

**Analyst Meeting.**  
Deutsche Telekom.  
August 12, 2004.

# H1 2004. Results.

Kai-Uwe Ricke  
CEO



# Disclaimer.

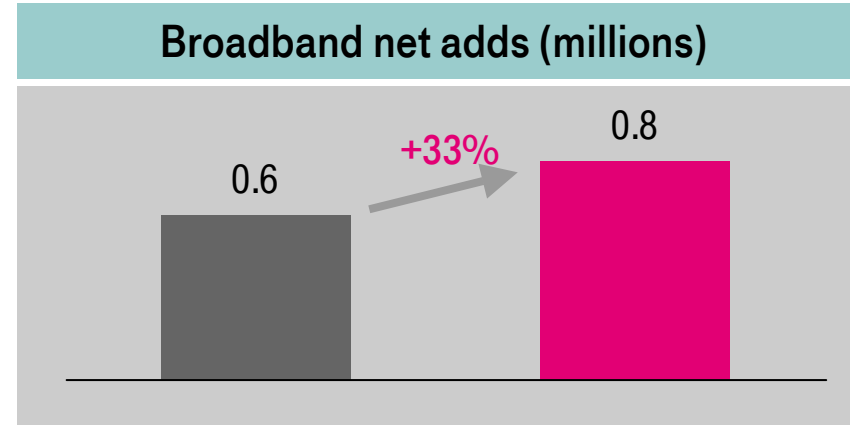
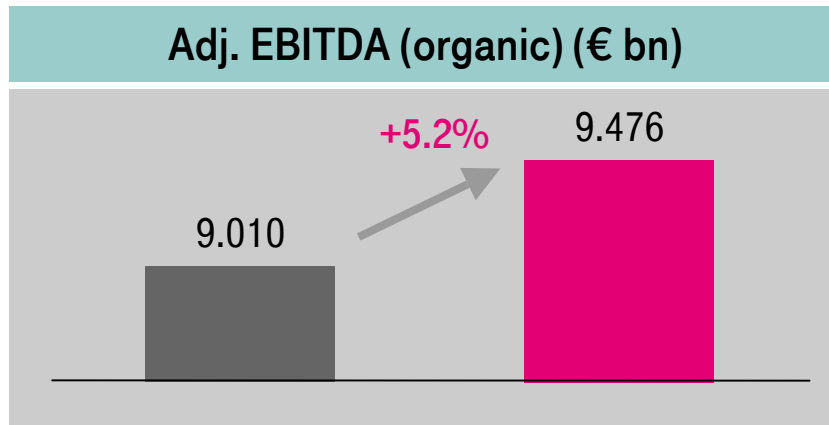
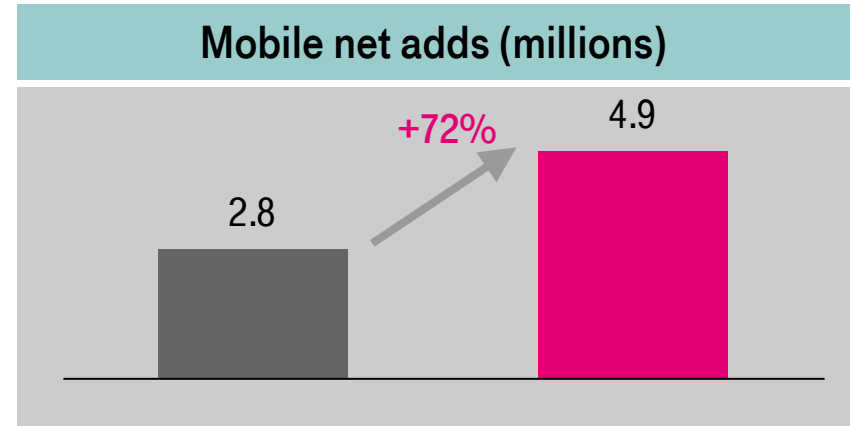
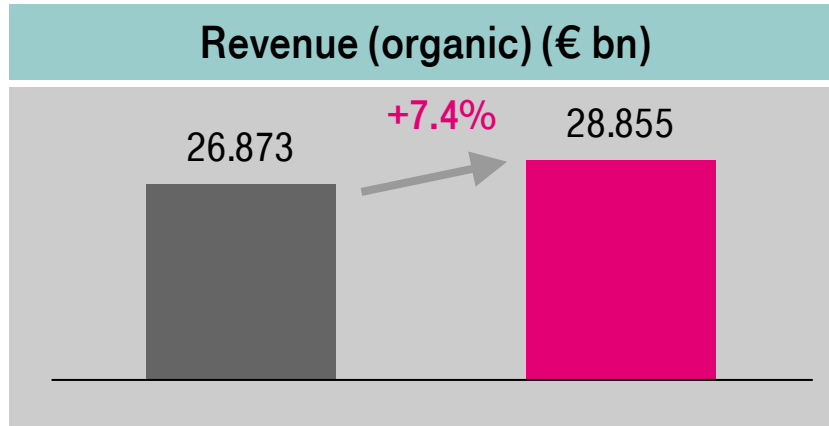
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# Highlights of H1 2004.

A growth story – strong revenue and subscriber growth.

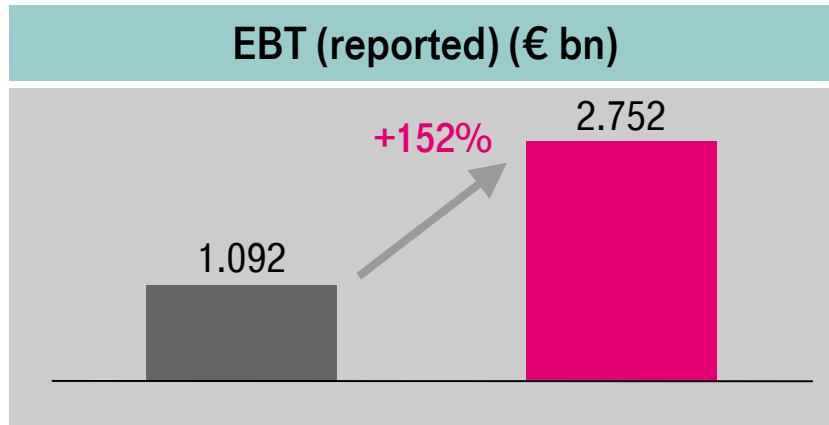


■ H1/03  
■ H1/04

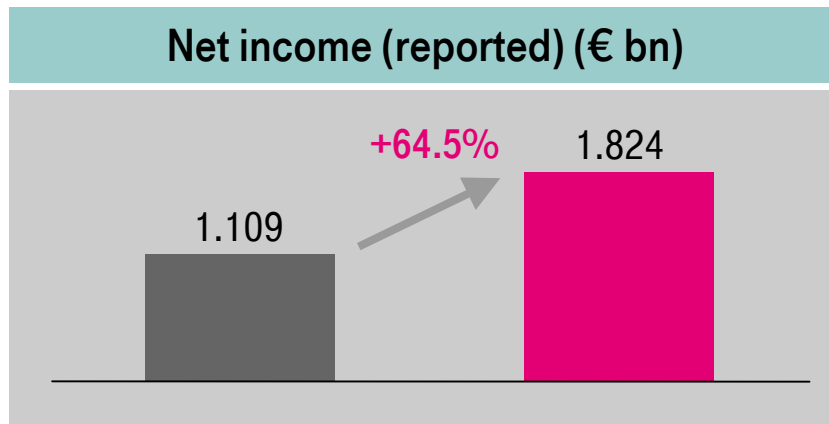


# Highlights of H1 2004.

A growth story – net income up by almost two-thirds.



- Improved EBITDA, lower depreciation and amortization, and improved net financial results boost EBT



- H1/03
- H1/04

# Agenda 2004.

Three growth areas to drive the integrated telco.

## T-Brand

Highest valued brand among DAX 30 companies<sup>1</sup>

Customer

## Growth areas

Mobile

Broadband

Business customers

## Employees

Personnel

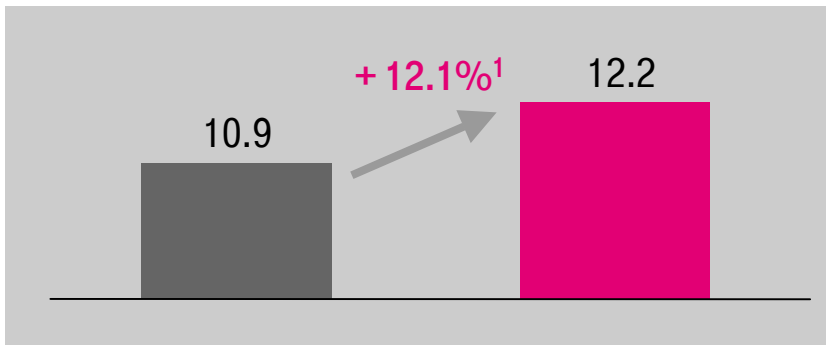
<sup>1</sup> Source: BBDO Consulting/Professor Bernd Wirtz, 2004.



