

# Analyst Presentation

ecotel communication ag

November 2006



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Financial Data refers to the Reports of ecotel communications ag published on our website: [www.ecotel.de](http://www.ecotel.de)

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Sämtliche genannten Finanzdaten sind in den Finanzberichten auf unserer Webseite veröffentlicht: [www.ecotel.de](http://www.ecotel.de)

# Investment Highlights

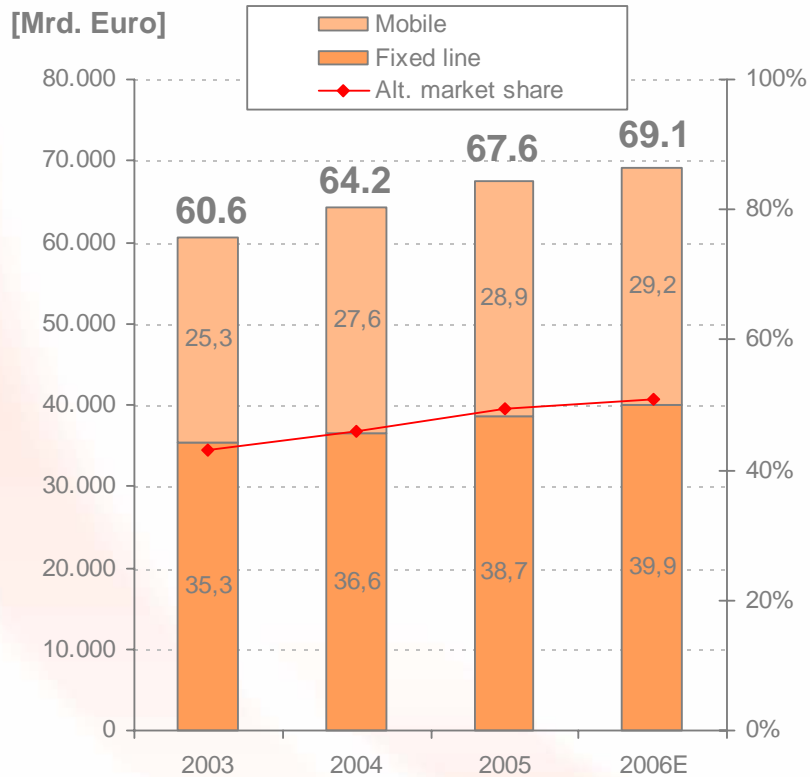
- ecotel is a German telco operator
- Focus on business customers with tailored voice and data products
- Attractive customer base in the SME segment with more than 45.000 contracts
- Efficient sales structure (500 active sales partner)
- Own wholesale unit
- Low cost base through central switch infrastructure
- Own order management and billing system
- Locations in Düsseldorf (headquarters) and Munich / 140 employees
- Profitable since July 2002, 2006 9M Revenues: € 46,5m, EBIT: € 3,2m
- Listed on the Frankfurt Stock Exchange (Entry Standard), market capitalization of € 42m\*, € 9m net cash assets
- Among Germany's fastest growing technology companies (ranked 8th / 38th place in the Deloitte Technology Fast 50 in 2005 / 2006)

\*Based on a share price of € 12

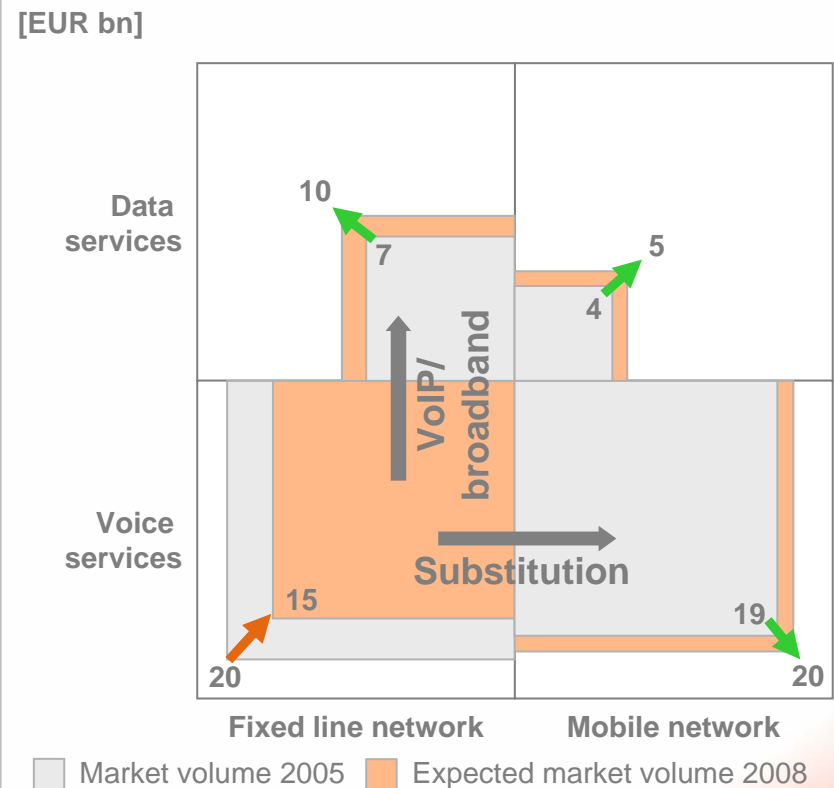
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# German telco market growth slows down with significant market shifts

