



Dr. Thorsten Grenz

# mobilcom 2004

## Annual results and outlook

DVFA Center, Frankfurt

8 March 2005

- Net income 2004
  - Group
  - Mobile
  - Fixed Network/Internet
  
- mobilcom shares
  - Growth in share price, dividend, share buy-back programme
  
- Outlook for 2005
  
- Merger with freenet.de AG

## ■ Record result in the Group in 2004

- Group revenues € 1,897 mn: +3% compared with previous year
- EBITDA\* € 167 mn: +61%
- EBIT\* € 94 mn: +427%
- Liquid assets € 367 mn: +40%
- Shareholders' equity € 507 mn: 58.4% of total assets

## ■ Mobile: Strong growth in revenues and earnings

- Revenues € 1,429 mn: +5%
- EBITDA € 41 mn: +283%
- EBIT € 9 mn: (-19 mn € in 2003)


## ■ Fixed Network/Internet: Stable revenues and strong contribution to earnings

- Revenues € 469 mn: -2.5%
- EBITDA € 126 mn: +42%
- EBIT € 85 mn: +102%

\*2003 adjusted for: Proceeds of the disposal of UMTS infrastructure (€ 2 mn), sale of freenet shares (€ 145 mn) and neutral items resulting from discontinuation of UMTS

# mobilcom Group: Income statement

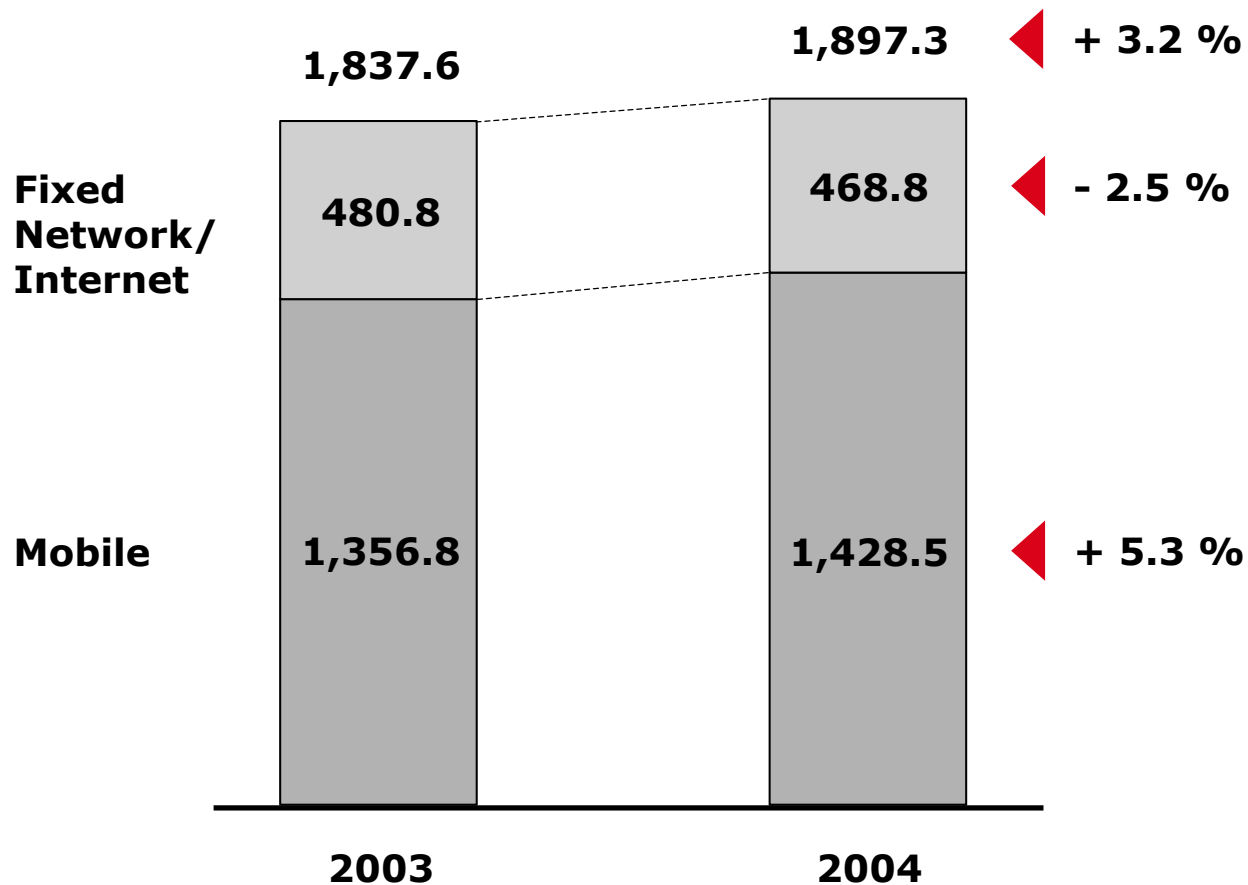
[€ million]

	 <b>2004</b>	<b>2003</b>	<b>Change</b>
<b>Revenues</b>	<b>1,897.3</b>	<b>1,837.6</b>	+3%
Gross profit	419.3	379.2	+11%
<i>Margin</i>	22.1%	20.6%	
<b>EBITDA</b>	<b>166.6</b>	<b>103.6*</b>	+61%
<i>Margin</i>	8.8%	5.6%	
Depreciation	-72.3	-81.3	-11%
<b>EBIT</b>	<b>94.3</b>	<b>22.3*</b>	+323%
<i>Margin</i>	5.0%	1.2%	
Minorities	-24.6	-7.6	+224%
<b>Net income</b>	<b>46.7</b>	<b>160.4*</b>	-71%

\*2003 adjusted for: Proceeds of the disposal of UMTS infrastructure (€ 2 mn), sale of freenet shares (€ 145 mn) and neutral items resulting from discontinuation of UMTS

**mobilcom Group:**  
Increase in revenues due to mobile growth

[€ million]



