

FY 2005 Conference Call.

Deutsche Telekom.

March 2, 2006.

Kai-Uwe Ricke

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# FY 2005. Highlights.

- All financial targets achieved
- Q4 revenue growth of 5.4%. 2005 revenue increased by 3.9% to €59.6 billion
- FY 2005 adj. EBITDA increased by 5.7% to €20.7 billion
- FY 2005 Free Cash Flow<sup>1</sup> at €7.8 billion – free cash flow yield of 14%
- Net income of €5.6 billion – EPS of €1.31
- Dividend of €0.72 proposed – highest dividend in DT history

<sup>1</sup> Excl. acquisition of network assets and spectrum in the U.S.



# Excellence program – Business Objectives.

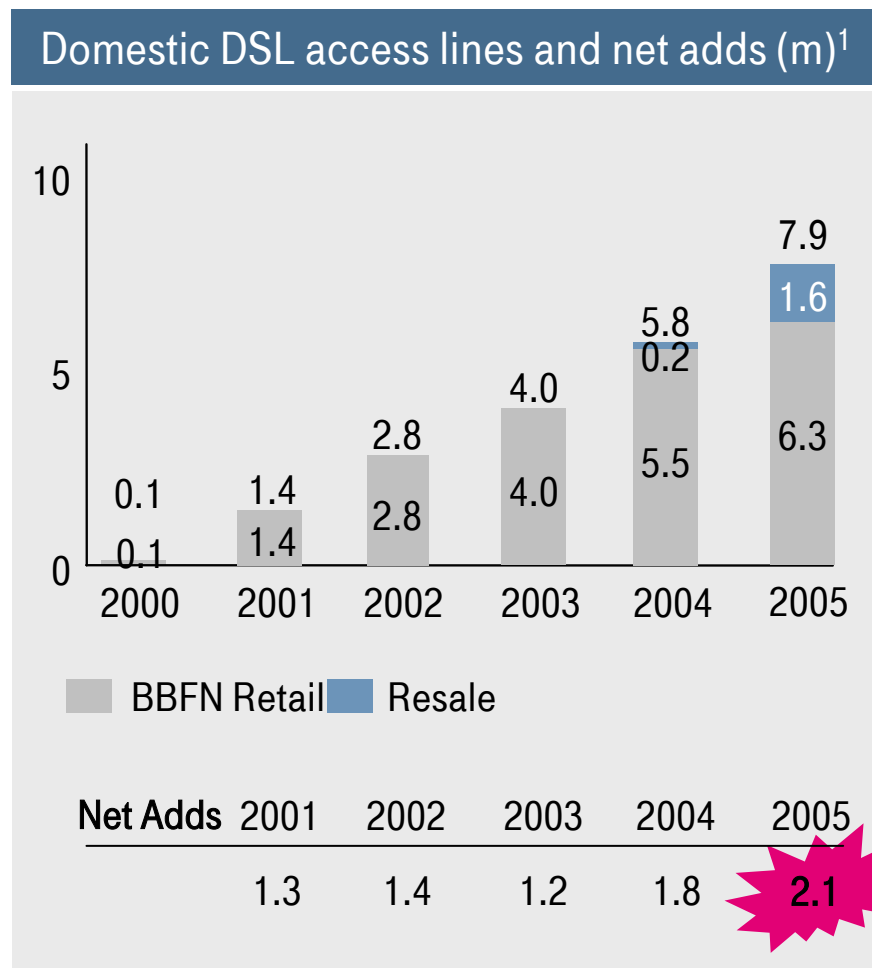
## Update on execution.

Achievements 2005			
BBFN	1	Secure fixed-line core business	Success in stabilizing minute market shares
	2	“Conquer the home”	Football rights – first class content secured
Mobile	3	Grow core wireless business	5.2 million contract net adds in 2005
	4	Develop wireless data services	400,000 web’n’walk devices by YE 2005
BBFN/ Mobile	5	Drive Seamless services	T-Mobile@home launched 01/2006
	6	Implement CRM	CRM database ready for launch in April
BC	7	Enlarge telecoms business	Stabilization of TC market share
	8	Grow ICT solutions	“Gedas” transaction
Group	9	Emphasis on efficiency	Headcount reduction program on its way
	10	Enforce cultural change/Leadership	New executive development program



# Broadband market development.

Strong growth: more than 2.1 million domestic net adds in 2005.



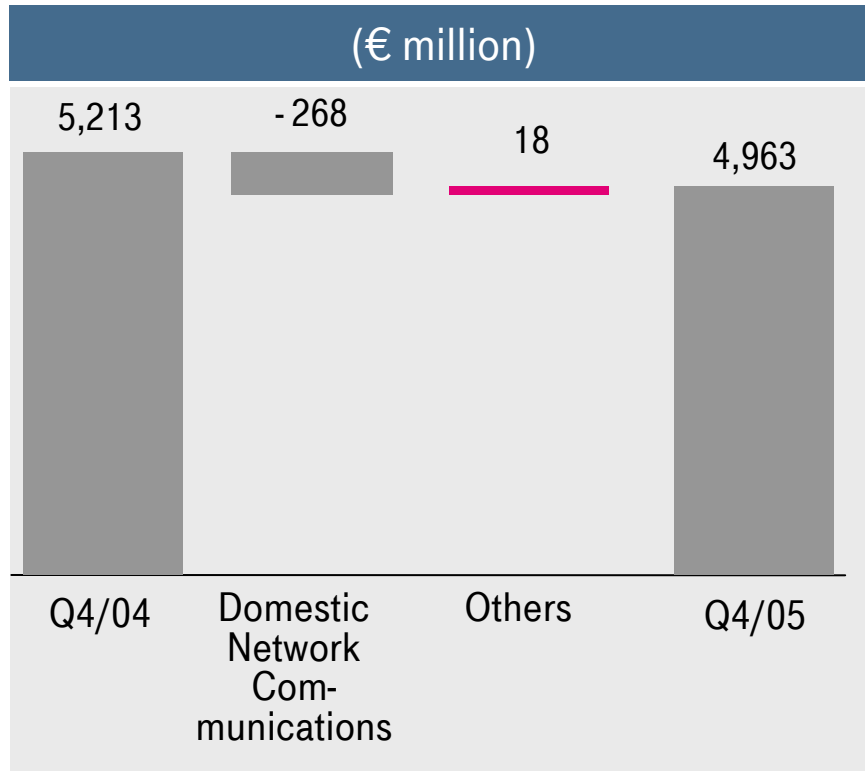
- Despite strong growth still large market potential in Germany
- BBFN domestic retail share<sup>2</sup> at YE05: 80%
- When completed, merger will support retail share
- Resale supports top line growth
- Including CEE BBFN added 2.4 million DSL customers to 8.5 million<sup>1</sup>
- CEE more than doubled DSL subscribers to 0.5 million<sup>1</sup>



1 Rounded figures.  
2 Excluding broadband based on ULL and cable.

# Broadband/Fixed Network.

T-Com: Development of external revenue in Q4/05.