## Overall market \*



## Market trends



Source: Dialog Consult. VATM. Arthur D. Little  
 \* incl. wholesale and terminal sales (approx. EUR 17bn)

# End customers could benefit from the market dynamics

## Market trends

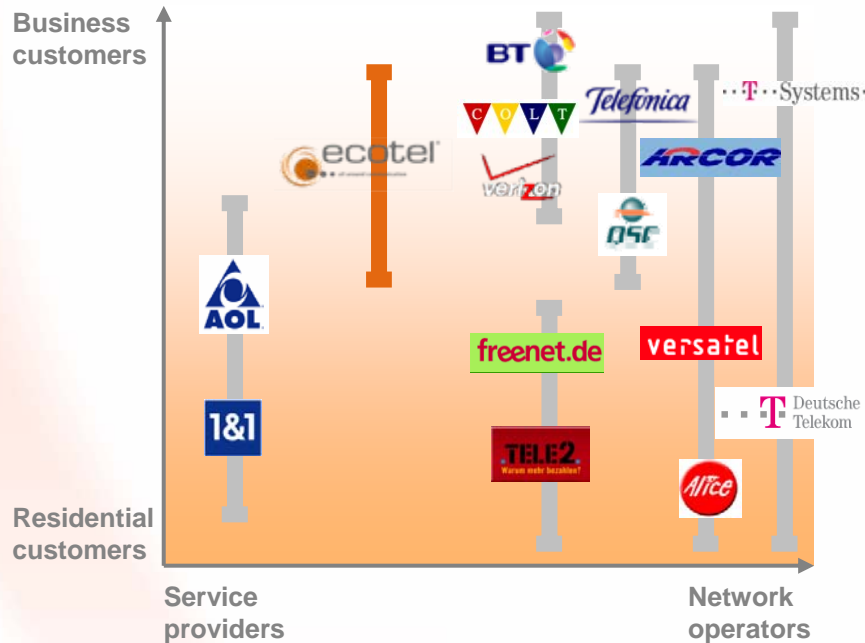
- Overall market growth has slowed down
  - But strong shift within the sub-segments
  - Regulator presses ahead with liberalization and removal of barriers for market entry
- Infrastructure: excess supply
  - Soon to take place also in the access infrastructure, not only backbone
- Elimination of fixed correlation between services and networks through deployment of new technologies
  - e.g. broadband WLAN, HSDPA, VoIP, IP-VPN's