# mobilcom Group: Net income contributed by segments

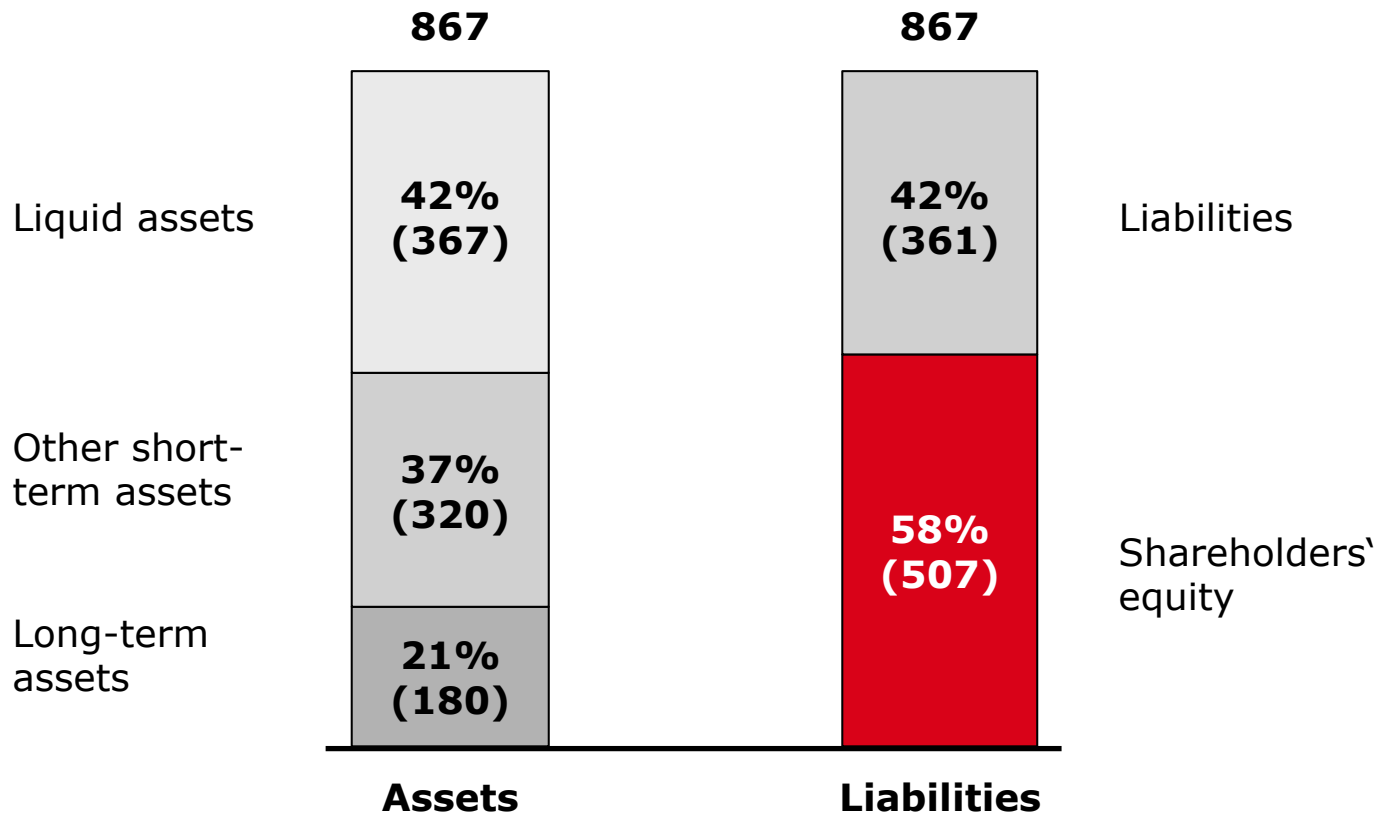
[EBITDA € million]

	2004	Change	
<b>Mobile</b>	40.6	+26.1	+180%
<b>Fixed Network/Internet</b>	126.0	+36.9	+41%
<b>Group</b>	166.6	+63.0	+61%

# mobilcom Group: Very sound balance sheet structure

[€ million]

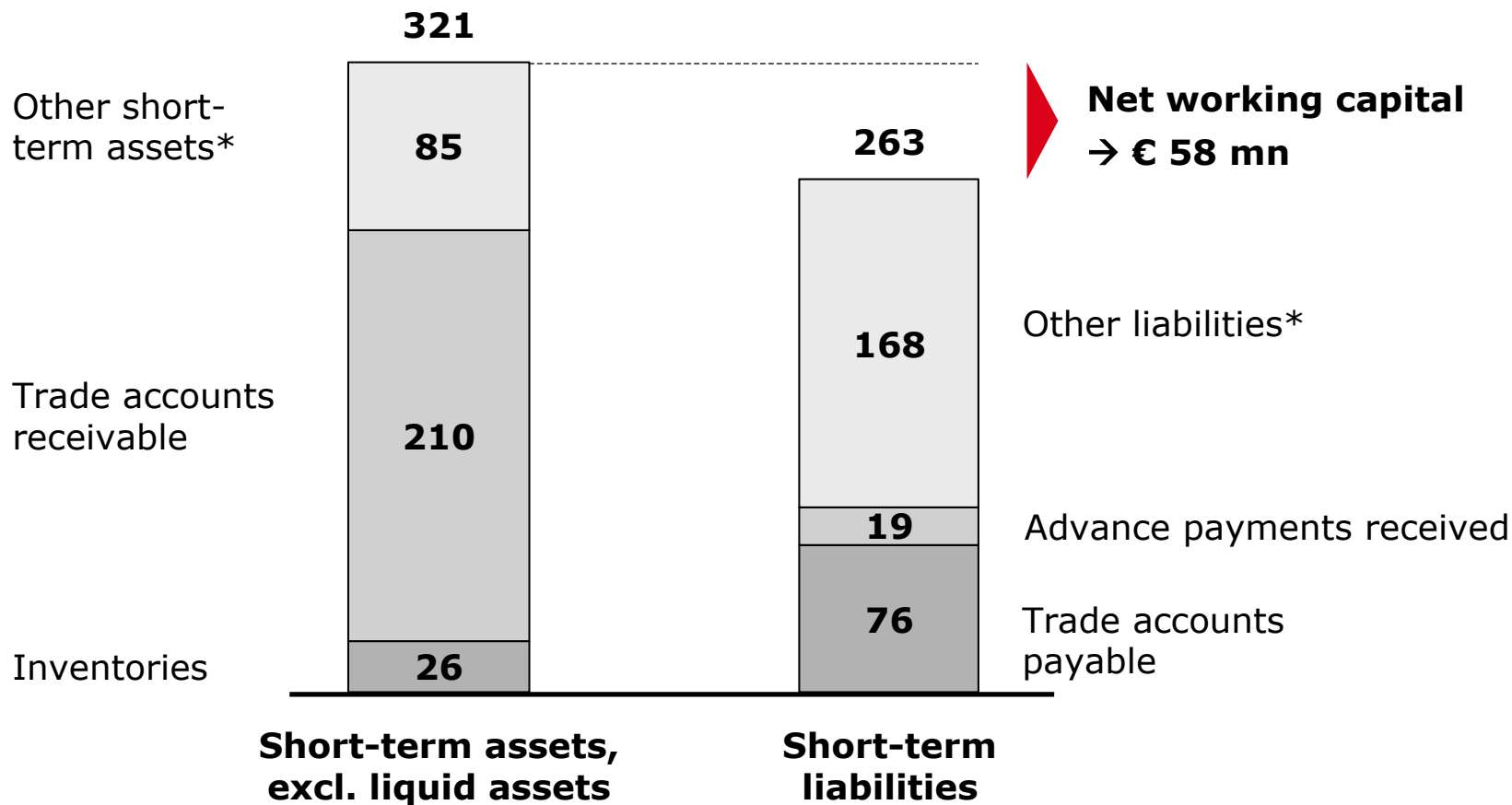
- ▶ Strong equity ratio, strong liquidity and small amount of capital tied up



**mobilcom Group:**

Small amount of capital tied up in net working capital

[€ million]



\* incl. deferred charges and prepaid expenses

\*\* incl. commissions and provisions



# mobilcom Group: Cash flow statement

[€ million]

		<u>Main items</u>
Operating cash flow	199.3	Mobile freenet.de
Cash flow from investing activities	-21.5	Fixed assets: -27.6 Interest income: +8.1
Cash flow from financing activities	-73.0	Dividend: -26.3 Share buy-back: -36.3 Repayment of debt: -8.5
<b>Cash flow, total</b>	<b>104.8</b>	

# mobilcom Group: Return on equity


	<b>2004</b>	<b>2003*</b>
<b>Before taxes</b>	<b>20%</b>	<b>4%</b>
After taxes	14%	4%

\*2003 adjusted for: Proceeds of the disposal of UMTS infrastructure (€ 2 mn), sale of freenet shares (€ 145 mn) and neutral items resulting from discontinuation of UMTS

# Mobile segment:

## Development in revenues and net income

[€ million]