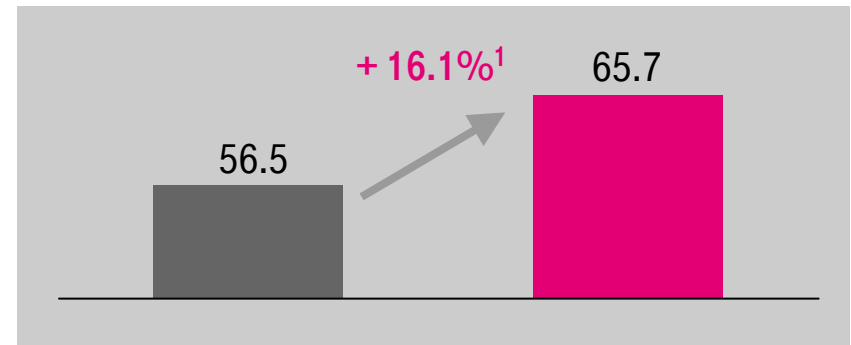
# Mobile.

Profitable growth story continues.

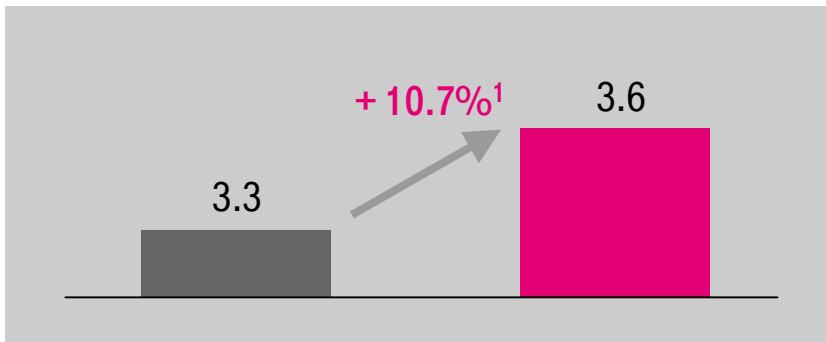
Revenues (€ bn)



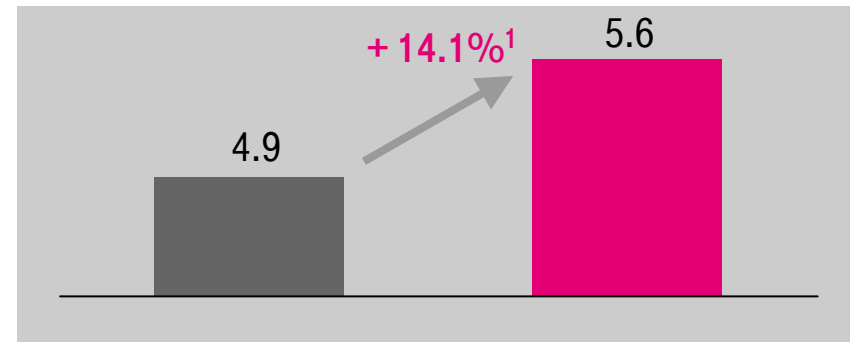
Subscribers (million)



Adj. EBITDA (€ bn)



Adj. EBITDA pre SACs and SRCs (€ bn)



<sup>1</sup> Calculated on exact figures.

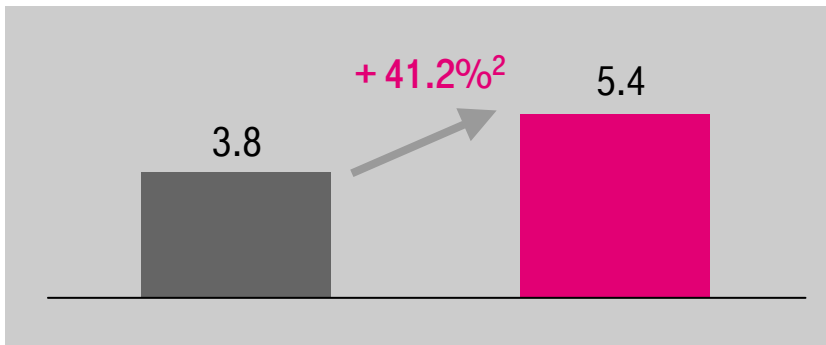
■ H1/03  
■ H1/04



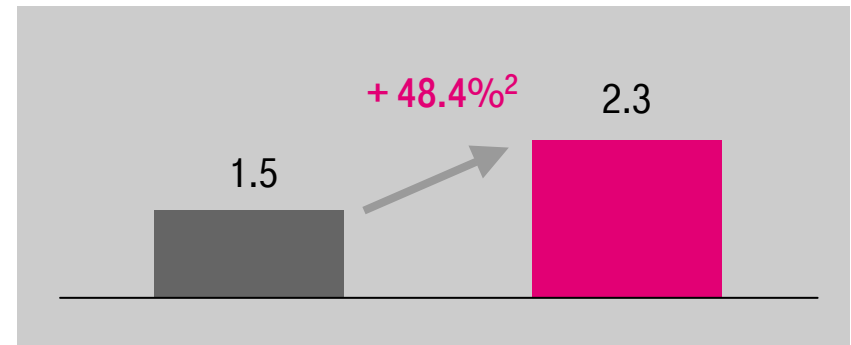
# Mobile.

USA: Key milestone achieved with over 15 million subs.

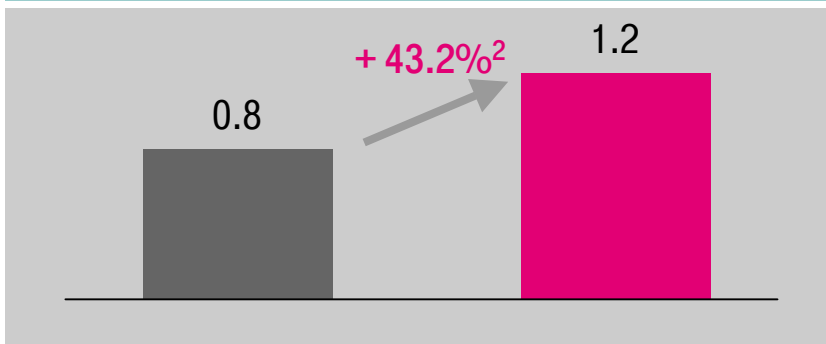
Revenues<sup>1</sup> (\$ bn)



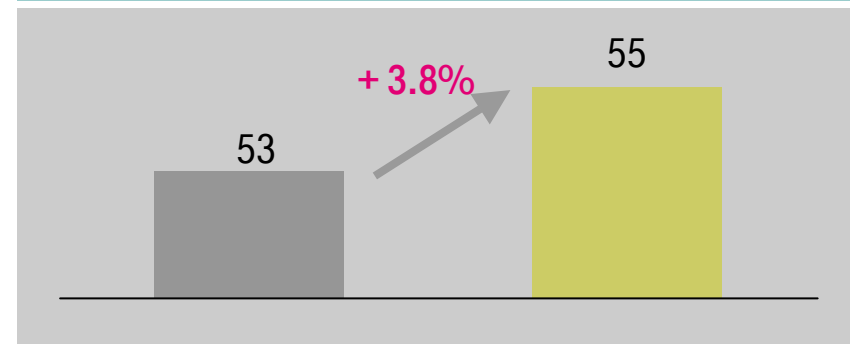
Net adds (million)



EBITDA<sup>1</sup> (\$ bn)



ARPU<sup>3</sup> (\$)