## Impact on end customers

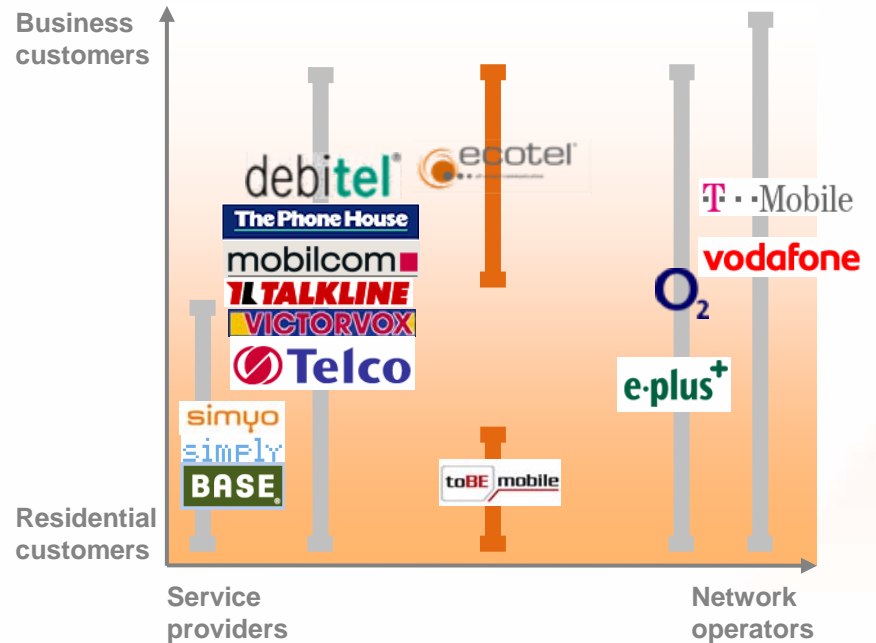
- Growing complexity through numerous contractual partnerships (incumbent, alternative telco's, ISP's, mobile operators, webhosting)
- Lack of transparency of products
- Potential efficiency enhancement and cost savings through
  - Flat-rate pricing
  - Access bundling (voice/data)
- New applications through
  - Convergence of voice/data/mobile phone offerings
  - New value-added services

# ecotel positions itself as a virtual network operator in the SME segment

## Fixed line

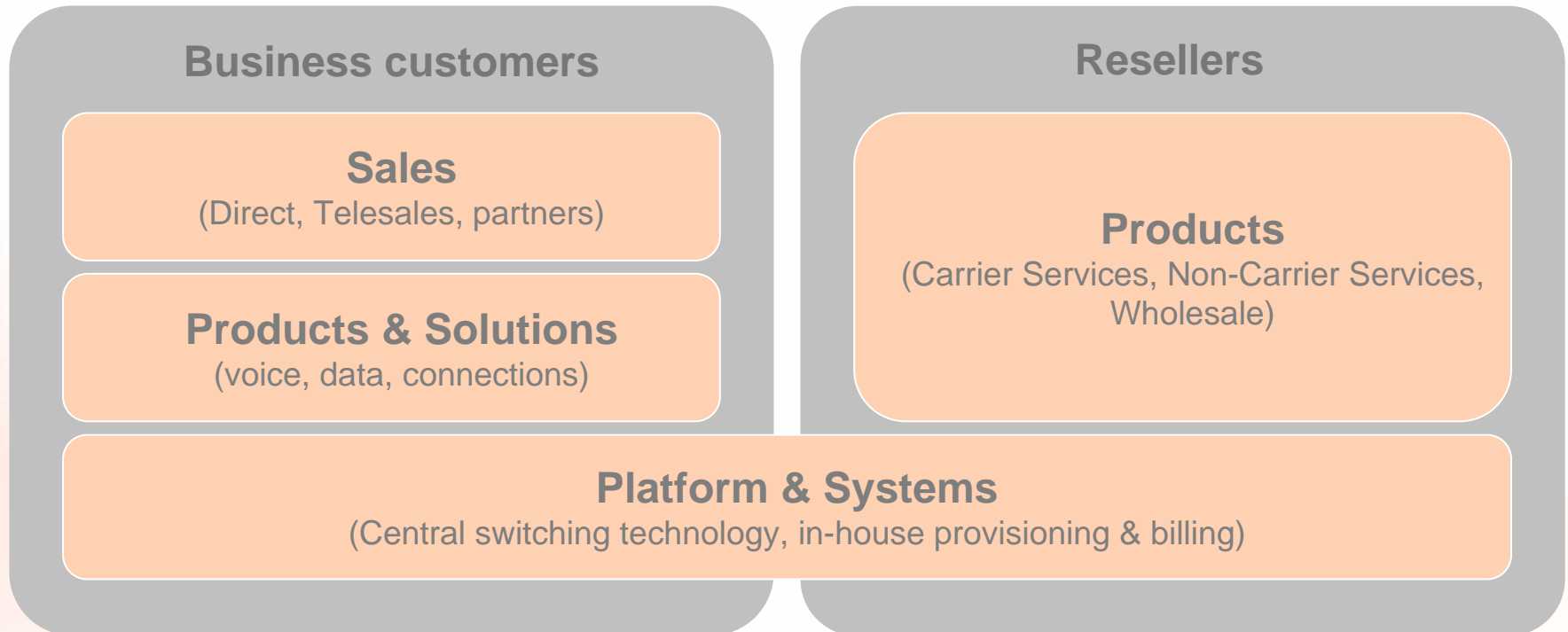


## mobile telephony planned



- ▶ Focus on profitable niches: business customers in the SME segment
- ▶ Investments limited to assets that lead to higher purchasing power or greater customer satisfaction
- ▶ Focus on process automation (internal. external) to enhance performance & efficiency