			
	<b>2004</b>	<b>2003</b>	<b>Change</b>
<b>Revenues</b>	<b>1,428.5</b>	<b>1,356.8</b>	+5%
Gross profit	181.2	219.6	-17%
<i>Margin</i>	<i>12.7%</i>	<i>16.2%</i>	
Overheads	-140.6	-202.4	-31%
<b>EBITDA</b>	<b>40.6</b>	<b>14.5</b>	+180%
<i>Margin</i>	<i>2.8%</i>	<i>1.1%</i>	
Depreciation	-31.4	-33.8	-7%
<b>EBIT</b>	<b>9.2</b>	<b>-19.3</b>	
<i>Margin</i>	<i>0.6%</i>	<i>-1.4%</i>	

# Mobile segment

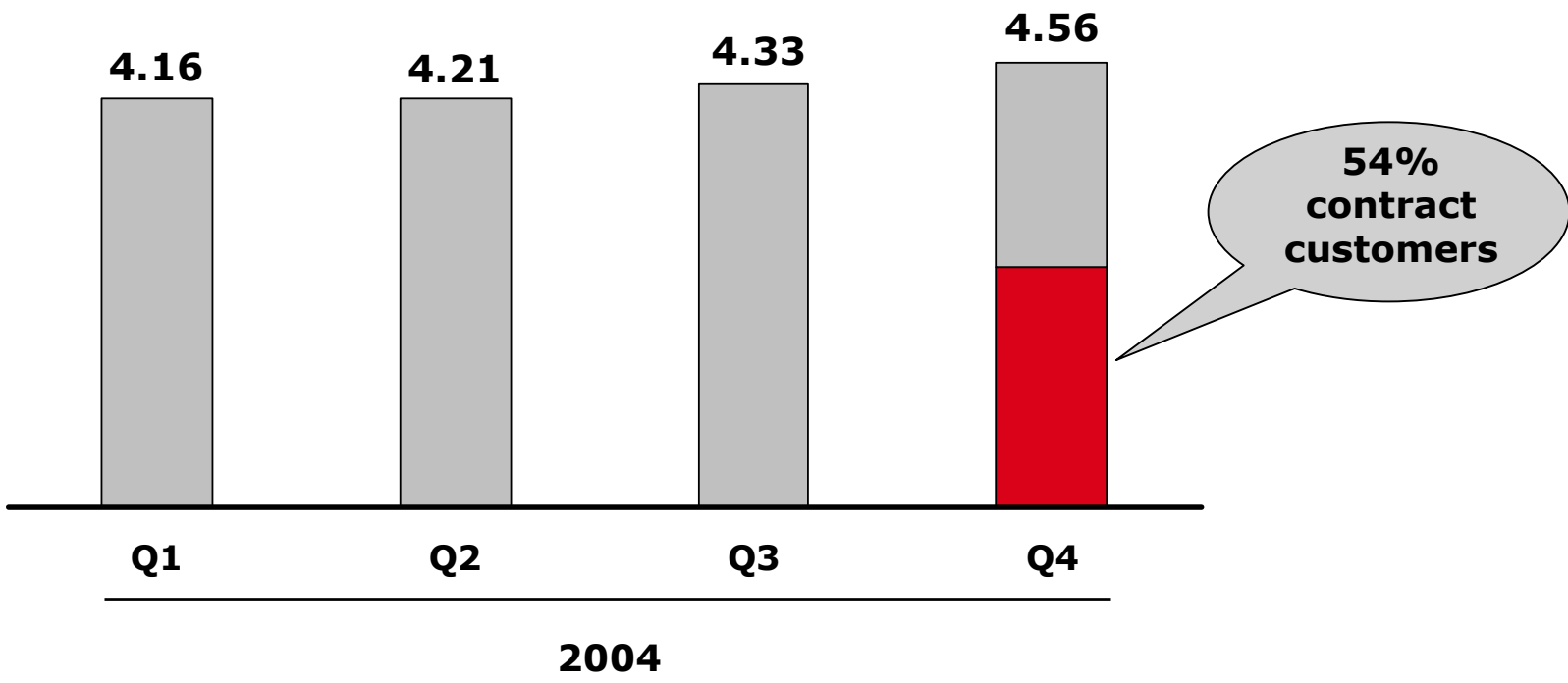
## Cash flow

[€ million]

	<b>2004</b>
Cash flow from current activities	<b>+138.3</b>
- EBITDA	+40.6
- $\Delta$ Net working capital	+35.6
- Payments from receivables from freenet	+59.9
- Other	+2.2
Cash flow from investing activity	<b>-7.1</b>
- Investments	-13.7
- Interest income	+6.6
<b>Total</b>	<b>+131.2</b>

# Mobile segment: mobilcom supports 4.56 million customers

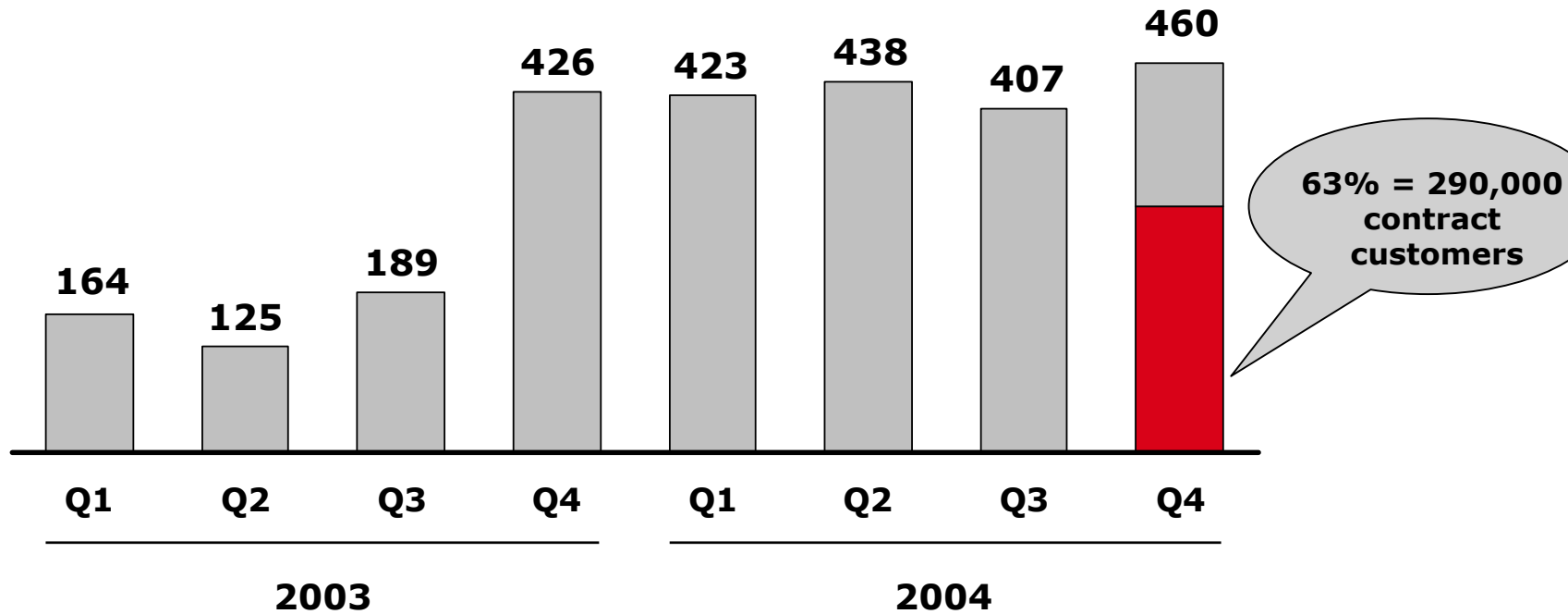
[million]