- External revenue of T-Com decreased by 4.8%

## Domestic Network Communications:

- Price cuts through optional tariffs
- DSL: marketing to consumers only through T-Online
- Loss of narrowband access lines

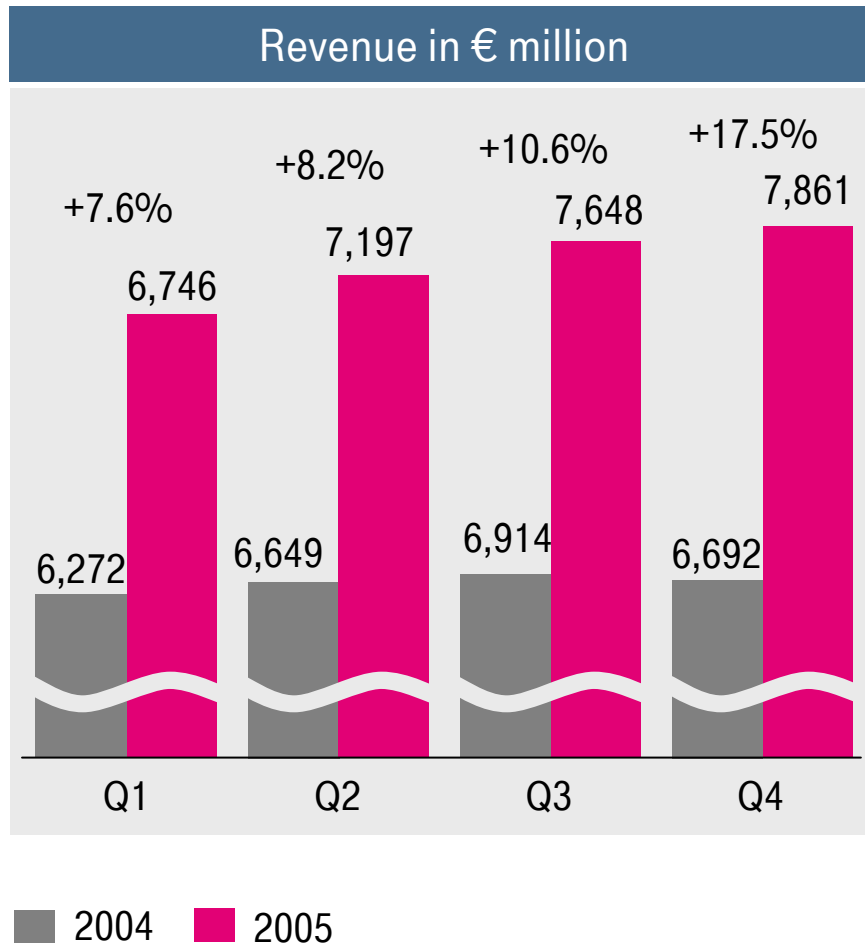


**Proactive price cuts to defend customer base**



# Mobile.

Revenue growth accelerated during 2005.

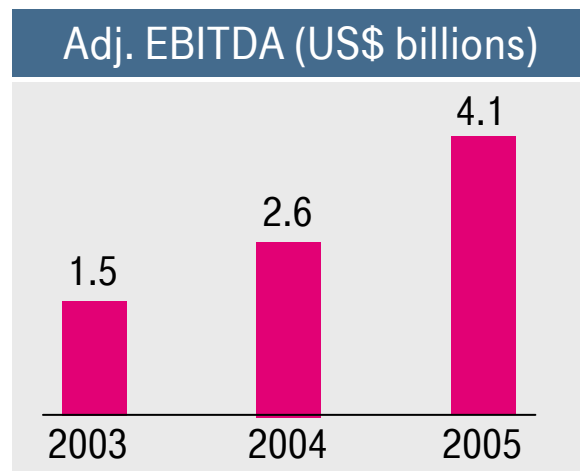
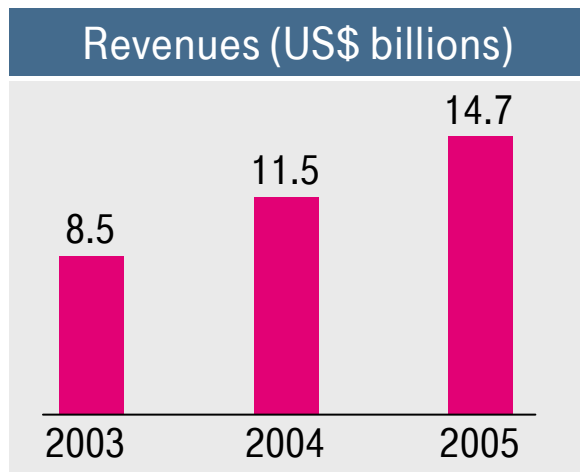


- All operations returned to revenue growth in Q4/2005
  - Germany +1.0%
  - UK +9.7%
- Service revenue growth in Q4
  - Germany +2.0%
  - UK +5.6%
- Good adj. EBITDA margin despite strong net adds in Q4
  - Germany 42.3%
  - UK 27.9%



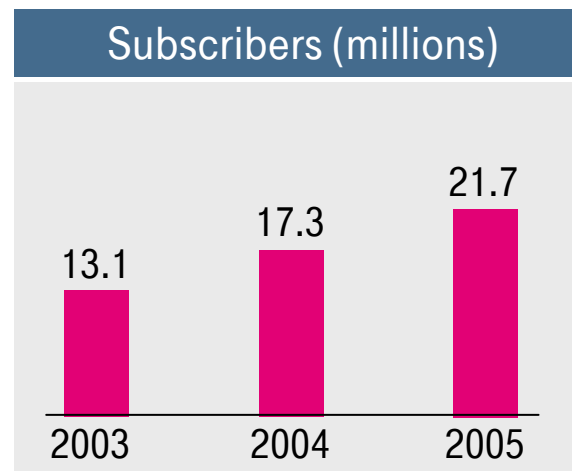
# T-Mobile USA.

