ST into an integrated telecommunications provider in the Slovak market. EuroTel Bratislava is one of Slovakia's two mobile communications providers. It has a market share of around 44 percent. Its full acquisition by ST is still subject to

approval by the European Commission.

T-Com

Regulatory Authority lowers charges for T-DSL ZISP.

In the broadband area, T-Com offers Internet service providers (ISPs) T-DSL ZISP Basic as a wholesale product. T-DSL ZISP Basic allows ISPs to offer their end users broadband data connections over their own platform or a leased Internet platform without having to use T-Com's IP network. In rate approval proceedings concluded on September 29, 2004, the German Regulatory Authority for Telecommunications and Posts specified a much lower usage-sensitive charge than that previously approved. The impact on results will be in the low, single-digit millions of euros. In most cases, no charges were approved for the provision of the IP network, but in some cases the monthly rates were increased slightly compared with those last approved.

Reciprocity.

As in December 2003, the Regulatory Authority once again stipulated higher interconnection rates for non-dominant carriers on September 21, 2004. The rates were, however, reduced substantially compared with those resolved in December last year. Instead of the original mark-up of EUR 0.005/minute, the Regulatory Authority now stipulates a mark-up of just EUR 0.0017/minute on rates applicable to T-Com. The higher termination rates for alternative carriers are valid for the period from October 15, 2004 to May 31, 2006. As a consequence of the resolution by the Regulatory Authority, T-Com intends to pass on the additional costs to its customers from May 2005 onwards.

T-Mobile

T-Mobile USA receives highest honors for excellent customer care performance.

In an independent market study conducted by J.D. Power and Associates, T-Mobile USA received by far the top ranking among national mobile carriers for its customer service (J.D.Power study, July 8, 2004). According to another J.D. Power study (August 19, 2004), T-Mobile USA was also the best provider in two regions in terms of call quality and among the best in all other regions. In a third study, T-Mobile USA was also the leader in all six regions in terms of customer satisfaction (J.D.Power study, September 9, 2004).

T-Systems

Toll Collect starts trial operation.

The Toll Collect consortium, in which Deutsche Telekom AG has a 45-percent stake, started its trial operation for the electronic toll system. This was preceded by the successful completion of function checks in the whole system. The trial operation is being monitored by an independent expert. In mid-December 2004, the Federal Office for Freight Transportation will decide whether to grant a provisional operating license on the basis of this expert's evaluations. The Federal Ministry of Transport considers the progress of the project to date to be positive and is confident that toll collection will start on schedule on January 1, 2005.

T-Systems wins major outsourcing projects.

Deutsche Post AG and T-Systems revised the IT cooperation agreement signed in 2000 and extended the duration of the modified agreement. T-Systems will continue to provide Deutsche Post with desktop, computing, and corporate network services, including the integrated user helpdesk. As part of its managed desktop services, T-Systems will operate around 55,000 workstations for Deutsche Post. The services include infrastructure services for approximately 2,000 locations, software distribution for all workstations, and a centralized user help desk. Since T-Systems has not committed itself to specific providers in the area of computing services, it can offer optimum technical and financial conditions to run the 270 or so applications. In addition, the network infrastructure of Deutsche Post will be merged and entrusted to T-Systems together with corporate network services on the basis of the new MPLS (Multi Protocol Label Switching) technology. These networks interlink Deutsche Post sites, as well as around 55,000 PCs and computing centers. What is more, T-Systems also integrates customers of Deutsche Post into the corporate network.

Swiss Federal Railways (SBB) and T-Systems successfully completed one of Europe's largest server-based computing projects. Over a period of seven months, around 10,000 workstations were replaced as part of the OPUS innovation project, which standardized the office platform throughout the company. Thanks to this concept and the implementation of server-based computing with Citrix MetaFrame, SBB set a new milestone in the ICT market. SBB now has a uniform, state-of-the-art, standardized IT platform that enabled it to lower its operating expenses and enhance data security at the same time. T-Systems was also put in charge of the day-to-day operation of the new IT platform.

Sanlam, one of South Africa's largest insurance groups, extended its major outsourcing agreement with T-Systems for a further three years. The contract covers the provision of both information and communication technology (ICT) services from the areas of networks, support of workstations, mainframe computers, and open systems services. The outsourcing will substantially increase Sanlam's flexibility and provide the group with ICT infrastructure services that are tailored to its requirements. The contract, which has a volume of ZAR 500 million (EUR 62 million), is a mega-deal in the South African market.