# Mobile segment:

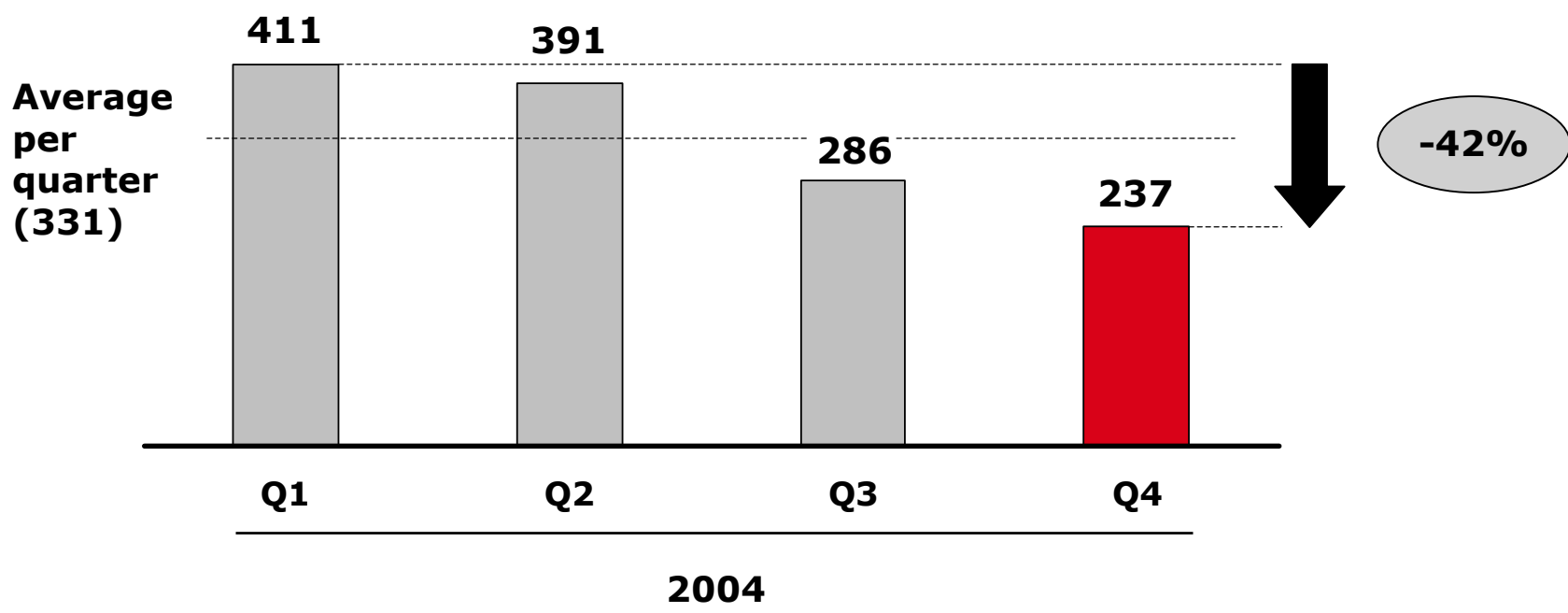
## Gross new customers: New business still strong

[thousand]



# Mobile segment: Customer fluctuation: Much improved

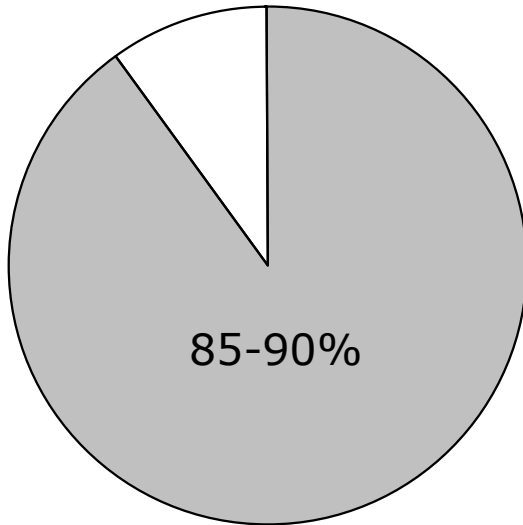
[thousand]



# Mobile segment: Service quality

## Availability by telephone

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## Response time for letter

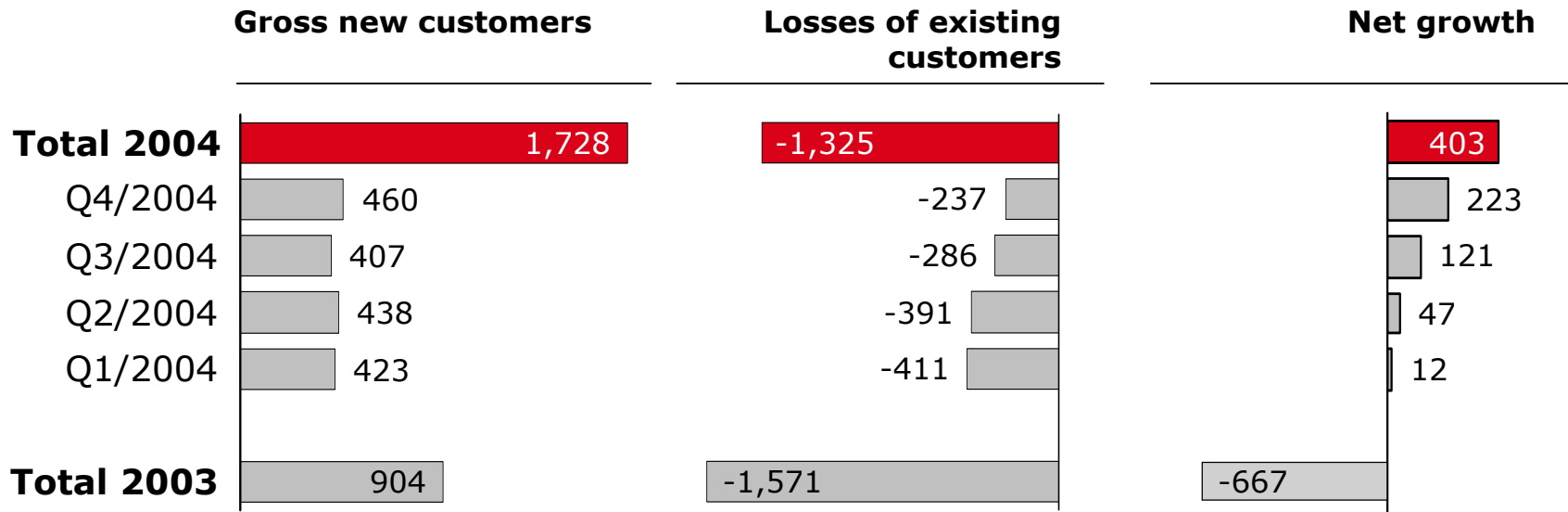
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# Mobile segment: Strong new business and much lower fluctuation

[thousand]