Key contributor to revenue and EBITDA growth.



T-Mobile USA contribution in 2005:

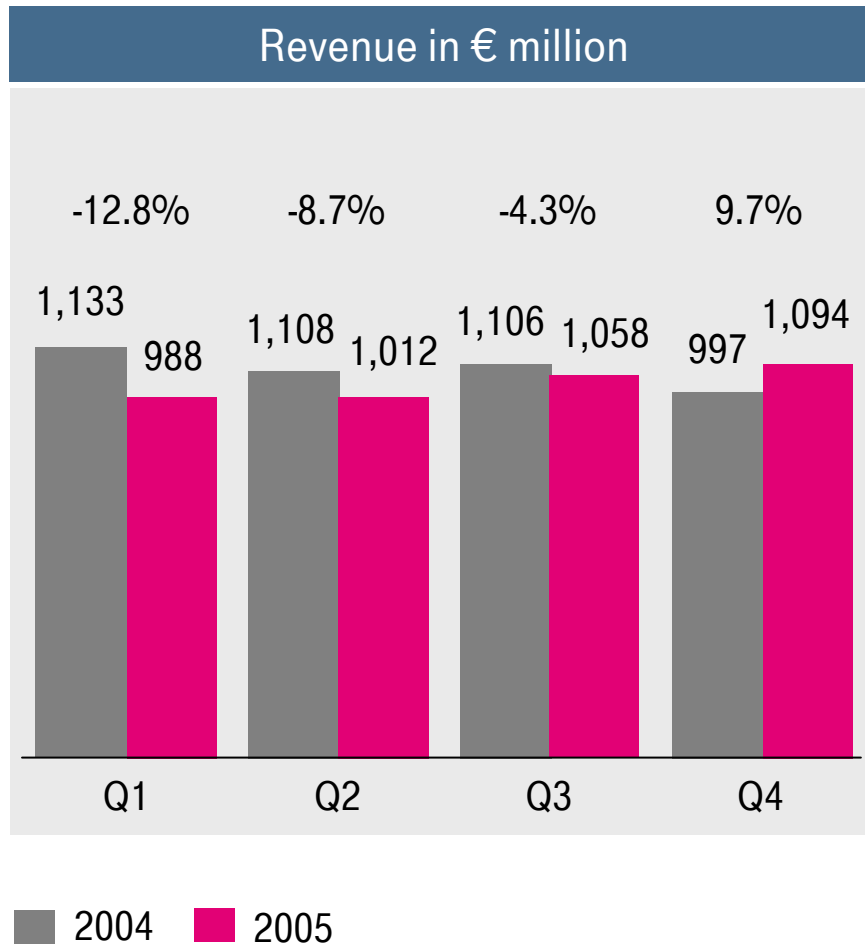
- 40% of mobile revenues – up from 31% in 2003
- 34% of mobile adj. EBITDA – up from 18% in 2003
- Record net adds of 4.4 million – surpassing the key 20 million customer milestone





## Mobile.

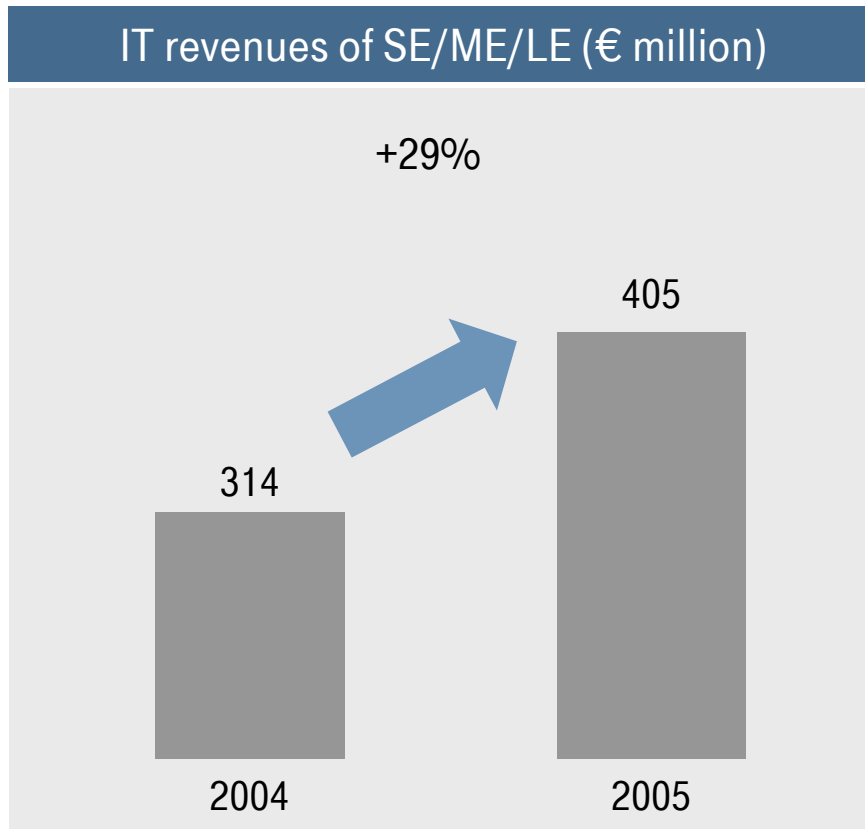
### T-Mobile UK – turnaround in revenue development.