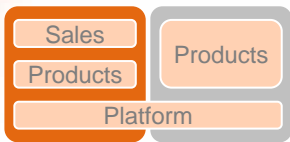
# ecotel has 2 business segments



- Focus on SMEs and trade groups: approx. 45.000 contracts\*
- 500 active sales partners
- Customized products and services

- End-to-End solutions for non-industry sellers and attractive offerings for other telcos
- Own central switching technology for higher purchasing power

\* From a customer base of about 35.000 clients



# We focus on client needs

## Business customers' requirements

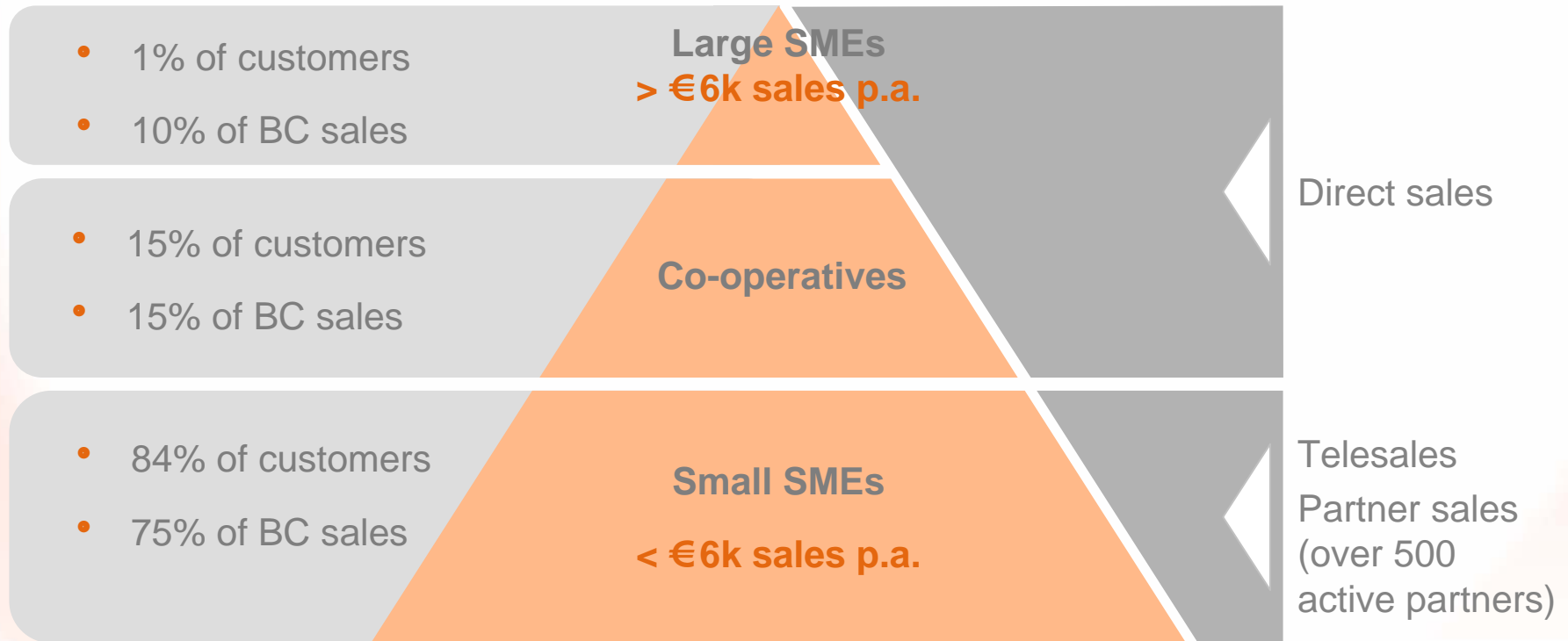
- **Quality and performance**
- **Individually customized solutions**
- **Fast service**
- **Attractive conditions**
- **Simple and transparent billing**
- **Confidence in partner**