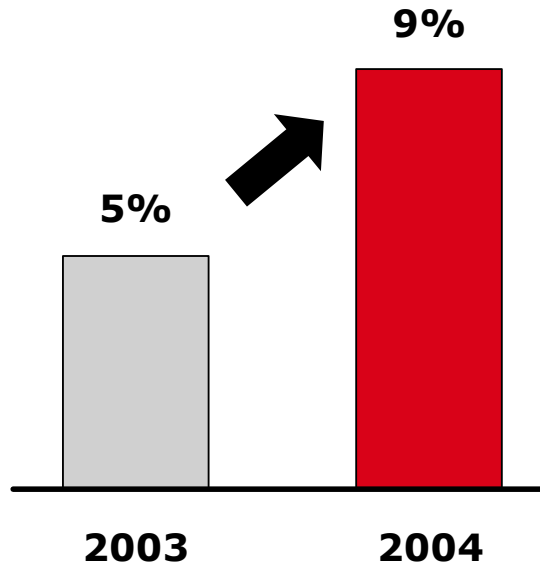
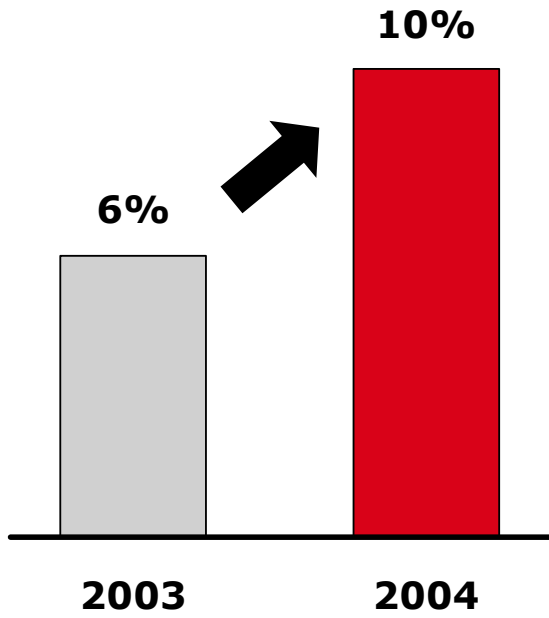
Mobile segment:  
Market share: Strong increase in new business  
[as % of new business]

### Contract customers

### Prepaid customers

### Overall market share

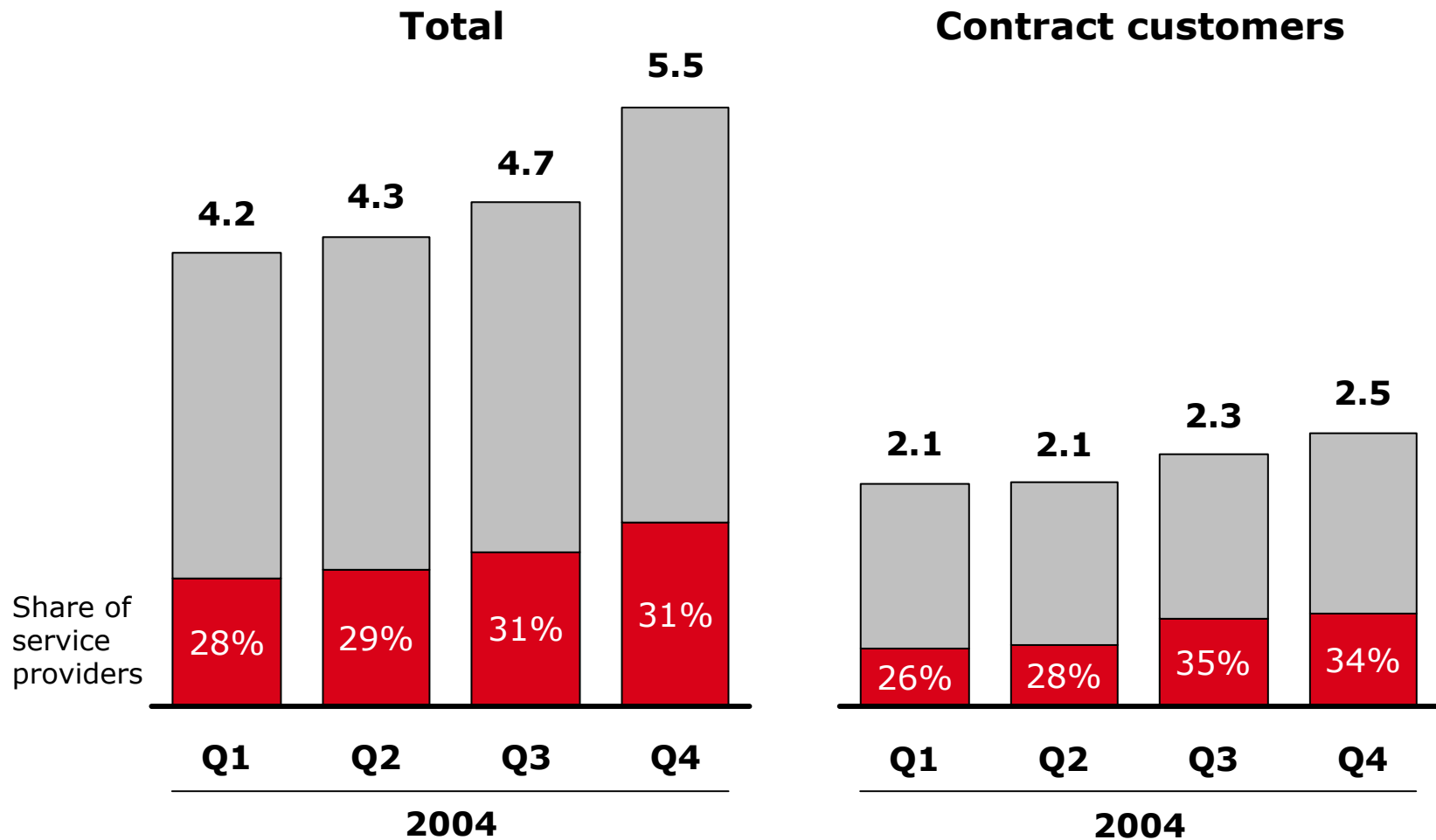
- 6.9% contract customers
- 5.8% prepaid customers
- 6.4% total



# Mobile segment:

## High and rising market shares of service providers

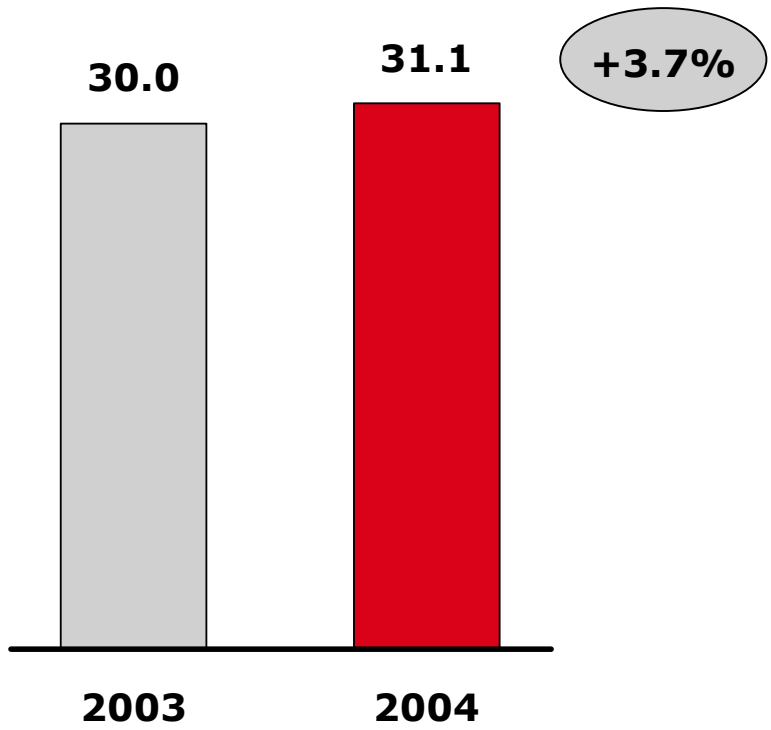
[customers in million]