1 In accordance with German GAAP.

2 Calculated on exact figures.

3 In accordance with U.S. GAAP. 2004 incl. USF and regulatory cost recovery fee

■ H1/03

■ Q2/03

■ H1/04

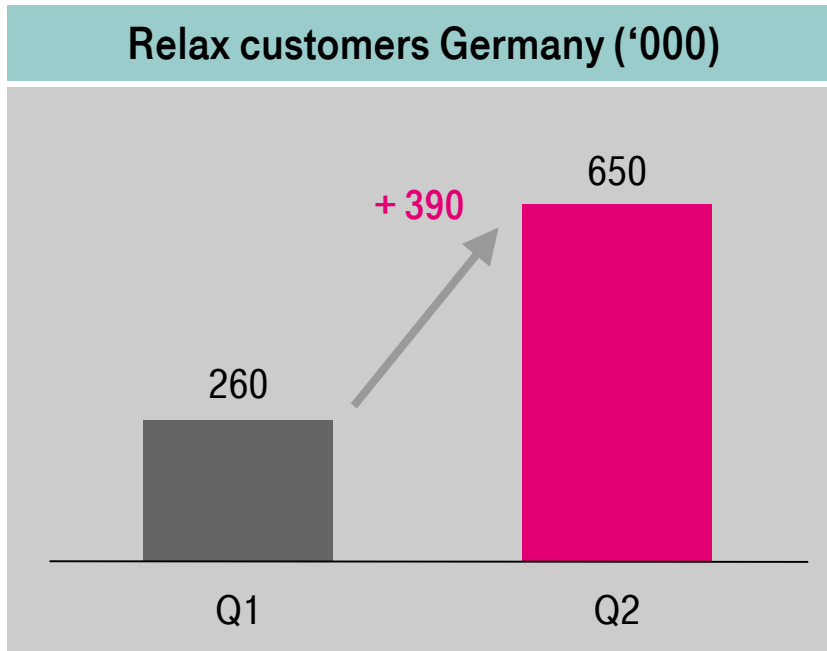
■ Q2/04





## Mobile.

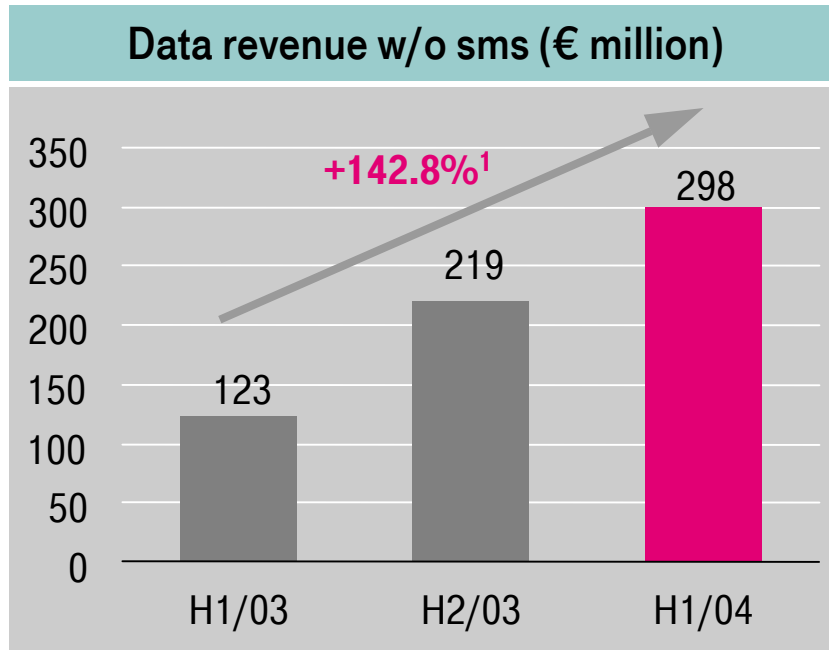
### Relax tariffs – addressing the ARPU challenge.



- Relax leads to higher voice usage and higher ARPU
- Three-quarters of Relax customers migrated out of existing customer base
- Customer benefits:
  - Price transparency
  - Simple and flexible
  - Break down the usage barrier

# Mobile.

Data: the future has already arrived.



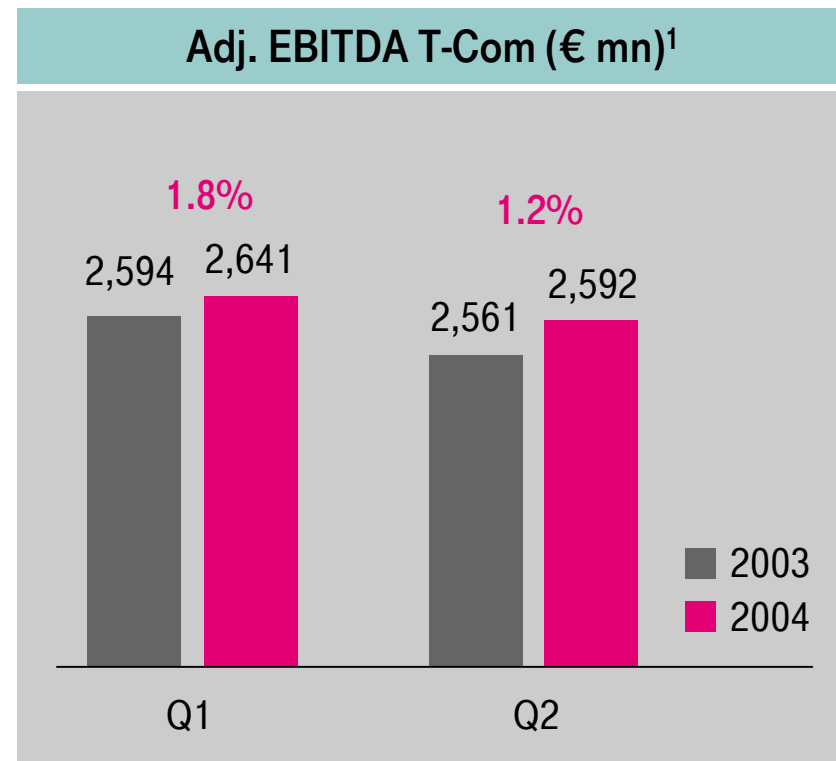
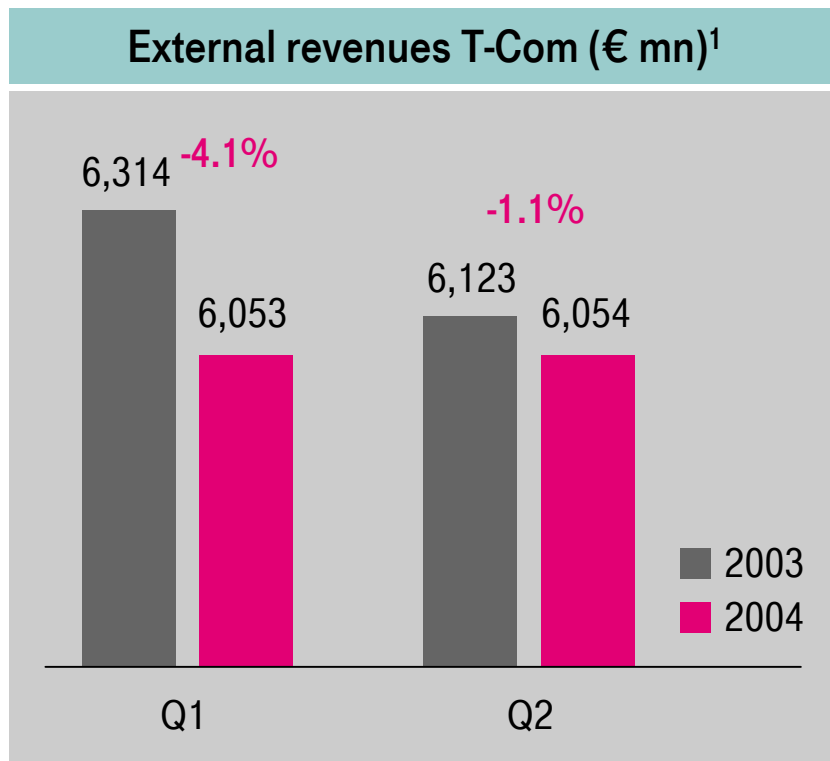
<sup>1</sup> Calculated on exact figures.

- In Q2/04 data revenue w/o sms increased to € 158 million by 121% yoy.  
Driven by:
  - Access: € 97 million (+143% yoy)
  - Content: € 59 million (+103% yoy)
- Non-voice non-sms ARPU increased significantly in all countries in H1/04 yoy
- Handsets shipped in H1/04
  - EU: 3.1 million MMS capable (+94% yoy)
  - USA: 3.8 million GPRS capable (+171% yoy)
- Hotspots 'on air': 1,450 in Europe and 4,750 in the U.S.
- 272,000 BlackBerry users as of June 30, up from 129,000 at YE 2003
- iPAQ launched in Q3 as first true integrated GSM/GPRS and WLAN device



# Broadband/fixed network.

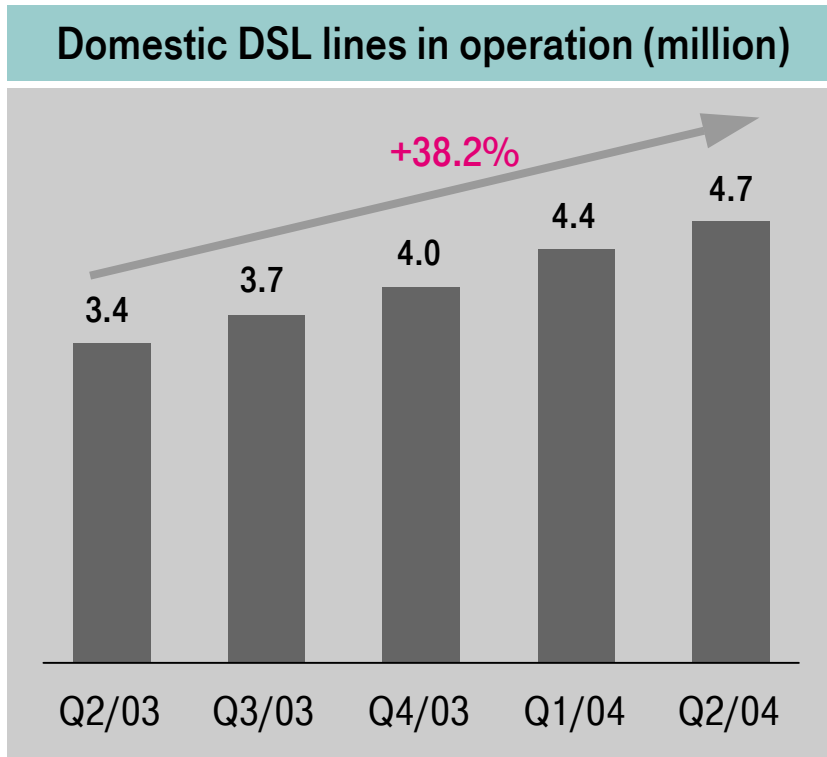
Improving revenue trend – continued efficiency gains.



<sup>1</sup> Adjusted for cable deconsolidation.