- Revenue increased by 9.7% in Q4 2005
- Adj. EBITDA margin in 2005 essentially stable over 2004 at 31.4%
- Strong Q4 net adds of 845,000
- Q4 adj. EBITDA margin at 27.9% vs. 23.8% in Q4 2004 despite strong net adds



# Small, medium, and large business customers<sup>1</sup> – IT push. Promising achievements in 2005 .



<sup>1</sup> Business Services

## Push IT

- Position Business Services among the top IT service providers for the German “Mittelstand”
- Leveraging the Group’s IT expertise and scale effects in cross-selling IT to small, medium, and large business customers
- Differentiate from competition through IT/TC product bundles



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Dr. Karl-Gerhard Eick

## FY 2005 - Highlights.

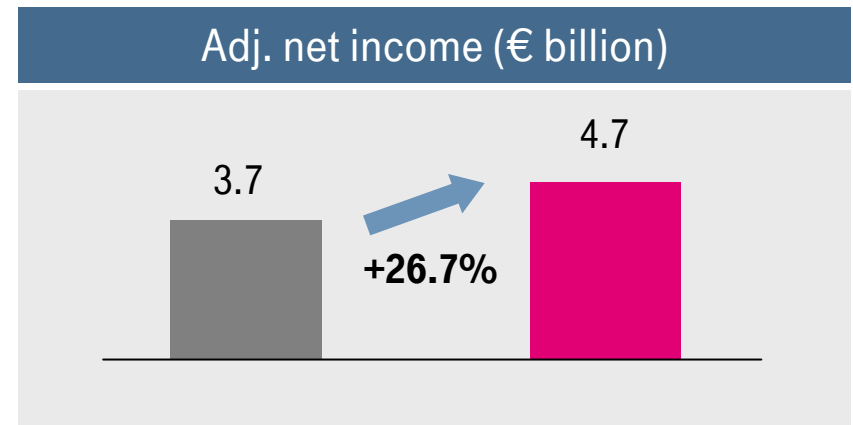
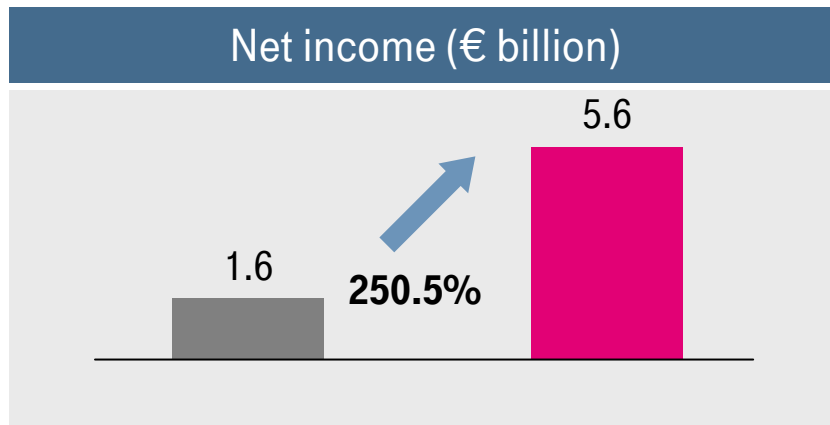
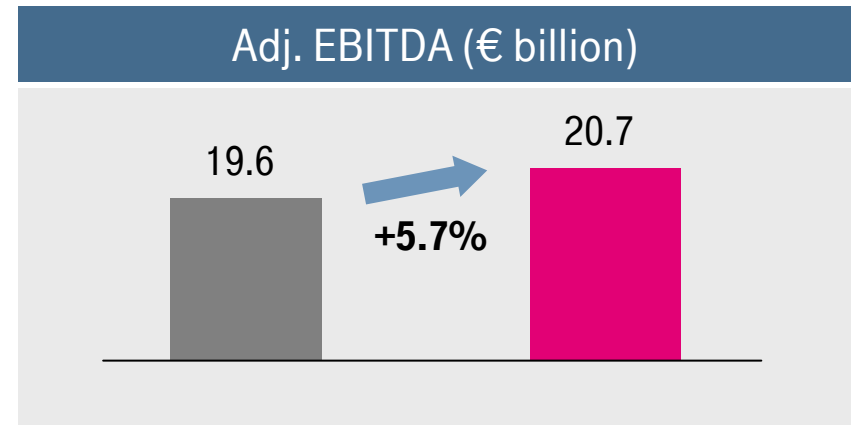
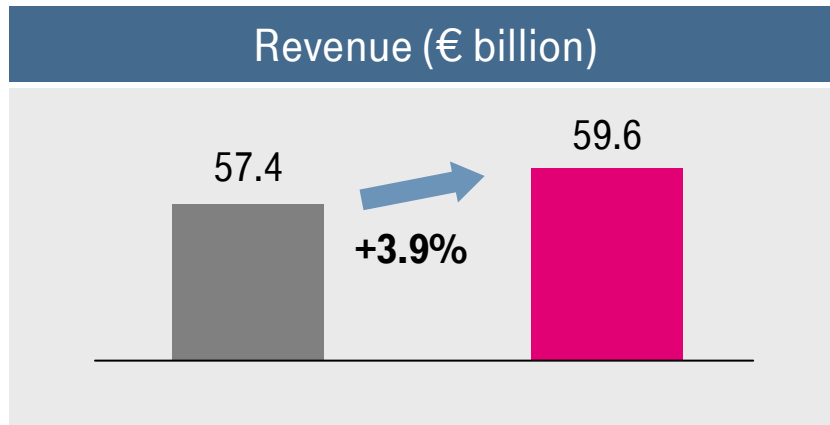
All financial targets achieved.

	Actual 2005	Financial targets
Revenue (€ billion)	59.6	59.5 - 60.0
Adj. EBITDA (€ bn)	20.7	20.7 - 21.0
Capex <sup>1</sup> (€ billion)	7.2	7.5 - 8.0
FCF <sup>1</sup> (€ billion)	7.8	7.5 - 8.0
Net debt/adj. EBITDA	1.9x	2 - 3x
Gearing	0.8x	0.8 - 1.2x
Equity ratio	38.8%	30 - 35%

<sup>1</sup> Excl. acquisition of network assets and spectrum in the U.S.