## Value proposition ecotel

- **Quality and service at least as good as Deutsche Telekom**
- **Cheaper than Deutsche Telekom, but not a discounter**
- **Customized solutions**
  - Access line
  - Voice and data traffic
  - Flatrate
  - Customized billing (e.g., by cost center)



## ecotel has an attractive customer mix



- ▶ ~ 45,000 contracts. ~ 35,000 customers, diversified client base
- ▶ ARPU of EUR 950 p.a. per contract in 2006 (increasing from EUR 900 in 2005)
- ▶ 500 – 1,000 new contracts a month (depending on sales campaigns)

# References SME customers



# References Co-operatives



- First cooperation partner in November 2000
- No. 1 in the European hardware trade
- 1.500 member companies (tooling. machines. sanitation. heating and steel)
- 90 corporate groups as clients
- > 1,000 members and suppliers as clients



## Other selected co-operatives:

prognos  
die einkaufsgesellschaft

**EP:** comTeam  
ElectronicPartner  
Systemhäuser im Verbund ElectronicPartner



süd  
bund

**COBA**  
Alles unter einem Dach - Profis für Profis



**ZEDACH**  
GRUPPE



telering  
Ihr Spezialist mit Fachkompetenz



DEUTSCHER  
MÖBEL VERBUND

INTERBAUSTOFF

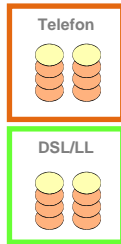


teleprofi  
das Fachhändler-Netzwerk

▶ Key success factor: centralized billing

# Billing of all services on a single invoice

## Connections



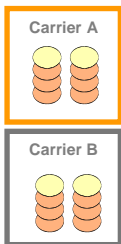
Basic fees and connections to VAS numbers etc.

DSL / LL data

## Billing-System



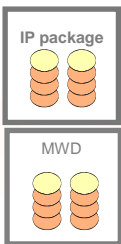
## Voice traffic



CDR's

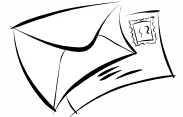
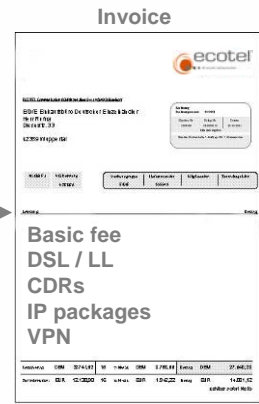
CDR's

## Internet traffic



No. of IP packets

VAS products:  
Firewall, VPN, Portals  
Shop solutions, Fax-  
Broadcast, conference  
calls etc.



ecotel  
Partner Portal

- ⇒ Individual bills
- ⇒ Group bills
- ⇒ Cost center bills
- ⇒ Centralized billing
- ⇒ Detailed call data records
- ⇒ Online access to invoice data for sales partner
- ⇒ etc.



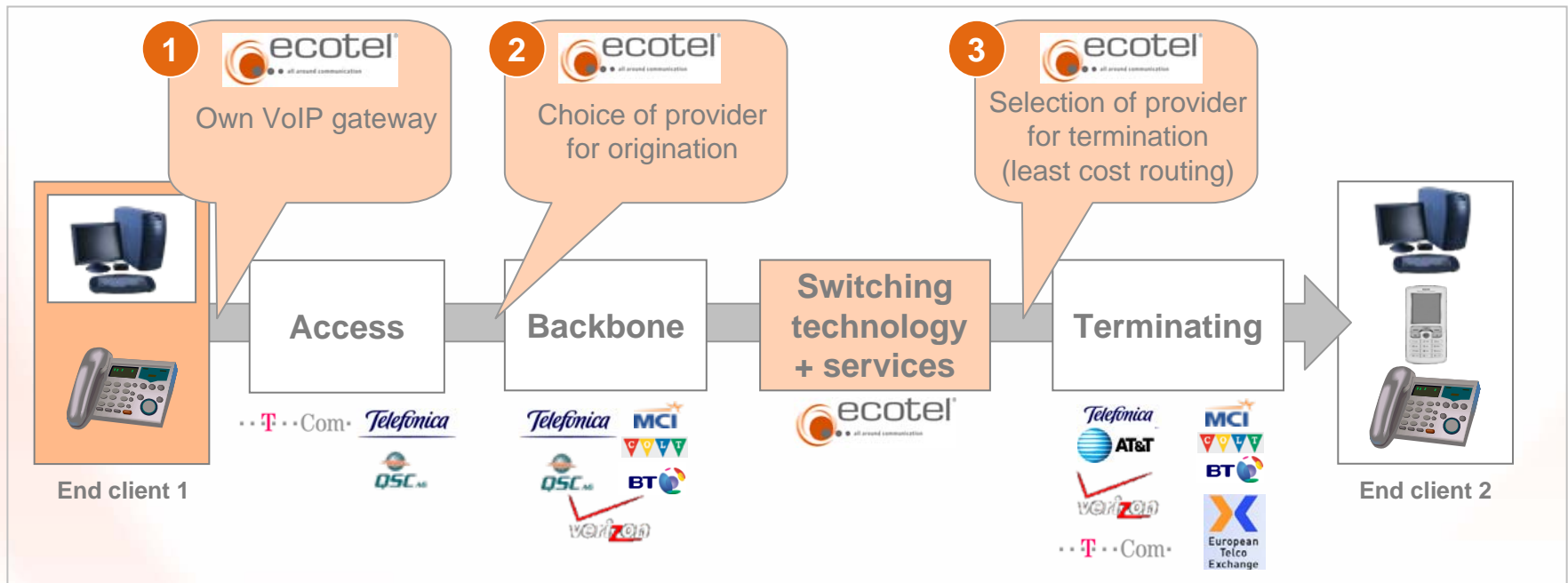
# Core business with considerable growth potential