# Broadband/fixed network.

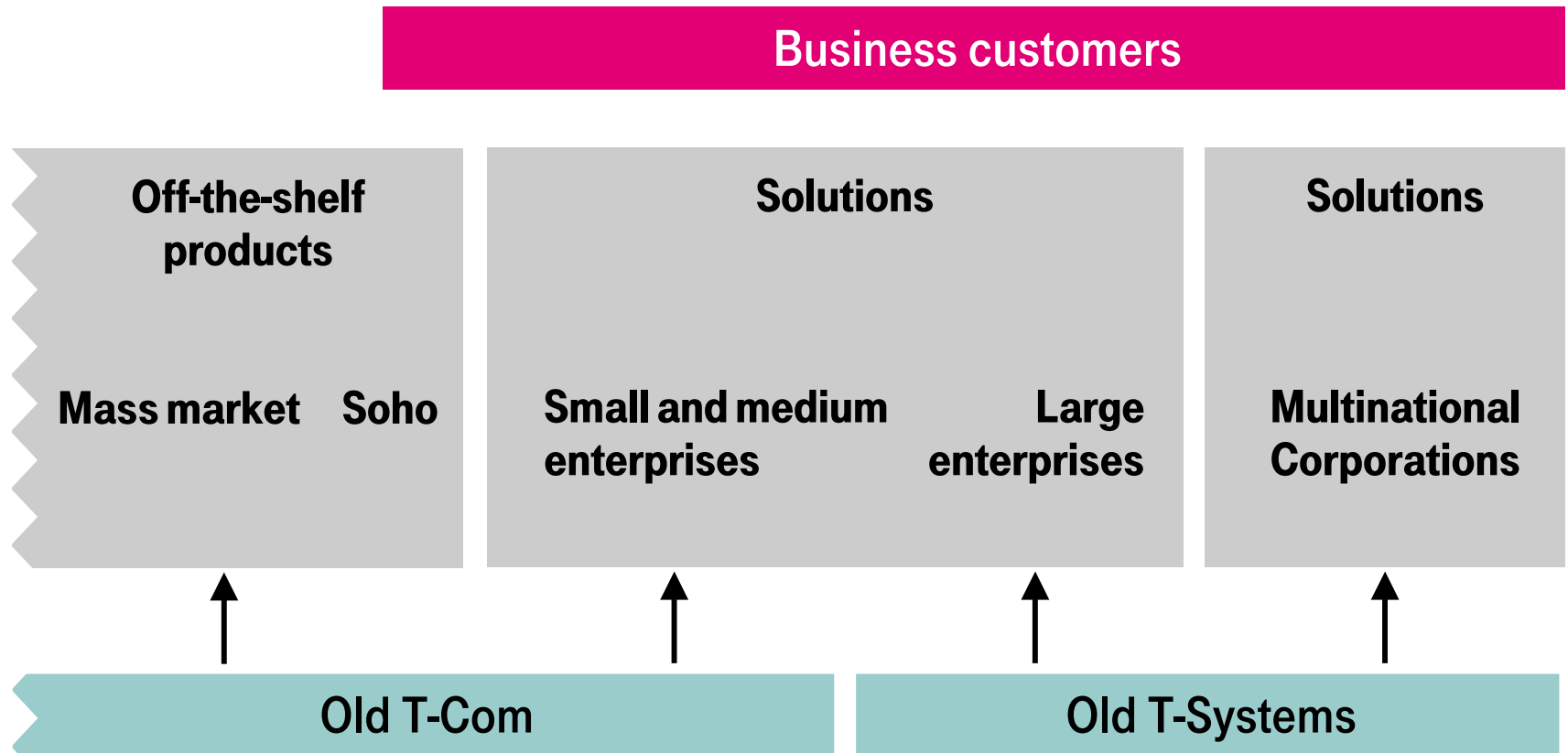
## Strong DSL growth.



- Strong DSL line growth in the last half year (+17,5%)
- Successful introduction of “1-2-3” broadband initiative in April 2004 in Germany
- 7 Resale contracts signed – implementation from July 1
- Retail Broadband access revenue increased by 50% to € 0.4 billion in H1 2004

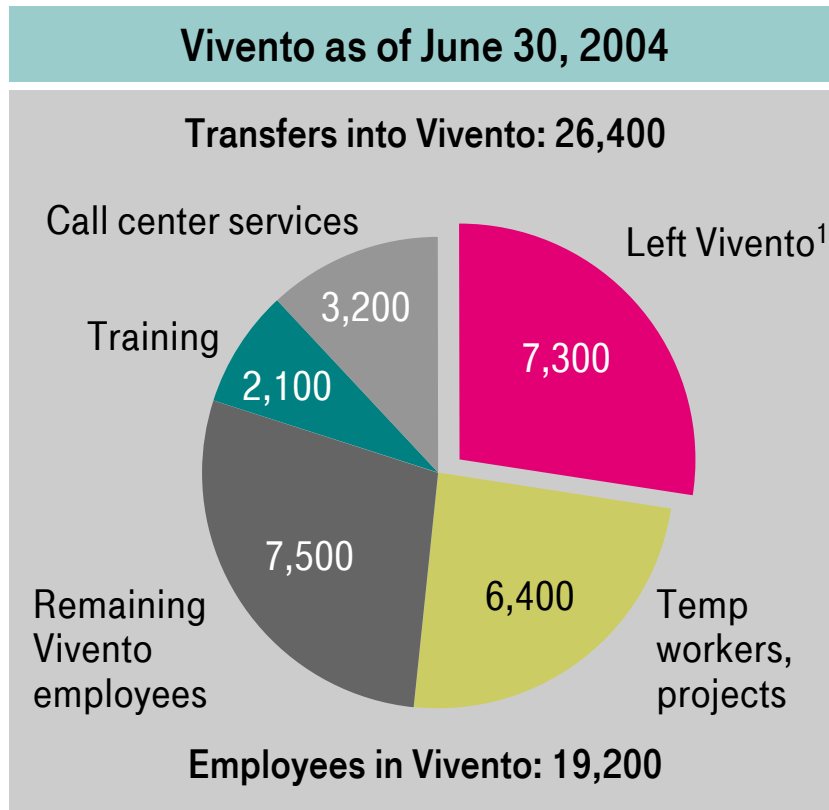
# Business customers.

Exploiting the SME potential.



# Personnel Initiative.

## Successful Initiatives and Projects started.



1 Of which approx. 4,200 employees left the Deutsche Telekom group.

Foundations laid for a future successful development:

- Business lines: Foundation of VTS (installation unit) and ongoing business development of VCS (call center unit)
- Projects: 3,000 civil servants sent to Federal Employment Agency
- Employment alliance: 9,800 new jobs created through reduction of working time

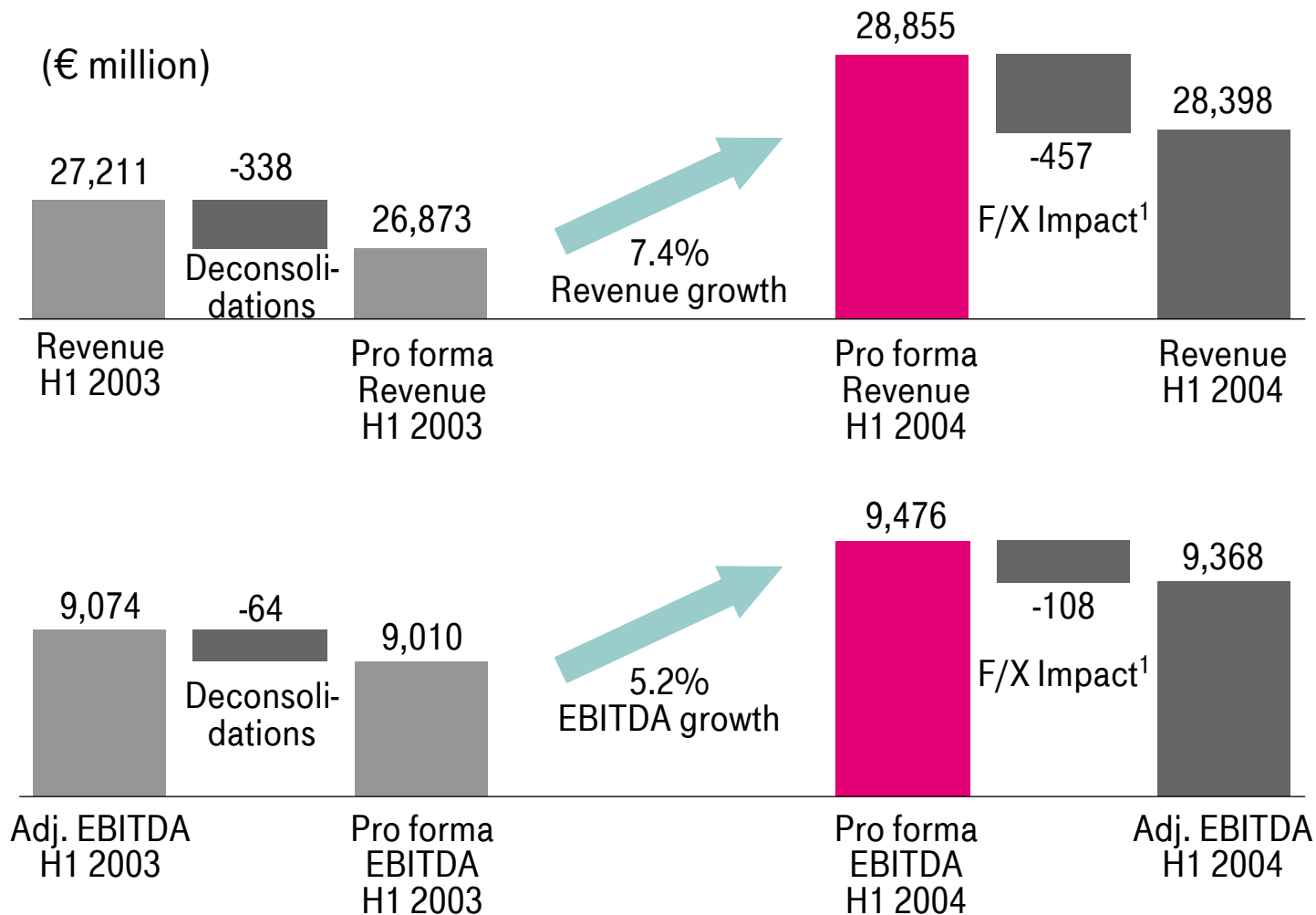
# H1 2004. Financials.