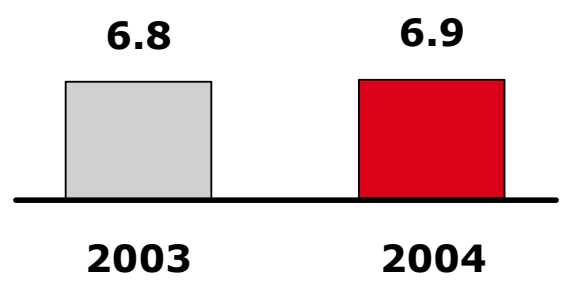
# Mobile segment: Average monthly revenues (ARPU)

[€ per subscriber per month]

## Contract customers



## Prepaid customers



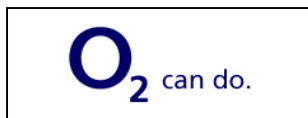
## Mobile Telephony segment: ... beyond the financials

- mobilcom shops: Increased to 219 (2003: 200)
- Retail partners: Now 1,000 points of sales
- 4 flagship stores (Berlin, Düsseldorf, Cologne, Stuttgart)
- All four network operators available

# Mobile segment: Product strategy

## All relevant products in the market

All networks,  
all relevant  
tariffs



Also:



All major  
equipment  
manu-  
facturers



## Only at mobilcom in 2005


- All four networks from a single source
- "Always one price in all networks, round-the-clock"
- 13-Cent tariff: Calls for one third of the current price level
- Calls less than 10 seconds are free
- Mobile navigation: First provider to offer navigation without purchase costs

## Fixed Network/Internet segment: Highlights 2004

- freenet.de supports 8.62 million customers at the end of 2004 (+23% compared with 2003)
- Total number of minutes sold: 25.32 billion (-4% compared with 2003)
- 6.92 million members (+16% compared with 2003)
- 350,000 DSL customers at the end of 2004
- 540,000 preselection customers (+21% compared with 2003)
  
- Acquisition of the Strato Group
- Acquisition of Talkline ID
  
- First dividend payment at freenet.de: € 0.35 per share

# Fixed Network/Internet segment: Development in revenues and net income

[€ million]

	 <b>2004</b>	<b>2003</b>	<b>Change</b>
<b>Revenues</b>	<b>468.8</b>	<b>480.8</b>	-2%
Gross profit	237.6	162.4	+46%
<i>Margin</i>	<i>50.7%</i>	<i>33.8%</i>	
Overheads	-111.6	-73.3	+52%
<b>EBITDA</b>	<b>126.0</b>	<b>89.1</b>	+41%
<i>Margin</i>	<i>26.9%</i>	<i>18.5%</i>	
Depreciation	-41.0	-47.5	-14%
<b>EBIT</b>	<b>85.0</b>	<b>41.6</b>	+104%
<i>Margin</i>	<i>18.1%</i>	<i>8.7%</i>	



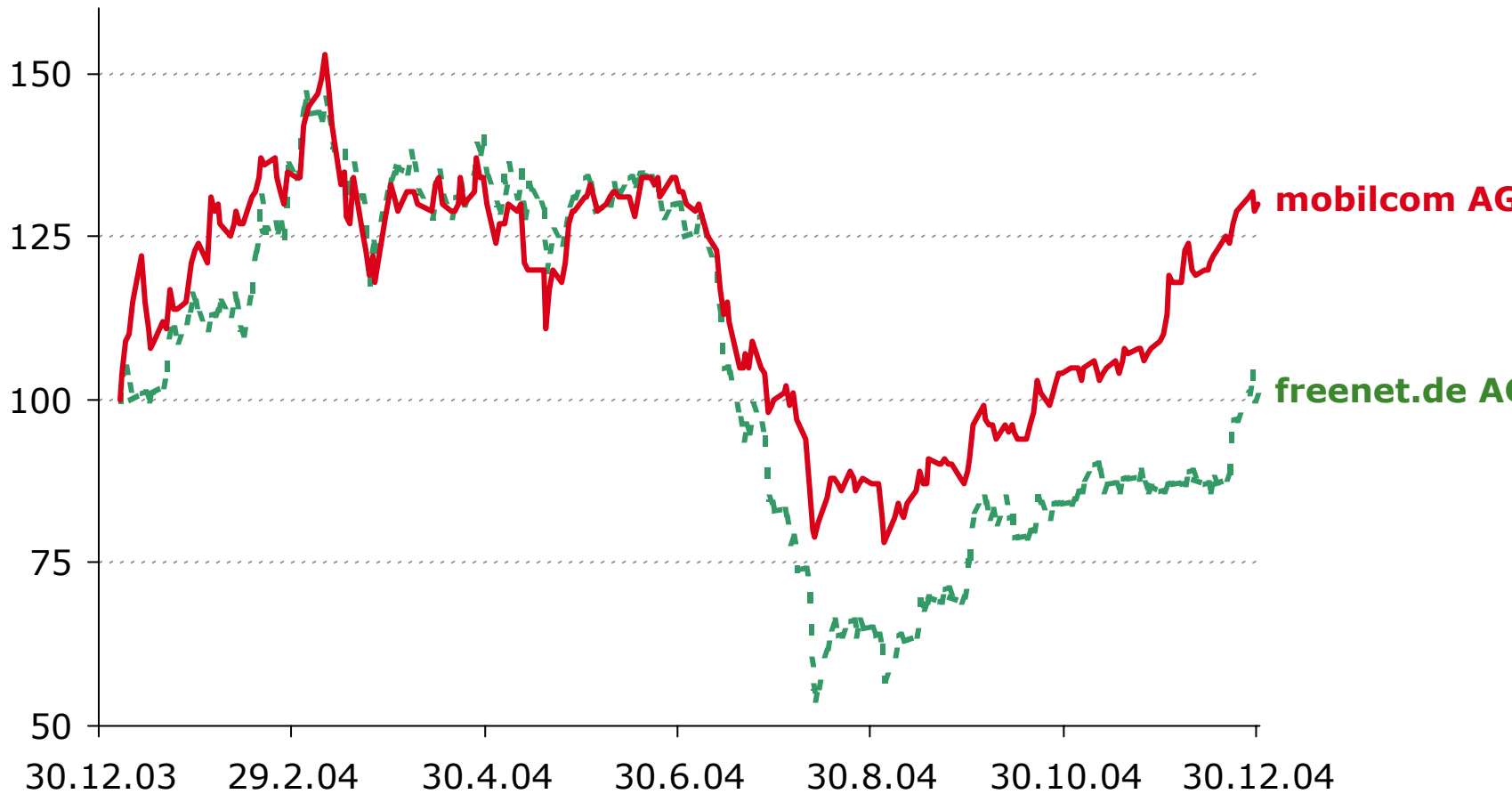
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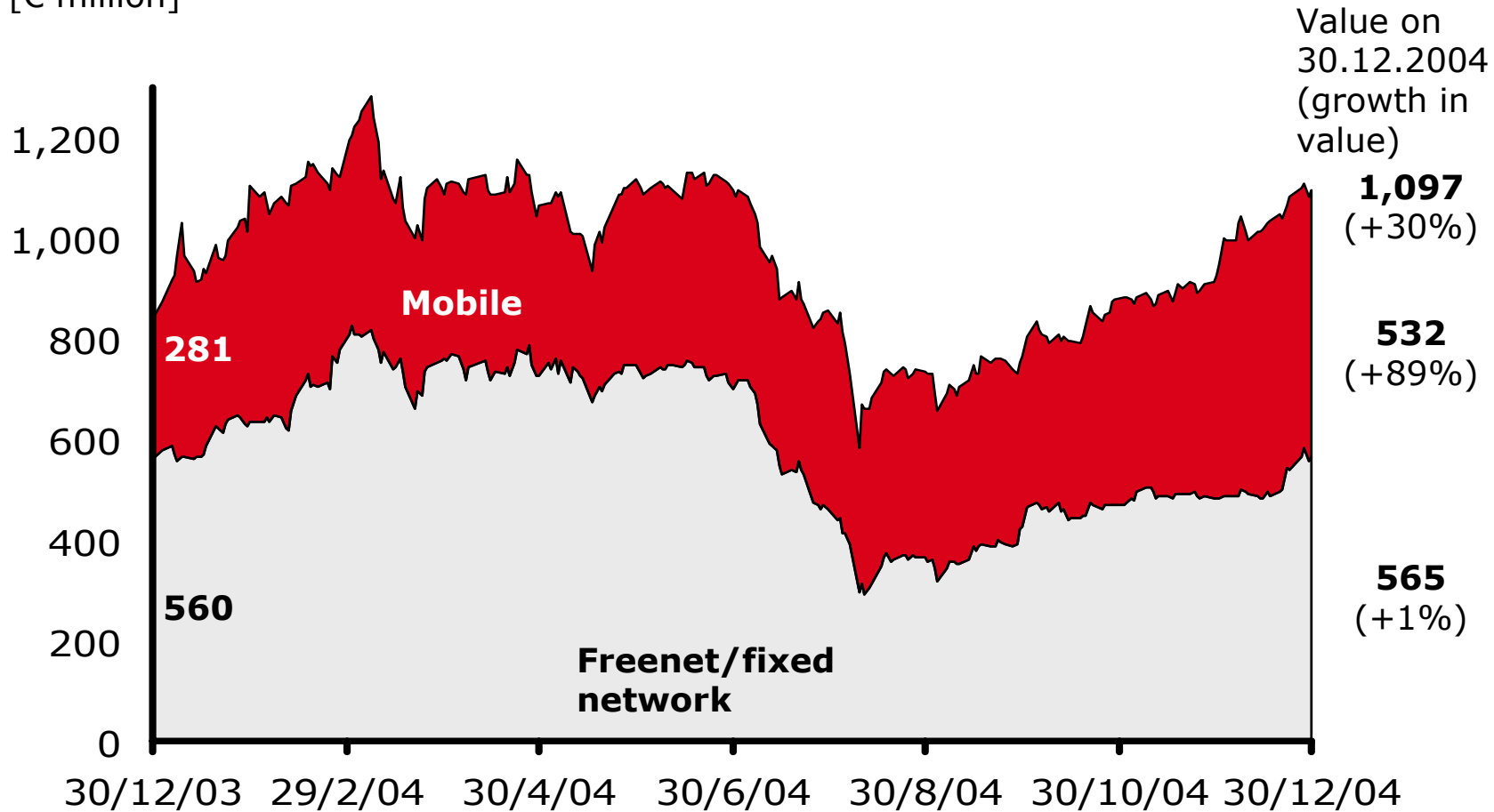
## Share price