# FY 2005 Group. Excellent results.

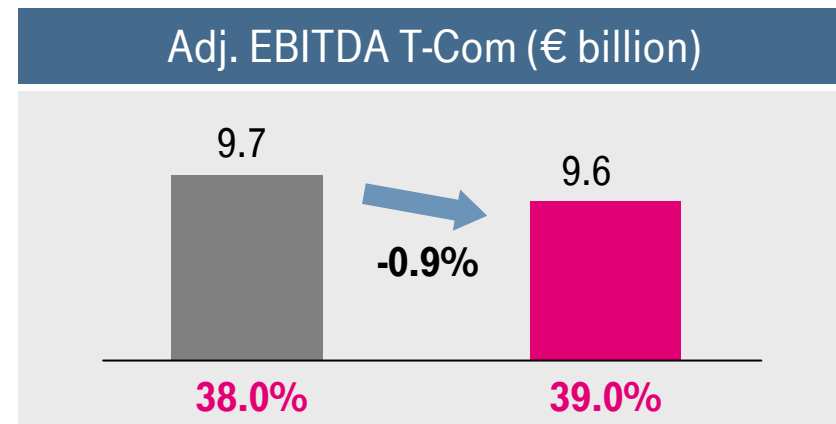
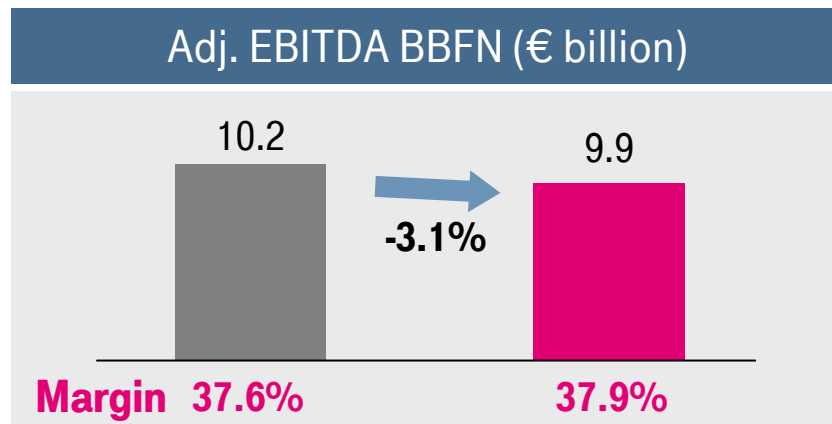
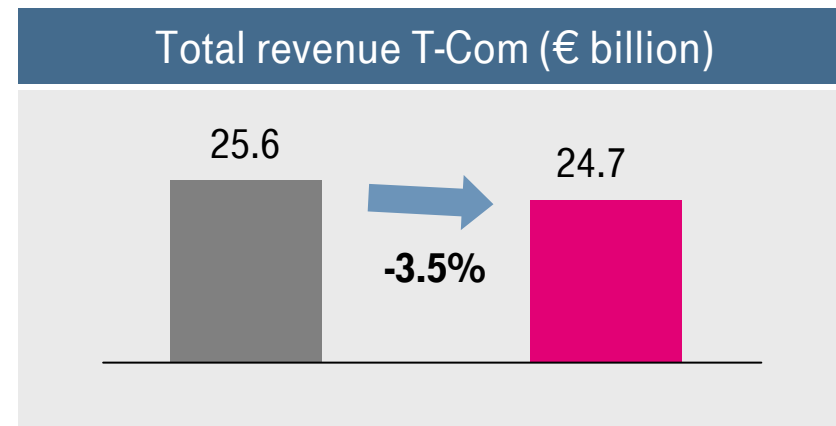
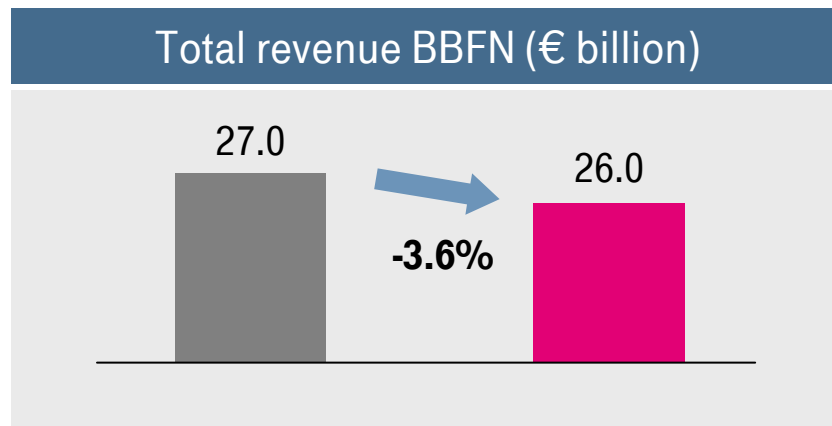


■ FY 2004  
■ FY 2005



# Broadband/Fixed Network.

Adj. EBITDA defended despite topline pressure.