Dr. Karl-Gerhard Eick  
CFO



# Telekom Group: revenue and adjusted EBITDA.

## Strong organic growth.



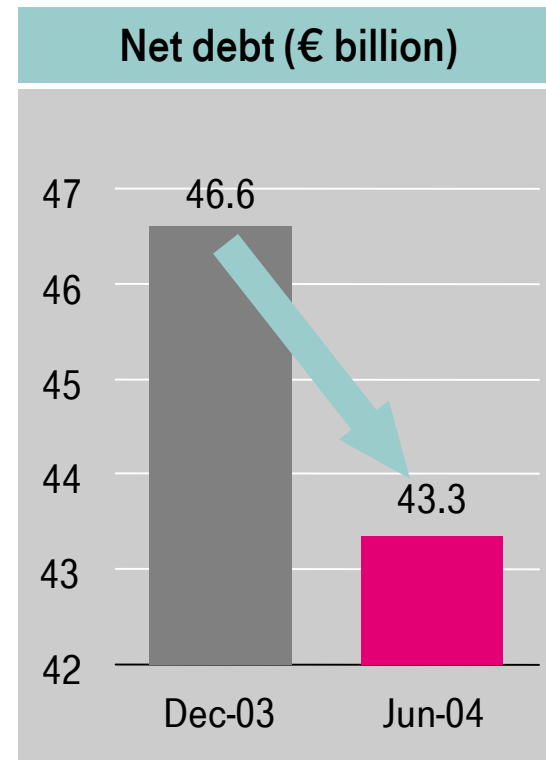
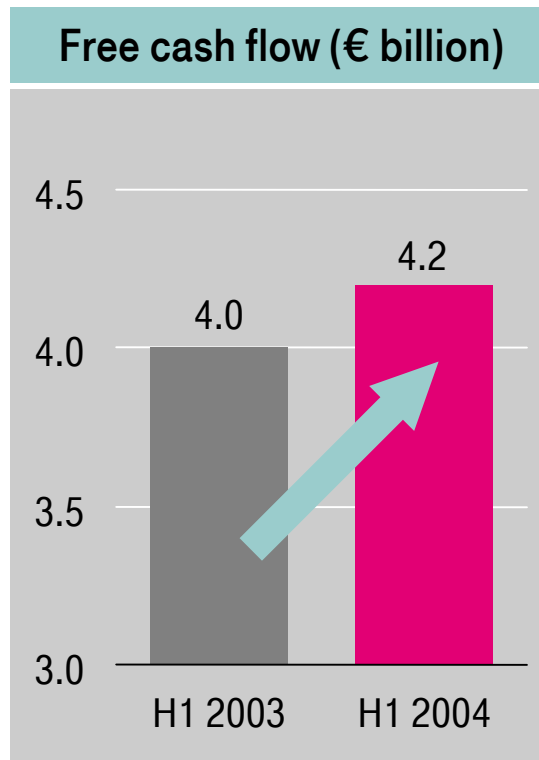
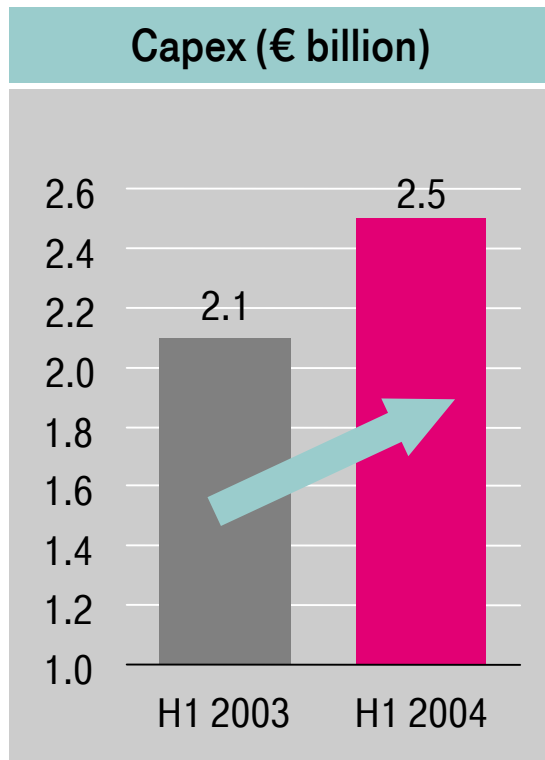
1 Incl. acquisitions (€ 33 million in revenues and € 2 million in EBITDA).





# Capex, FCF, and net debt.

€ 4.2 billion free cash flow.



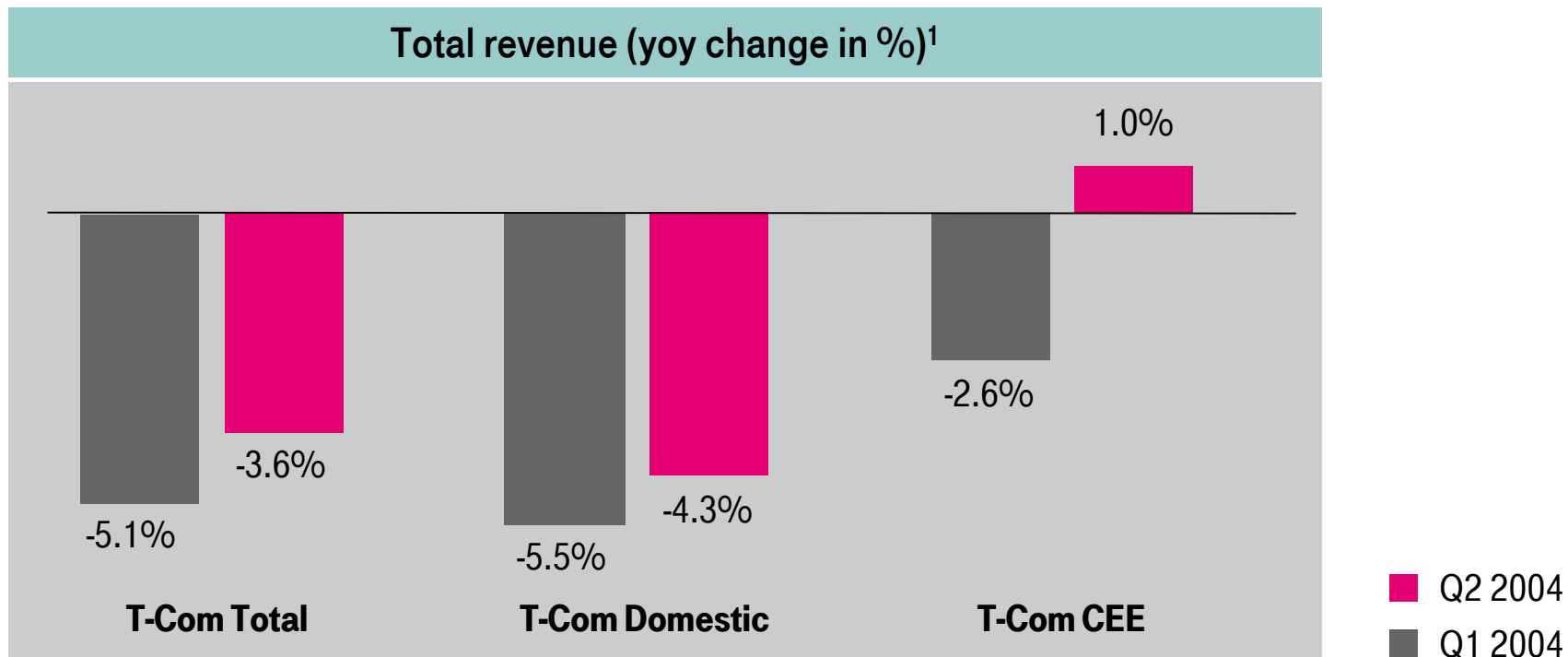
## H1 2004 - Cash Flow.

Operating Cash Flow increased by almost 1 billion €.