(Index, 30.12.2003 = 100)



## Market capitalisation

[€ million]



- Shareholders' meeting 2004: Approval for buying back up to 10% of own shares
- mobilcom has initially bought back 5% of its own shares
  - 3,285,090 (5%) were acquired before the end of January
  - Average price: € 15.62
  - Costs: € 51,327,616
- Decision regarding continuation of the share buy-back programme after completion of the freenet transaction

# Dividend proposal for the ordinary shareholders' meeting to be held on 22 April 2005

- Dividend proposed for 2004: € 0.25 per share
  - Amount to be distributed: € 15.97 million
  - Distribution rate: 34%

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## Mobile

- Number of customers will increase to 4.8 million
- Customer fluctuation: Less than in 2004
- Revenues at least stable
- EBITDA approx. € 60 mn
- EBIT approx. € 32 mn
- EBT approx. € 36 mn

## Guidance by freenet

- EBITDA 125-140 € mn
- EBT 93-95 € mn

## Group

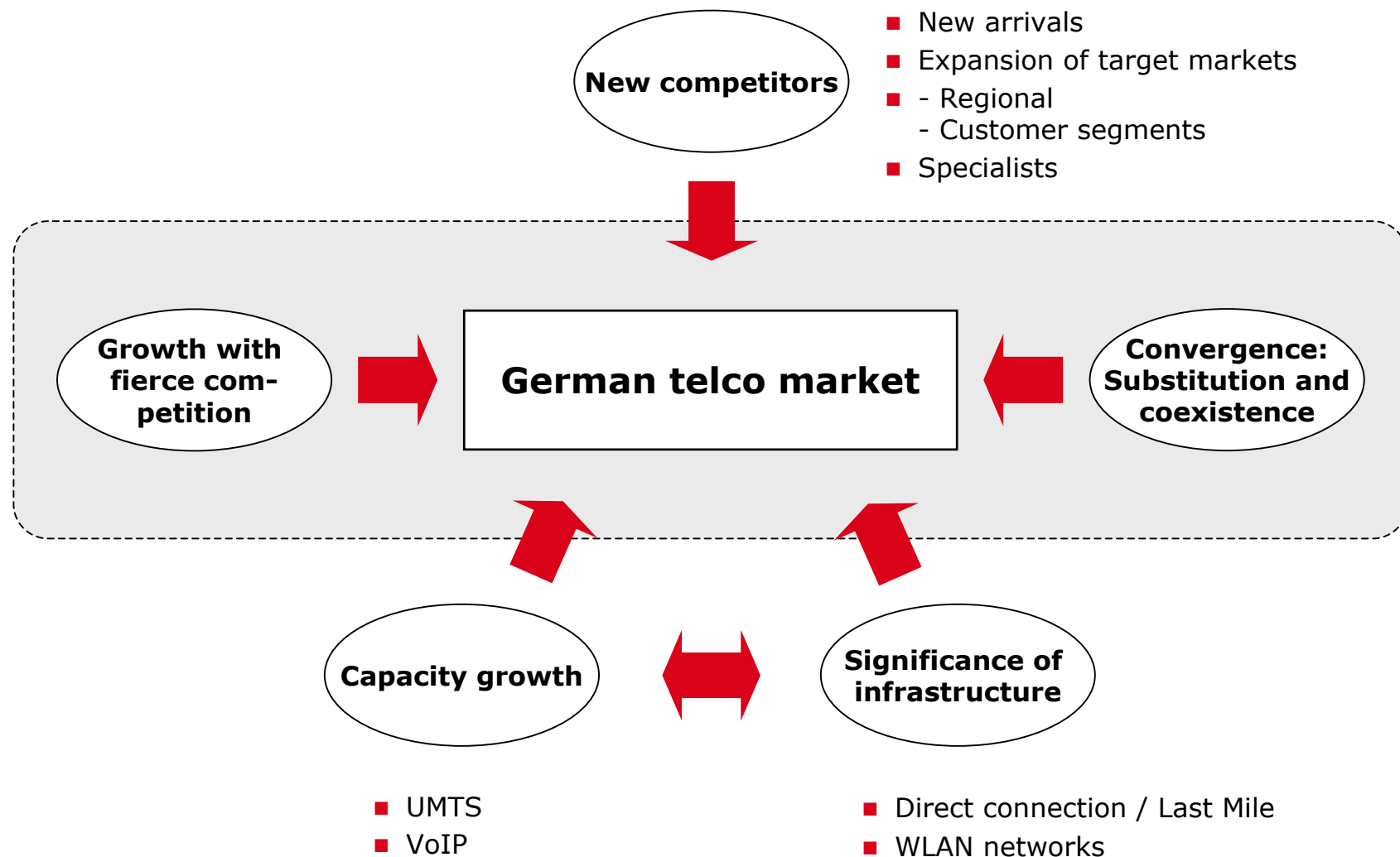
- EBITDA approx. € 185-200 mn
- EBT approx. € 128-130 mn