T-Online

Stiftung Warentest puts Internet providers to the test - T-Online in the lead.

Tests of Internet service providers by Stiftung Warentest (Germany's leading consumer protection agency) showed T-Online to be among the best of the ten providers tested. In its test magazine (issue no. 10, October 2004), this independent agency rated the quality of T-Online as "good" in both the ISDN/narrowband and DSL/broadband categories. T-Online was awarded an overall score of 1.9 in the important broadband growth area. Stiftung Warentest

gave T-Online's narrowband access an overall score of 1.6.

T-Online's music portal.

Musicload, T-Online's music portal, is one of Germany's most successful providers in the Top 20 download charts. According to Media Control, Musicload had a 55-percent share in this business segment in September 2004. With over 350,000 titles and an average of 5,500 downloads per day in the third quarter of 2004, the portal is now one of the leading providers of legal music downloads in Germany. T-Online's platform cooperates with all major record companies, but also with independent labels.

Business developments.
Overview.

Net revenue

In the first nine months of the current financial year, Deutsche Telekom's revenue continued to develop positively: Net revenue amounted to approximately EUR 42.9 billion, about EUR 1.6 billion more than in the same period last year. This represents a year-on-year increase of four percent. Year-on-year, revenue rose by around EUR 0.4 billion, or 3.2 percent, to over EUR 14.5 billion in the third quarter of 2004. Revenue was reduced throughout the reporting period by exchange rate effects amounting to EUR 0.6 billion, in particular relating to the translation of U.S. dollars (USD). In addition, there were consolidation effects totaling EUR 0.3 billion that relate, for example, to the deconsolidation of T-Com's cable companies, as well as to deconsolidation measures at T-Systems. Adjusted for these effects, organic revenue growth for the Deutsche Telekom Group amounted to 6.3 percent.

This continued strong revenue growth was driven in particular by positive business developments at T-Mobile. The main driver behind this growth was the further increase in customer numbers, particularly at T-Mobile USA. In a year-on-year comparison of the first nine months, T-Mobile recorded a revenue increase of 11.2 percent; in a comparison of the third quarters, revenue was 9.4 percent higher than in 2003. Revenue growth was slowed during the first nine months of 2004 by exchange rate effects from the translation of U.S. dollars amounting to EUR 0.7 billion, as well as by the effect of the deconsolidation of the retail business Niedermeyer at T-Mobile Austria. Adjusted for these effects, organic growth at T-Mobile amounted to 15.6 percent.

T-Online also made a positive contribution towards the Group's revenue growth. The continuation of the broadband strategy resulted in a further increase in customer numbers and revenue for the division.

T-Com's revenue continued to fall in the third quarter of 2004; the trend was slower, however, than in the first six months of the year. Compared with the prior-year quarter, revenue decreased by 4.2 percent, and compared with the first nine months of the previous year, revenue was five percent lower. After deducting the revenue of the remaining cable companies that were sold as of March 1, 2003, revenue decreased year-on-year in the first nine months by 4.3 percent. The access business again made a positive contribution to the revenue of the division, due to price adjustments for analog lines and continued strong growth in the number of DSL lines. Regulatory decisions, on the other hand, had a negative effect. The introduction of call-by-call and carrier preselection resulted in losses of market share for call minutes. The continuing trend of direct network interconnection between other carriers, the reduction in interconnection charges, declining revenue from the sale of terminal equipment, and the deconsolidation of the cable companies also contributed to the decline in revenue.

For both the third quarter of 2004 and the first nine months of the financial year, T-Systems kept its revenue at a constant level compared with the respective prior-year periods, and increased revenue adjusted for deconsolidation effects. This was mainly attributable to the positive revenue trend in the IT unit, which benefited in particular from revenue growth in Computing Services and Desktop Services. The decline in revenue at the Telecommunications unit, caused by strong price and competitive pressure, was therefore almost fully offset by the good positioning of the IT unit.

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	Q1 2004 millions of	Q2 2004 millions of	Third quarter of 2004			Q1 Q3 2004 millions of	First three quarters of 2004		2003 millions of
			Q3 2004 millions of	Q3 2003 millions of	Change %		Q1 Q3 2003 millions of	Change %	
Total revenue	13,986	14,412	14,524	14,077	3.2	42,922	41,288	4.0	55,838
T-Com(a)	6,975	6,882	6,806						