€ billion	H1 2004	H1 2003	FY 2003
Cash generated from operations	9.0	8.0	18.1
Net interest payment	- 1.9	- 1.8	- 3.8
Net cash provided by operating activities	7.1	6.3	14.3
Cash outflows from investments in property, plant and equipment, and intangible assets (excluding goodwill)	- 2.9	- 2.3	- 6.0
Free Cash Flow	4.2	4.0	8.3

# T-Com.

## Decline in revenue improved.

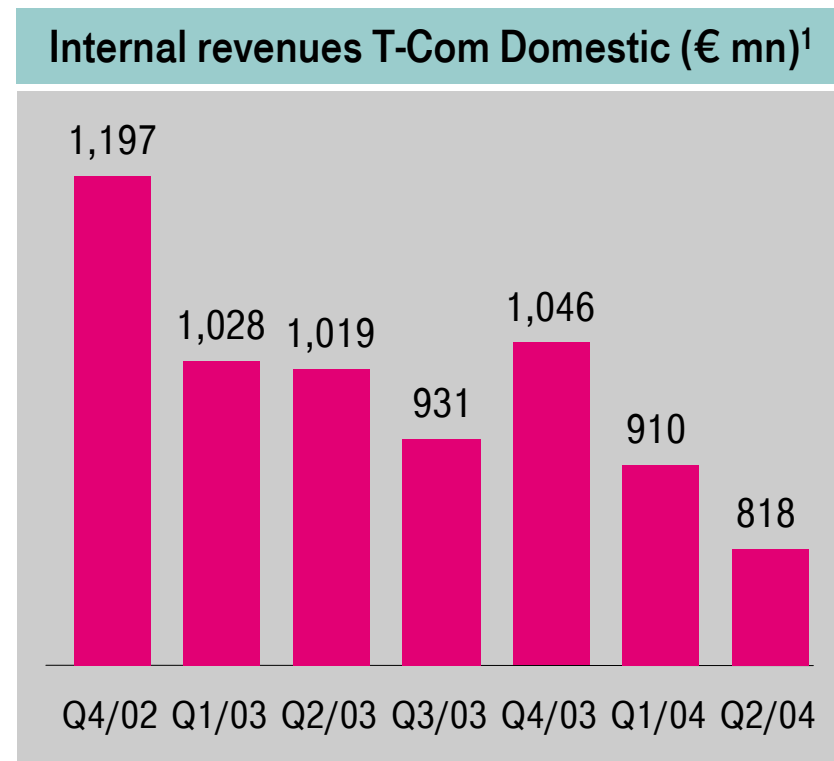
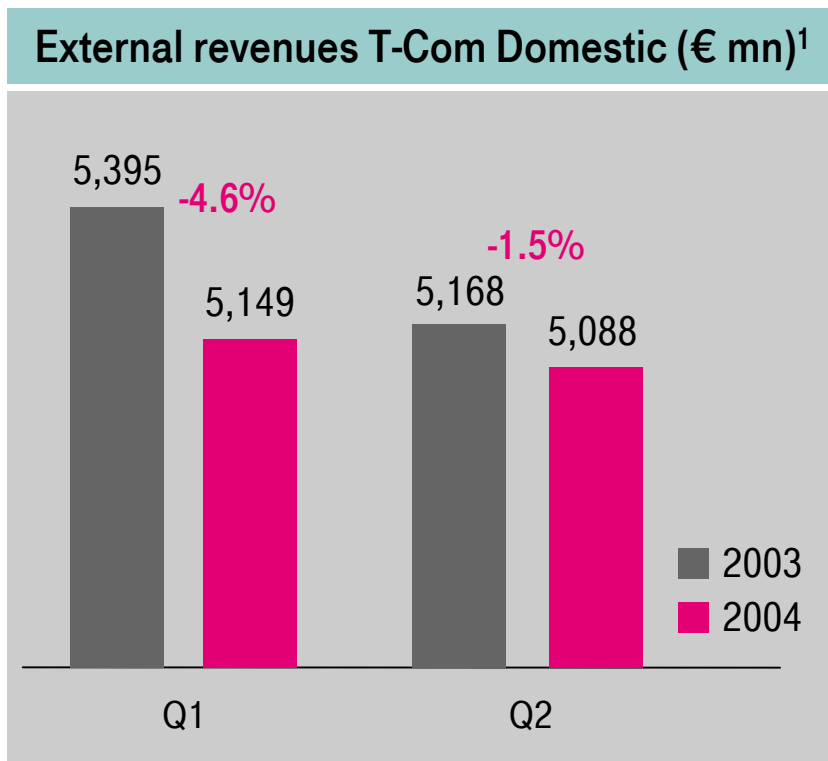


¹ Adjusted for cable deconsolidation.



# T-Com Domestic.

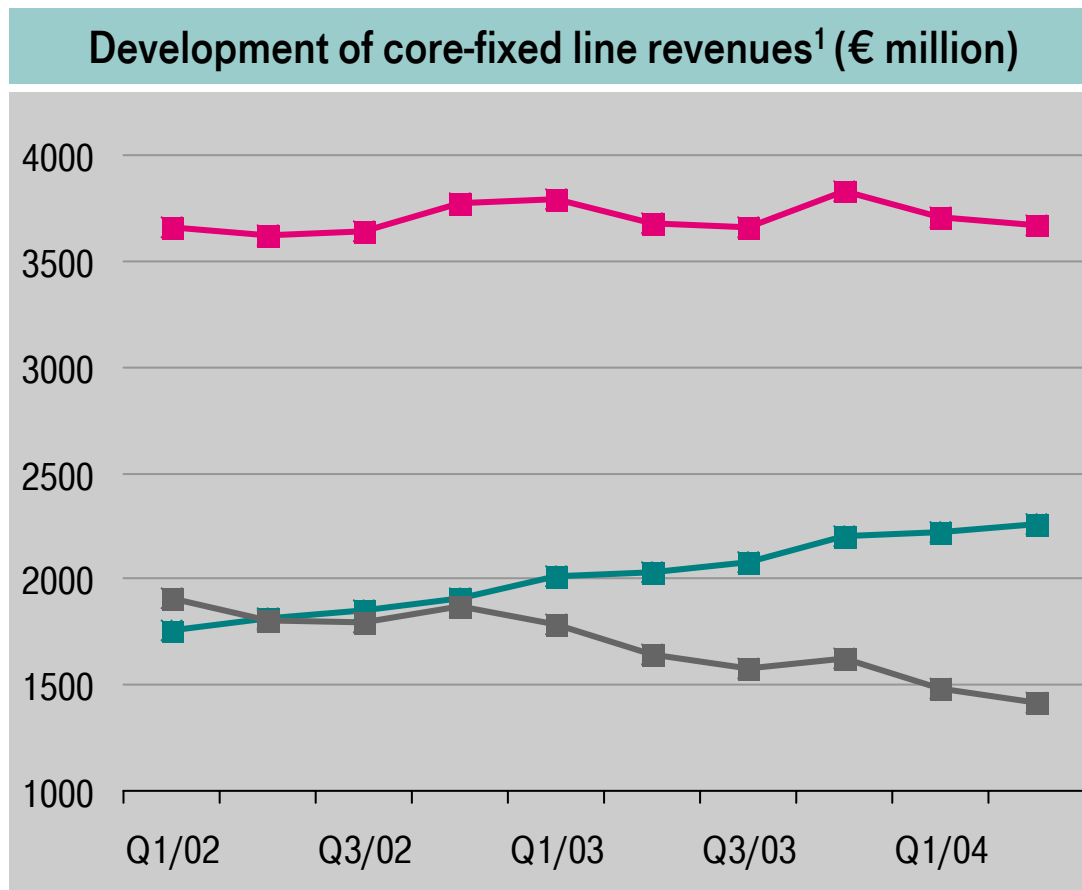
External revenues highlight improving revenue trend.



<sup>1</sup> Adjusted for cable deconsolidation.