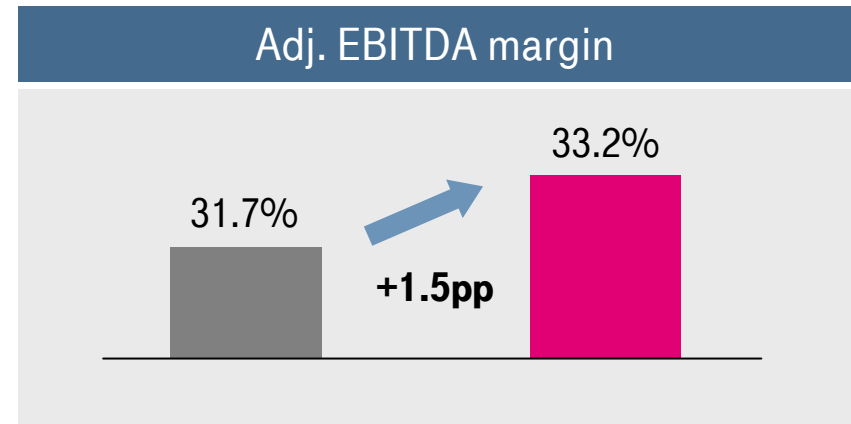
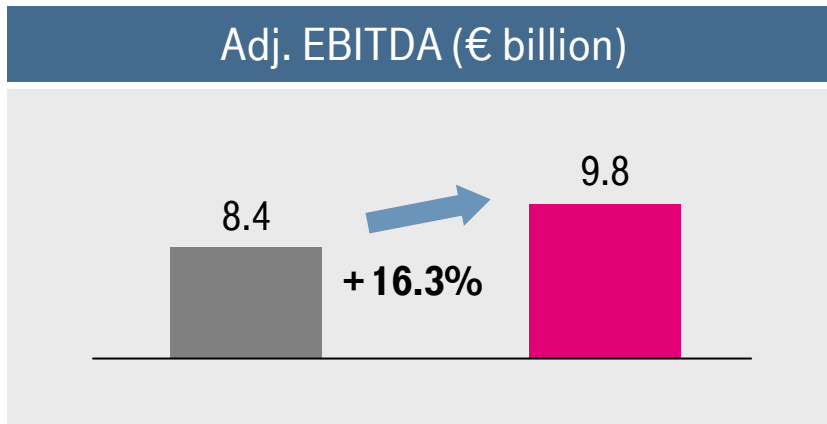
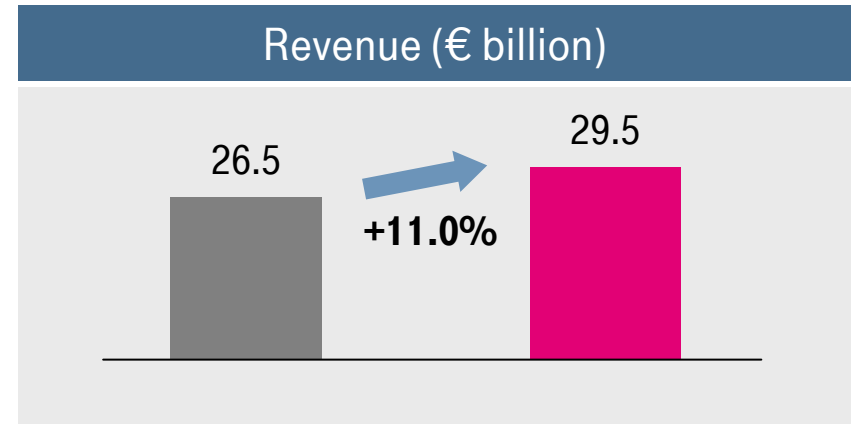
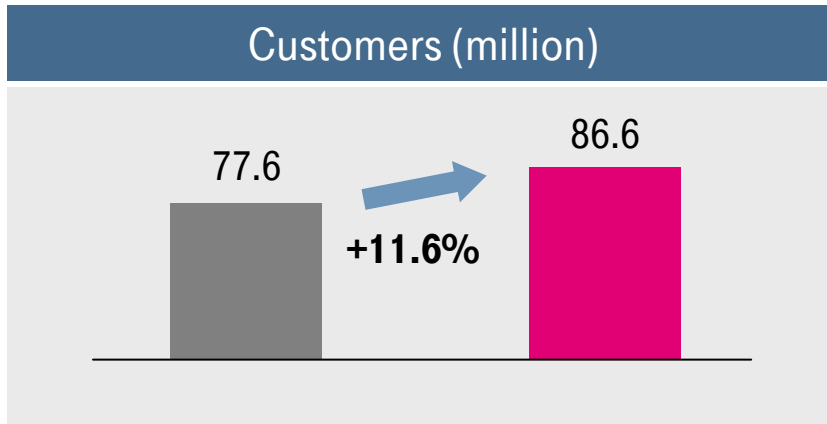


■ FY 2004  
■ FY 2005



# Mobile.

Strong development in growth and margin.

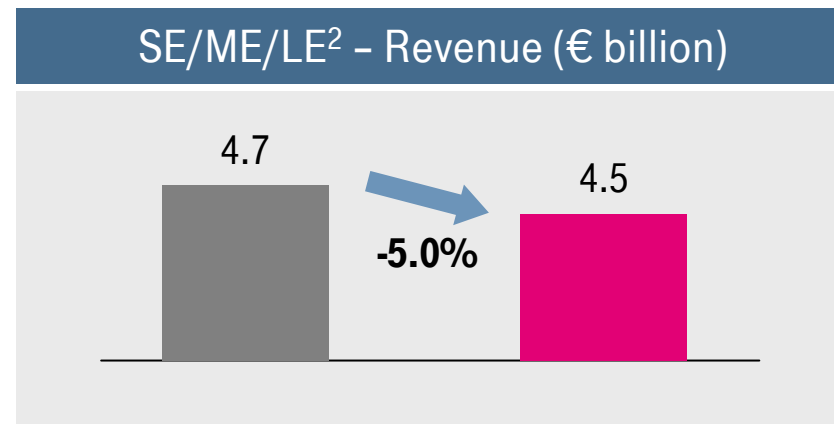
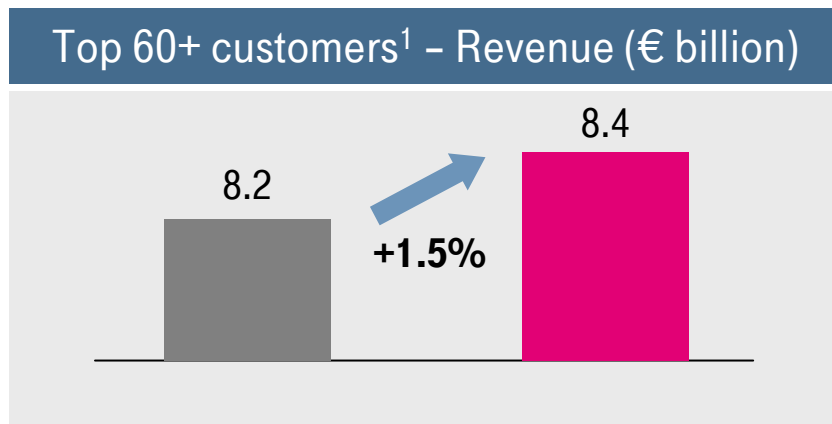
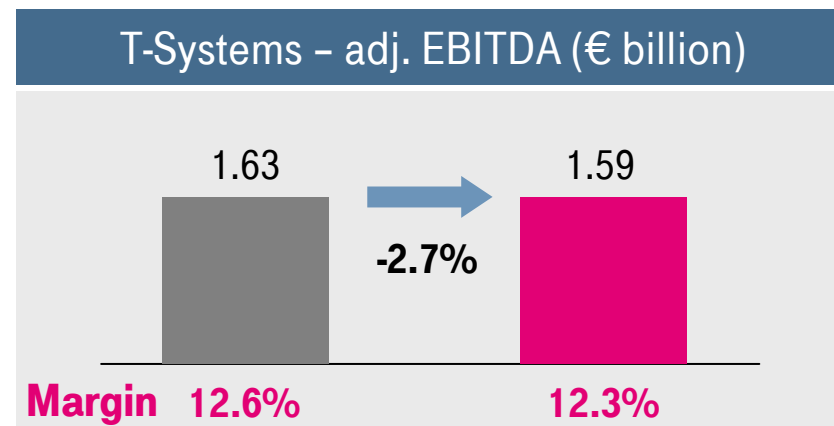
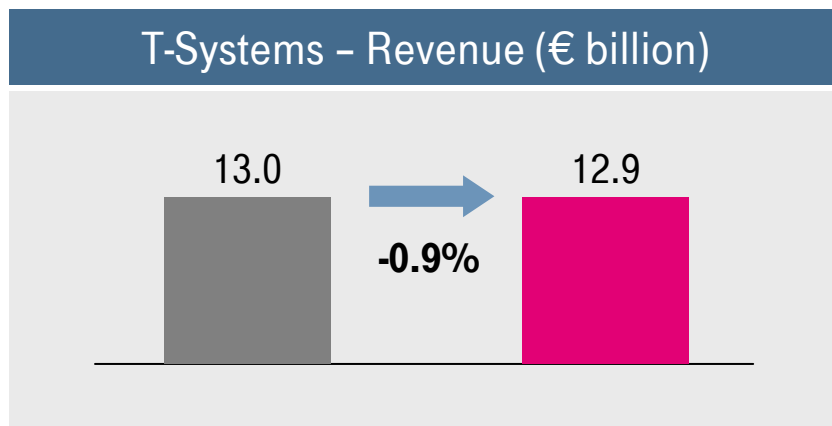