	Access lines	Voice services			Data services	New Services
	Phone and data	Classical telephony	VoIP	Service Calls (0800, 0180, 0900)	IP, WLAN, VPN	e.g., mobile services
<b>Sales mix 2005</b>	–	93%	–	3%	3%	–
<b>Sales mix 2008 (planned)</b>	~ 20%	~ 60%			~ 20%	

- Cost-effective voice services for business customers
- Bundling of access lines, voice and data services
- Bundling on a single bill
- Increase of ARPU per customer contract from EUR 950 p.a. to EUR 1,500 by up-selling the product portfolio to established customers

# ecotel Platform – Optimal cost structure

## Virtual network operator



- ▶ Significant cost advantage due to deployment of own central switching technology (80% of costs are in the termination leg)
- ▶ Optimized cost base and quality by selecting the most powerful and cost-effective provider (LCR = Least Cost Routing)

# ecotel Platform – in detail

Originating

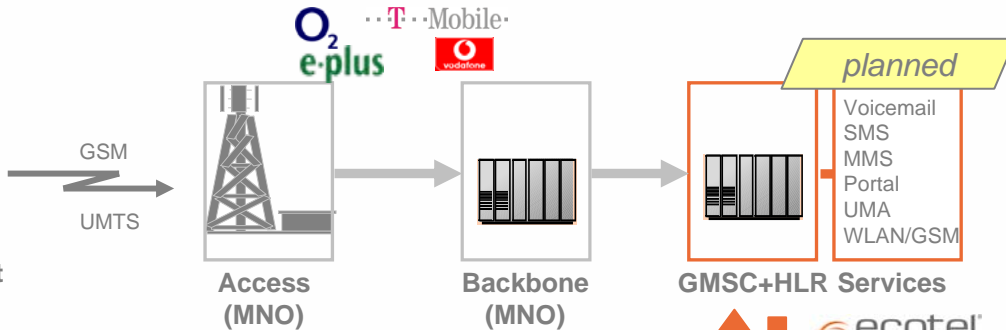
Interconnection

Terminating

## Mobile



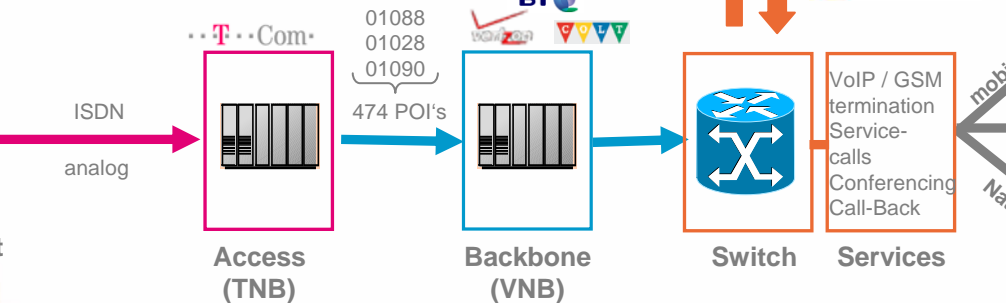
Terminal client



## PSTN



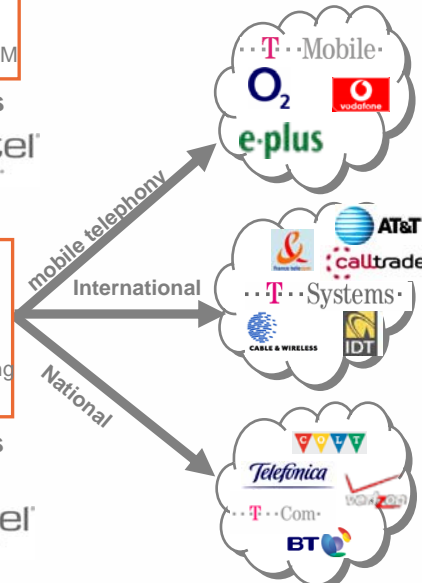
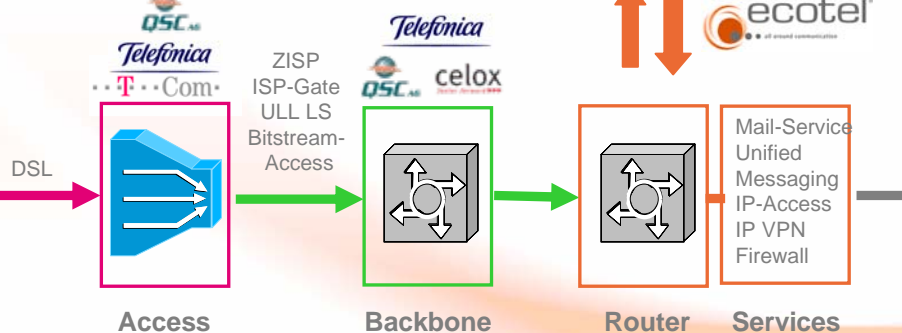
Terminal client



## VoIP



Terminal client



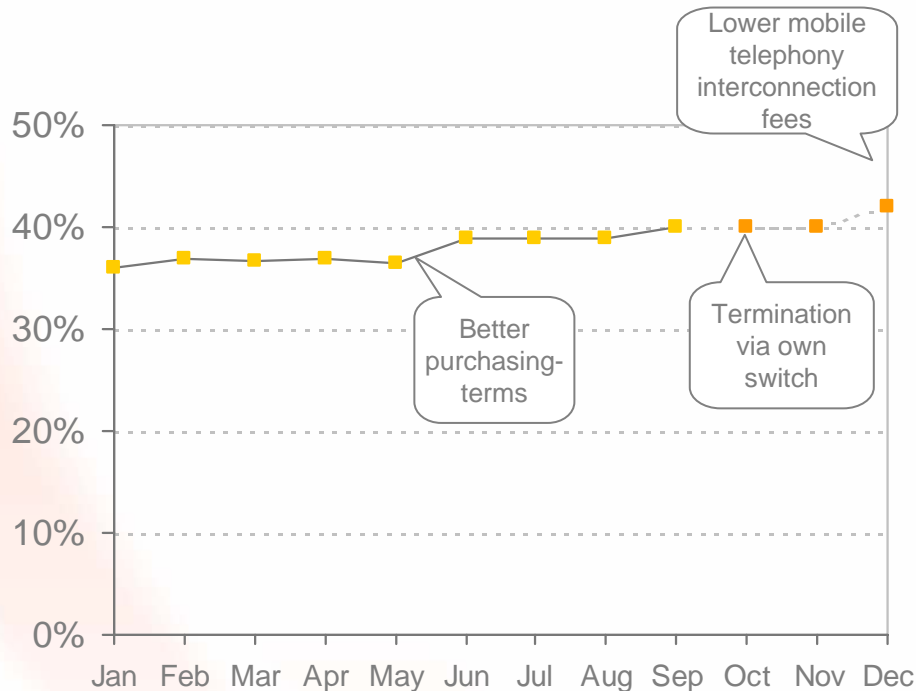
VPN



Terminal client

# Gross margin trends (business customers)

## Gross margin trends 2006



Note: January to September figures: reported.  
as of October budget figures

- Gross margin – improved from January 06 - August 06 from 36% to 39%
- As of October 06 termination via own switch:  
-> Increase of gross margin to 40%
- As of December 06 lower interconnection fees for mobile telephony by 16%:  
-> Expected rise in gross margin to 42%