# T-Com Domestic.

## Core fixed line revenues flat.



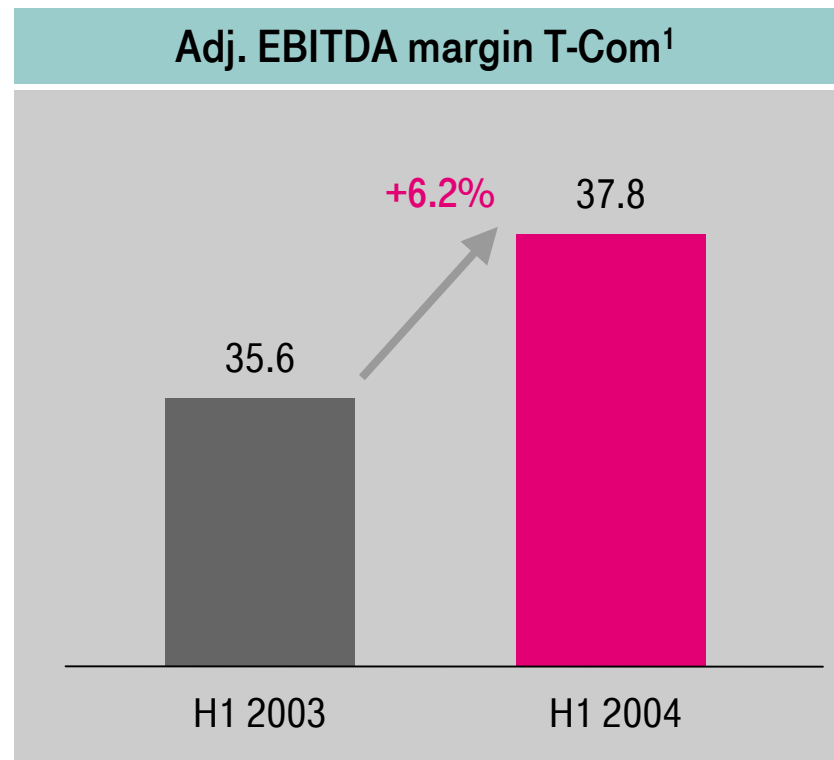
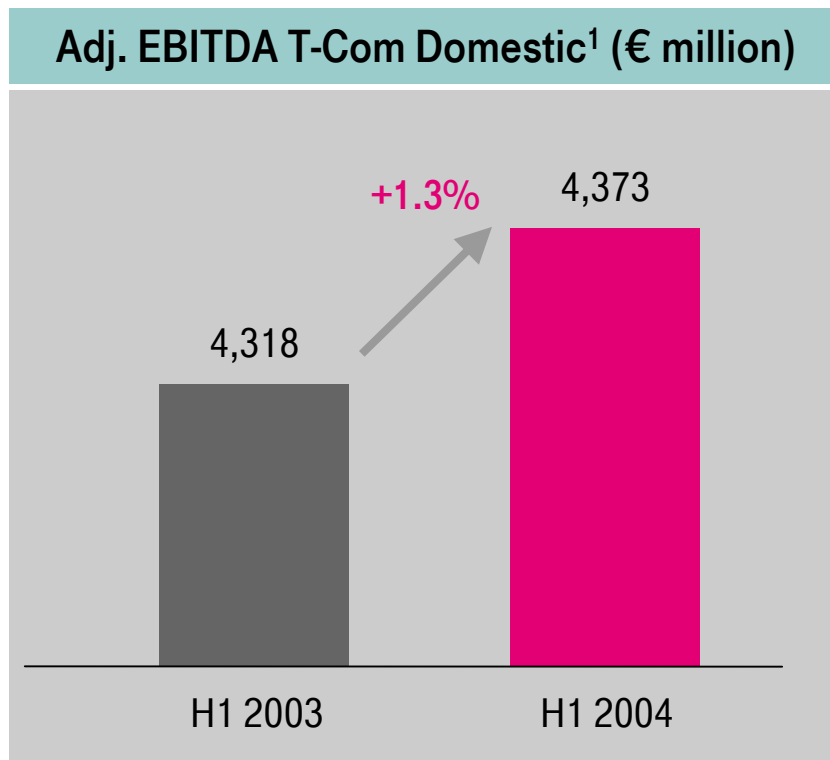
- Domestic core fixed line revenues flat yoy in Q2/04 after -2.2% yoy in Q1/04
- Access revenues growth: 11% yoy in H1/04 vs. H1/03
- Calling revenues: down 15% yoy in H1/04 vs. H1/03

- Total
- Access revenues
- Calling revenues

<sup>1</sup> Calling revenues include only network communication part of revenues, i.e. excluding other services revenues (see also Backup)

# T-Com.

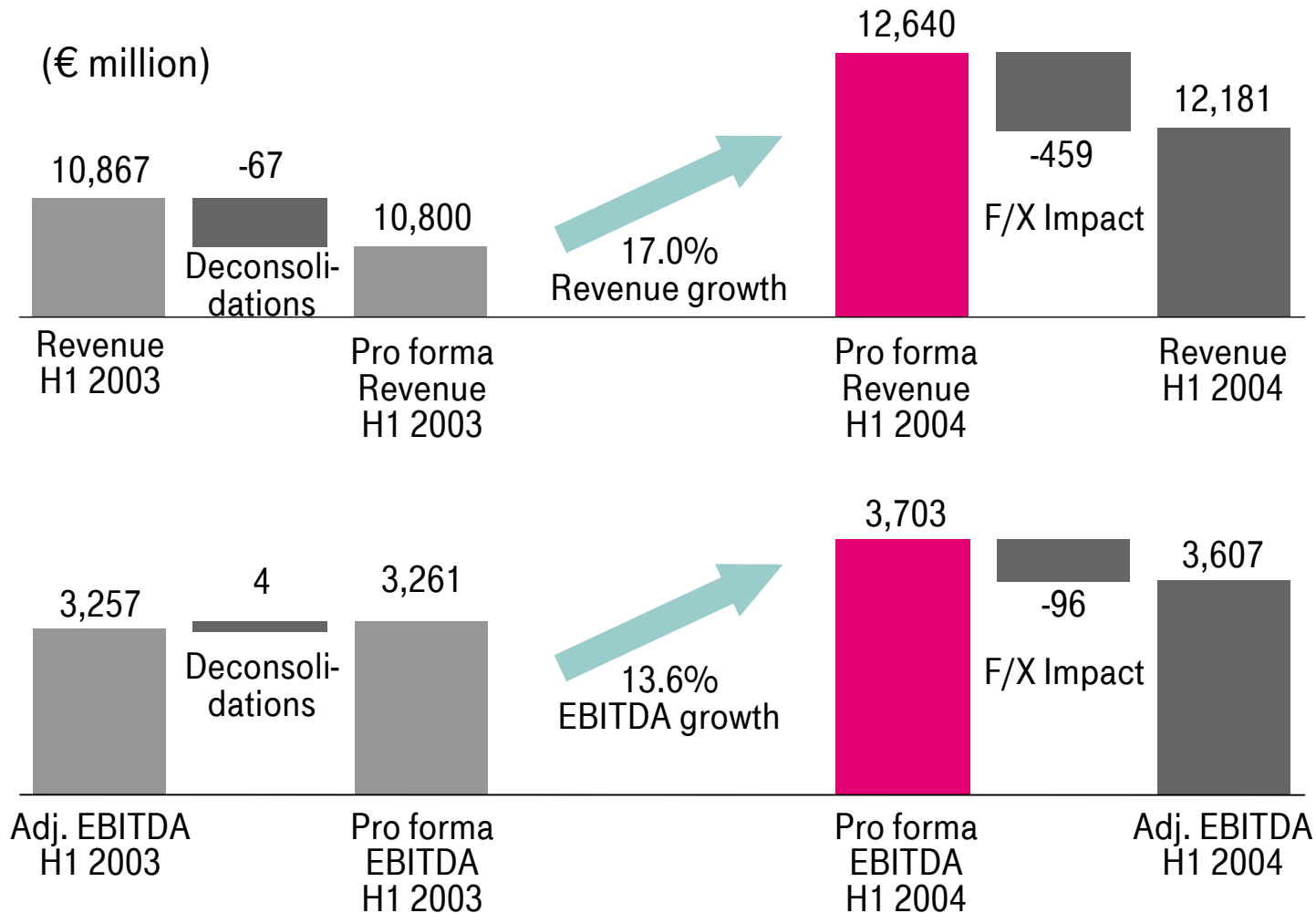
## Strong efficiency improvements.



<sup>1</sup> Adjusted for cable deconsolidation.

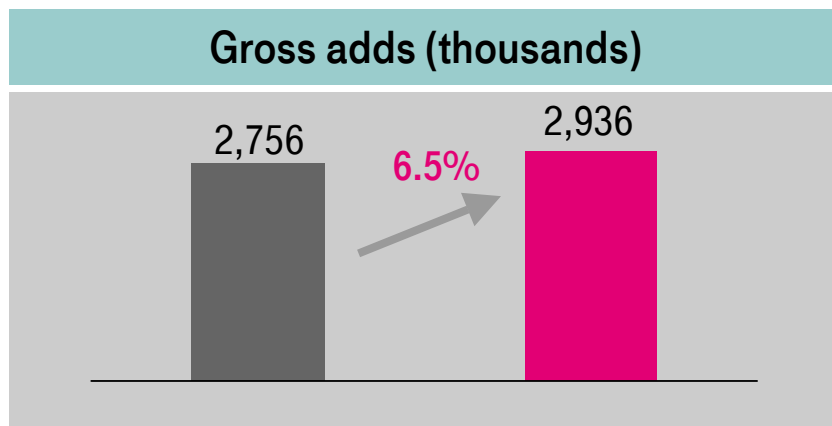
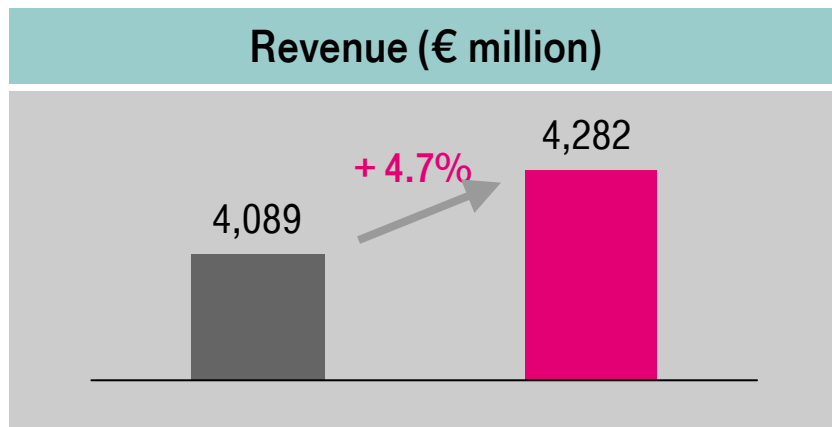
# T-Mobile.