■ FY 2004  
■ FY 2005



# T-Systems.

## Growth with Top 60+ customers.



<sup>1</sup> Enterprise Services.

<sup>2</sup> Business Services.

■ FY 2004

■ FY 2005





## FY 2005 – Free Cash Flow.

FCF within €7.5 to 8.0 billion guidance range.

€ billion	FY 2005	FY 2004
Cash Flow	19.8	19.5
Change in working capital and accruals	-0.7	0.8
Taxes and dividends	-1.1	0.1
Cash generated from operations	17.9	20.5
Net interest payment	-2.9	-3.7
Net cash provided by operating activities	15.0	16.7
Investments in PP&E and intangible assets	-9.3 <sup>1</sup>	-6.4
Free Cash Flow	5.7 <sup>1</sup>	10.3
Free Cash Flow (before purchase of network assets and spectrum in the US)	7.8	10.3

1 Incl. € 2.1 billion for network assets and spectrum in the US.

Rounded figures.



## FY 2005 - Net income.

Net income more than tripled - €1.31 EPS.

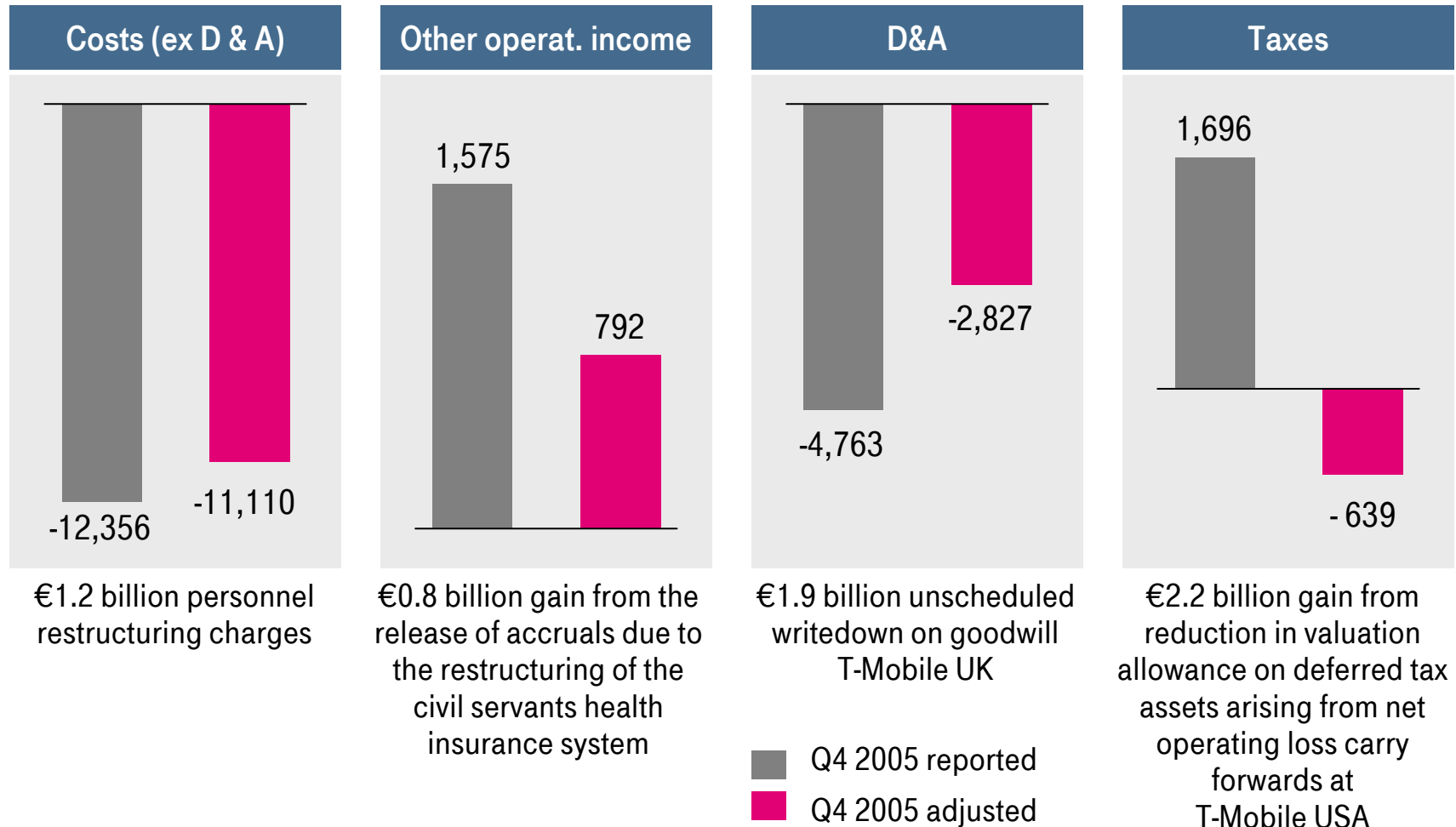
€ billion	FY 2005	FY 2004	FY 2005 adj.	FY 2004 adj.
EBITDA	20.1	19.4	20.7	19.6
Depreciation and amortization	- 12.5	- 13.1	- 10.6	- 9.4
Net financial expense	- 1.4	- 2.7	- 2.5	- 3.9
- of which net interest expense	- 2.4	- 3.3	- 2.4	- 3.3
<b>EBT</b>	<b>6.2</b>	<b>3.6</b>	<b>7.7</b>	<b>6.3</b>
Income taxes	- 0.2	- 1.6	- 2.6	- 2.1
<b>Earnings after taxes</b>	<b>6.0</b>	<b>2.0</b>	<b>5.1</b>	<b>4.2</b>
Minorities	- 0.4	- 0.4	- 0.5	- 0.5
<b>Net income</b>	<b>5.6</b>	<b>1.6</b>	<b>4.7</b>	<b>3.7</b>