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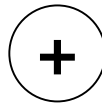




# Necessary action with this market growth and opportunities: Integration and concentration

## Integration

- Presence in the mobile and fixed network submarkets
- Use of fixed network and mobile technology
- Use of infrastructure
- Cross-selling potential



## Concentration

- Bundling of resources
- Concentrated use
- Rapid and flexible management response to maximise value of business opportunity

Integration of **mobilcom** and **freenet**  
ideal for accepting the challenges and  
opportunities of the market!



The capital markets  
have responded to the  
project in the form of share  
increases in the share  
prices of mobilcom and  
freenet

# Strategic and operational advantages

- Creation of an integrated full-service provider in the German telecommunications market by way of joint use of resources: Sole national full service provider apart from Deutsche Telekom
- Clear structure, following Telecom Italia, France Télécom, Deutsche Telekom
- All options for **active** participation in structural changes and consolidation in the telecommunications market are accessible
- Competitive advantages due to convergence products and cross-selling
- Operational synergy, such as the marketing of fixed network products (DSL) via the stationary sales network of mobilcom and a convergent billing platform
- Strengthening of position in the TecDax

- Liquidity and cash flow concentrated in one company
- Significant increase in market capitalisation and value of free float
- Better access to the capital markets
- Use of losses carried forward

## **mobilcom excl freenet**

■ Liquidity*	220 Mio. Euro
■ EBITDA**	60 Mio. Euro

## **freenet**

■ Liquidity*	145 Mio. Euro
■ EBITDA**	125 - 140 Mio. Euro

## **NewCo**

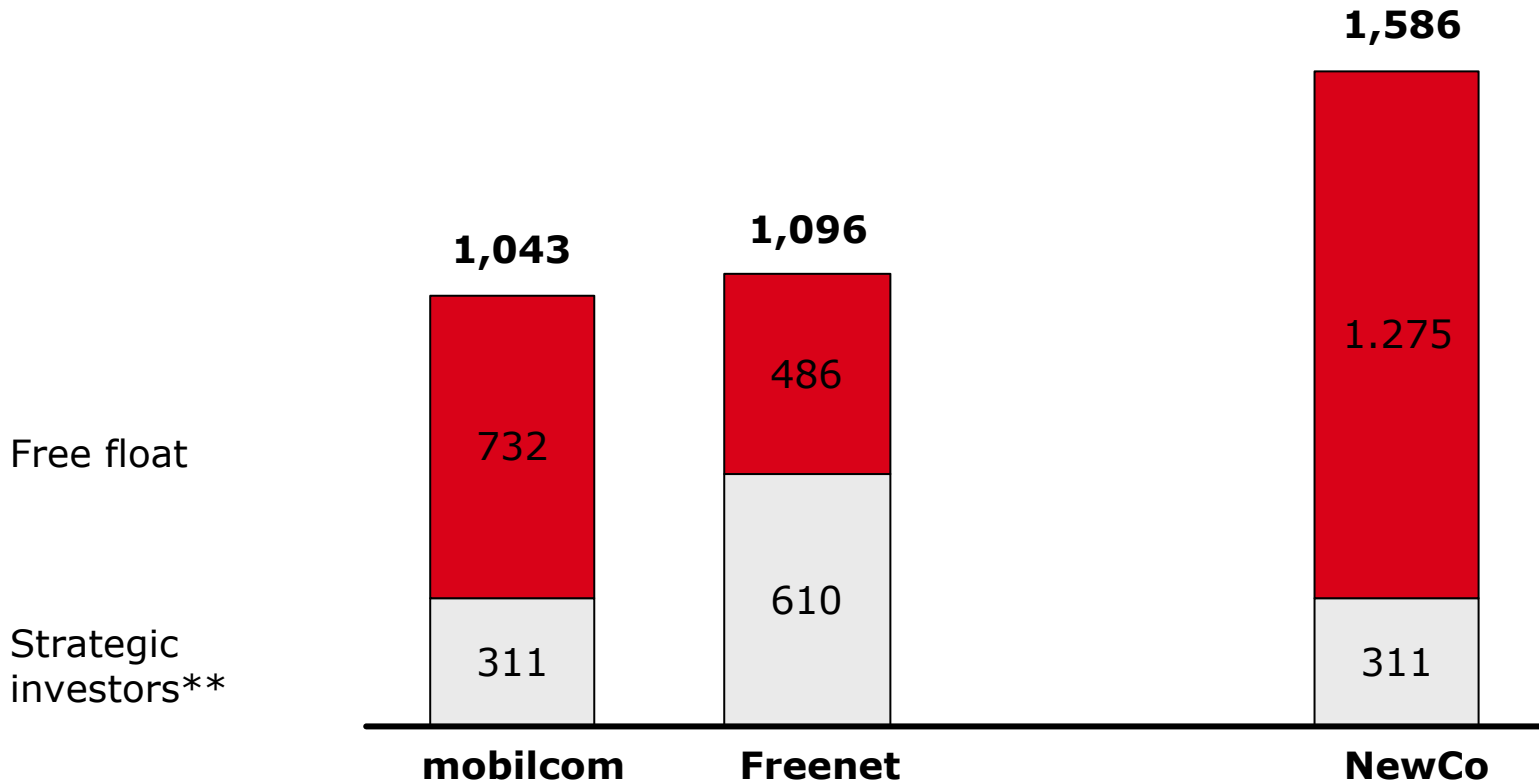
■ Liquidity*	365 Mio. Euro
■ EBITDA**	185 - 200 Mio. Euro

\* As of 31.12.2004

\*\* Plan 2005

# Development in market capitalisation and free float

[market capitalisation\* € million]



\* As of Thursday, 3 March 2005

\*\* France Telecom at mobilcom; mobilcom at Freenet

## Using losses carried forward

- If loss carry-forwards had been available at freenet, the “theoretical” tax expense for 2004 would have been approx. € 23 mn lower
- mobilcom has appropriate loss carry-forwards
- Cash value of loss carry-forwards if applied for freenet: Approx. € 200 mn

## Better access to the capital market (in particular debt)

- Clear structure capable of being used for lending purposes
- Gain in size opens up further financing options:  
Access to additional investors and financing instruments

\*Estimate on the basis of IFRS group figures:  $EBT\ 2004 = €\ 97.7\ mn \times 60\% \times 40\%$  (tax ratio) = € 23.4 mn

## **Merger of mobilcom and freenet**

- Procedure: Merger to form NewCo
- Establish exchange ratio based on valuation reports in accordance with IDW ES1
- No cash offer
- No "take-over": Increase in existing holding not necessary /feasible

## **Schedule**

- Initial valuation results possible in approx. 2 - 3 months