## Organic growth H1 2003 - H1 2004.



# T-Mobile Germany.

## Margin development in Germany.



- Reported EBITDA margin decreased from 41.3% (H1/03) to 37.5% (H1/04)
  - ARPU impact
  - Opex for UMTS rollout
  - Relax
  - Wholesale deal signed for € 68 million
  - Additional SACs and SRCs due to higher customer additions
- Measures taken for improvement
  - “Relax” leads to higher voice usage and higher ARPU
  - Cost savings

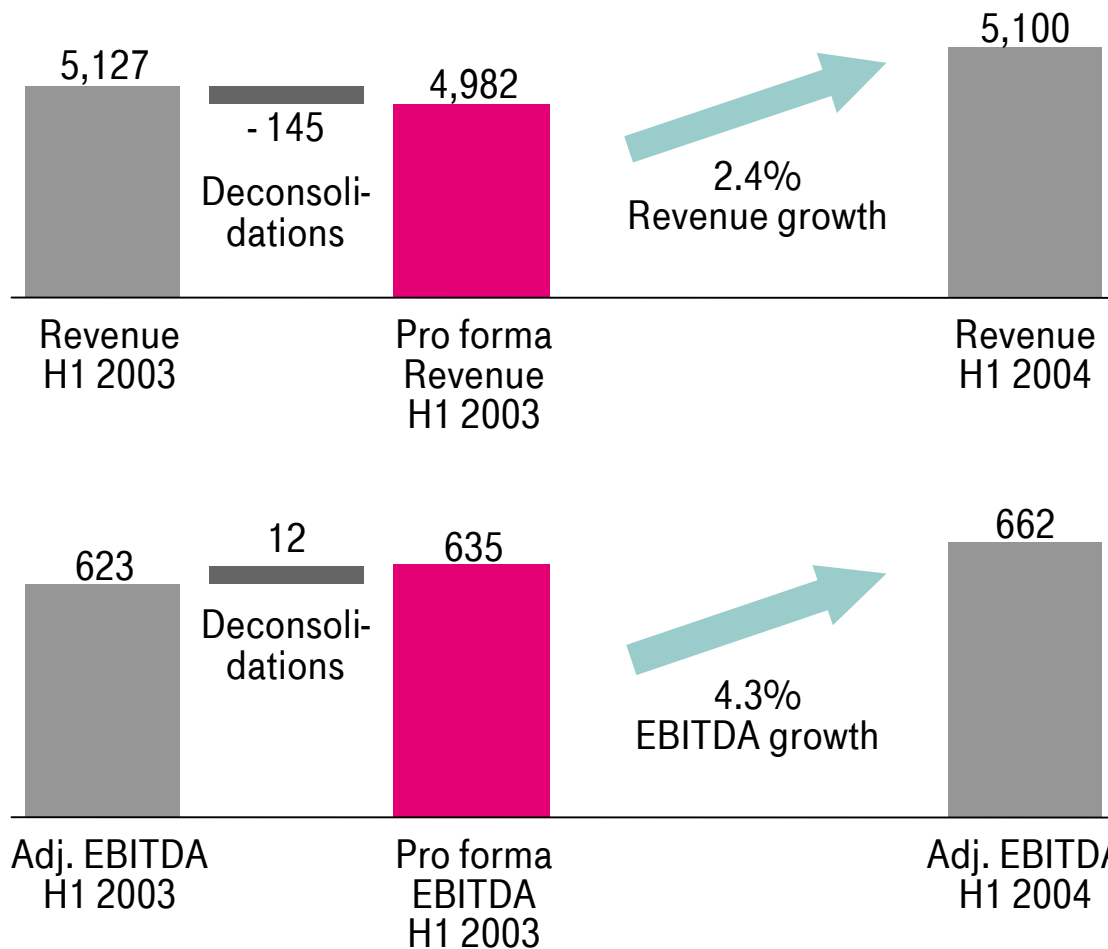
■ H1/03  
■ H1/04



# T-Systems.

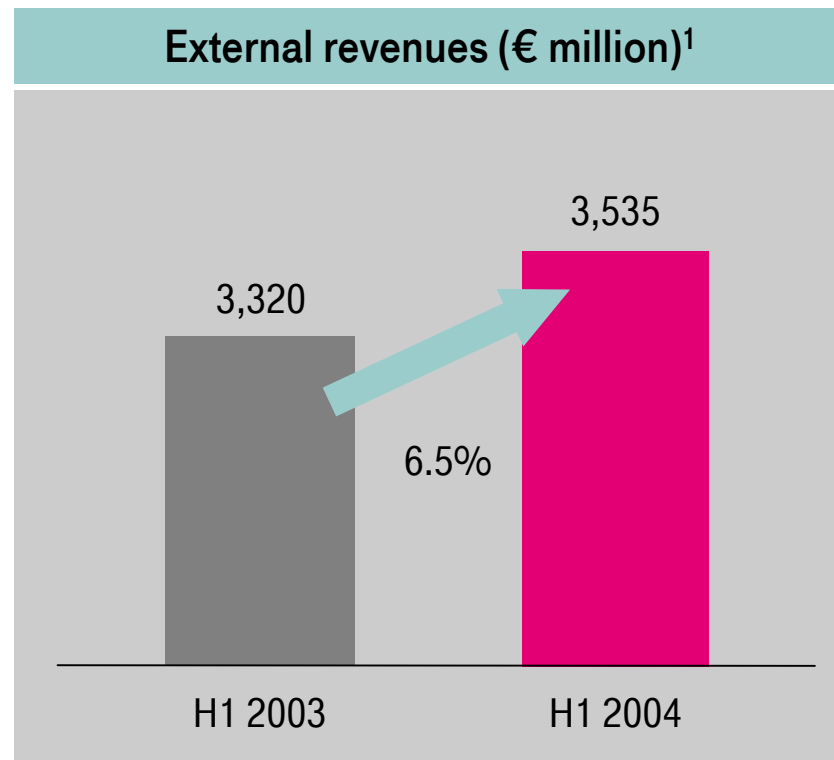
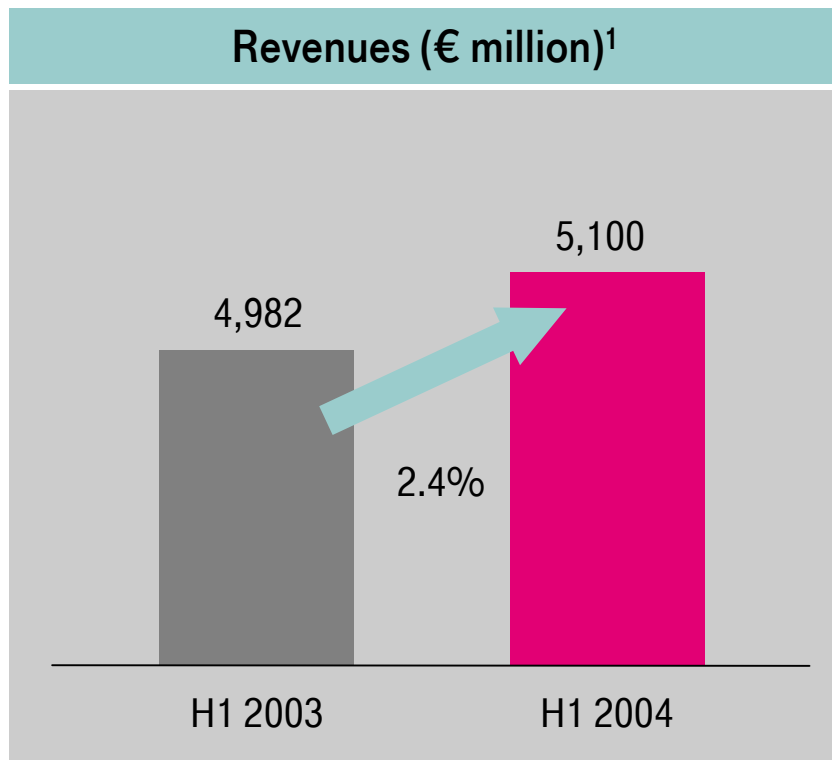
## Margin improvements H1 2003 - H1 2004.

(€ million)



# T-Systems.

Strong improvement in external revenues.



<sup>1</sup> On an organic basis.

## H1 2004 - Net income.

HY 2004 net income higher than FY 2003.

€ billion	H1 2004	H1 2003	FY 2003
EBITDA	10.7	9.6	18.5
Depreciation and amortization	- 6.0	- 6.5	- 12.9
Other taxes	- 0.1	- 0.1	- 0.2
Net financial expense	- 1.8	- 1.9	- 4.0
- of which net interest expense	- 1.8	- 1.9	- 3.8
EBT	2.8	1.1	1.4
Income taxes	- 0.7	0.2	0.2
Minorities	- 0.2	- 0.2	- 0.4
Net income	1.8	1.1	1.3

# H1 2004 – Balance sheet.

Equity ratio and gearing further improved.

€ billion	H1 2004	FY 2003	H1 2003
Assets	114.2	116.1	122.3
Equity	36.8	33.8	35.0
Net debt	43.3	46.6	53.0
Net debt/adj. EBITDA	n/a	2.5 x	n/a
Gearing <sup>1</sup>	1.2 x	1.4 x	1.5 x
Equity ratio <sup>2</sup>	32.2%	29.1%	28.6%

1 Net debt divided by shareholders' equity.

2 Shareholders' equity divided by balance sheet total.



# Outlook 2004.

## New targets.

- Earnings before tax expected to be around € 4.2 billion
- Net income expected to be around € 2.5 billion
- Dividend announcement in connection with the Q3 results
  
- Confirm Group adj. EBITDA of at least € 19.2 billion
- Expect group free cash flow of at least € 7 billion
- Expect capex of up to € 7.5 billion
- 5.6 million DSL subscribers in Germany by year-end 2004
- 4.0 million net adds at T-Mobile USA in 2004