Rounded figures.



# Special influences in Q4 2005.

Driven by personnel, taxes, and amortization.



## Balance sheet.

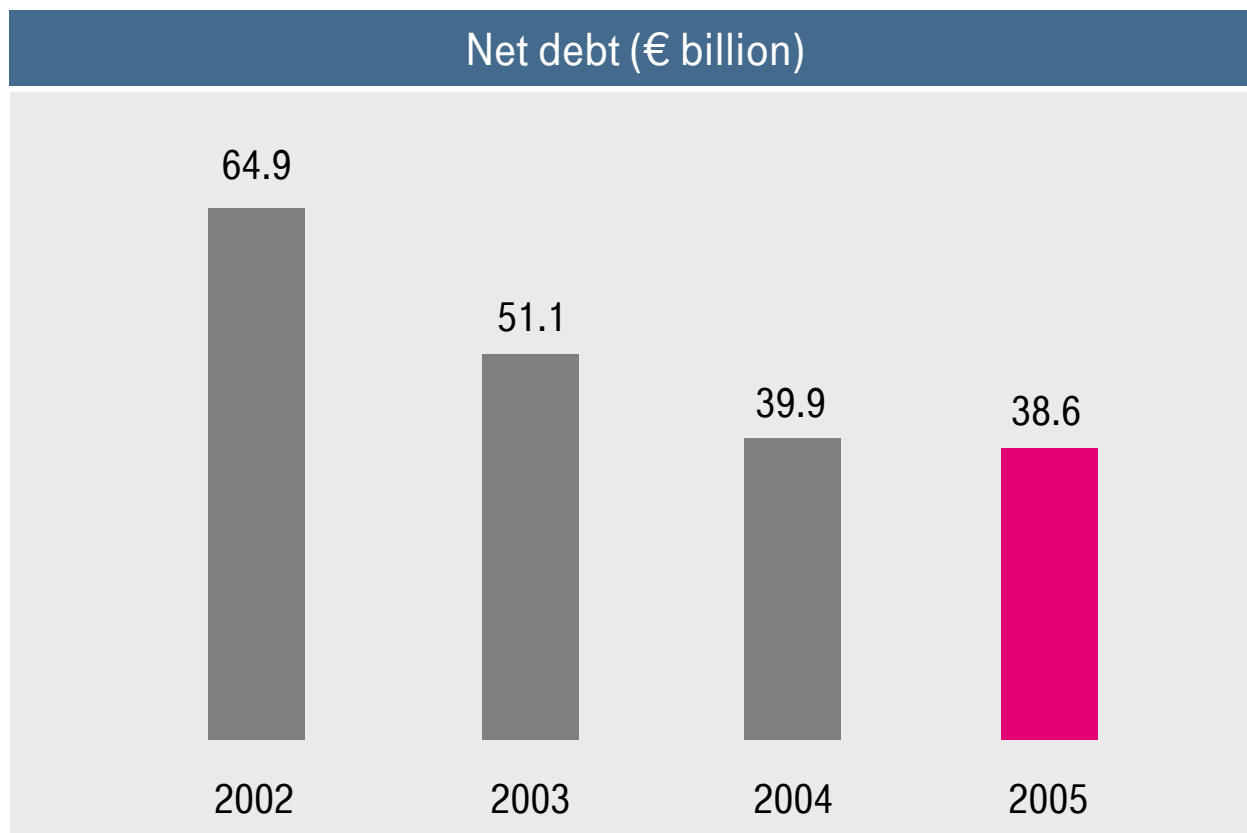
Balance sheet in excellent shape.

€ billion	31.12.2005	31.12.2004
Balance sheet total	127.9	125.3
Equity	49.6	45.8
Net debt	38.6	39.9
Net debt/adj. EBITDA	1.9x	2.0x
Gearing	0.8x	0.9x
Equity ratio	38.8%	34.5%



# Net debt.

Significant achievement since 2002.



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# FY 2005. Outlook 2006.

- We reconfirm our guidance
- 2006 revenue between € 62.1 and 62.7 billion
- 2006 adj. EBITDA between € 20.2 and 20.7 billion
- Future dividend dependent on profitability