# Reseller solutions

## Carrier Services



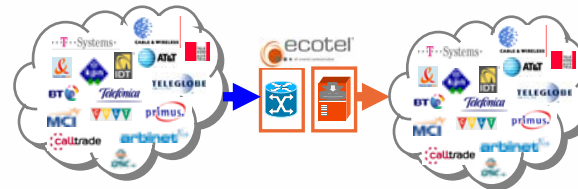
Services for **other telcos** (outsourcing projects) such as direct access for voice and data traffic, IP services, access lines, order management, billing

## Non-Carrier Services

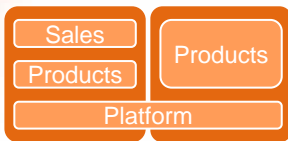


White Label and co-branding services for **non-industry distributors** such as e.g. ADAC and PLUS

## Wholesale



Spot market trading of phone minutes, therefore **amortization of investment costs** for **in-house switching technology** and **better purchasing conditions** for the business customer products



# Our key success factors

## Attractive client base

- Established and diversified customer base in the SME segment
- Ongoing increase in average revenues per customer contract (ARPU\*: €950 p.a.)

## Efficient sales in the SME segment

- Long-standing successful partnership with more than 90 co-operatives
- Established partner sales with more than 500 active partners and a flexible and powerful commission model
- Acquisition of 500 – 1.000 new contracts per month

## Intelligent efficient use of own platform capacity

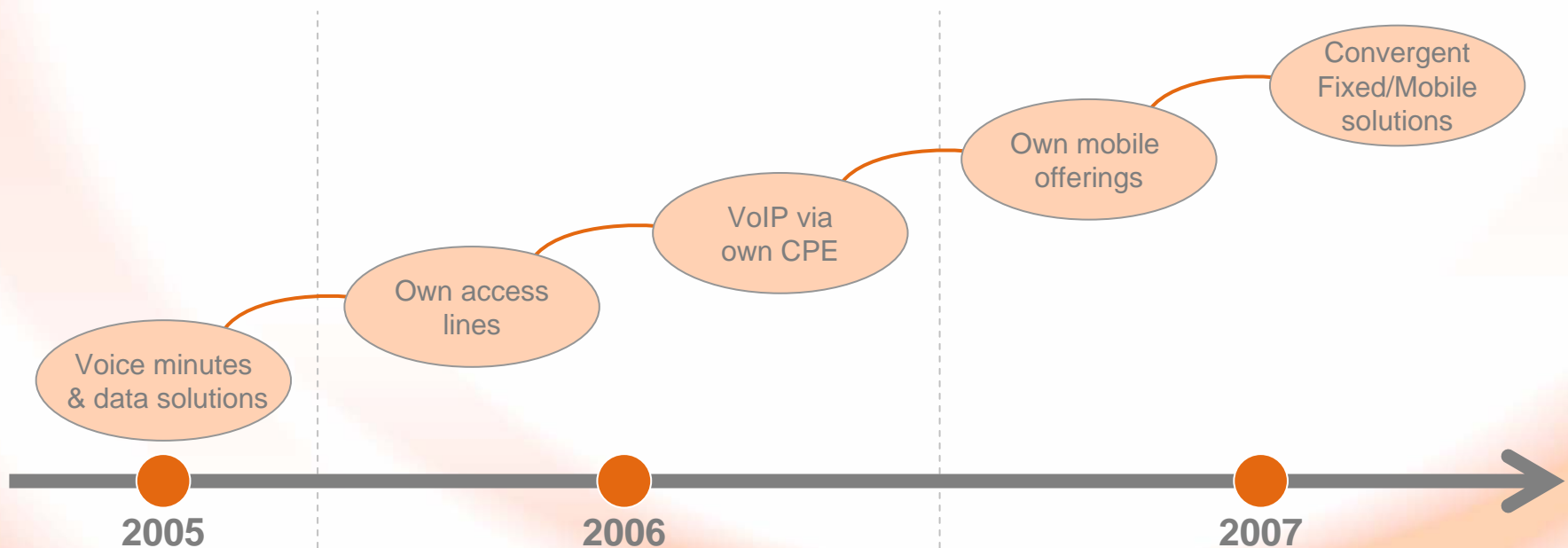
- Increased share of the telecoms value chain through own central switching technology, which results in a cost base comparable to full-fledged infrastructure operators
- Own provisioning and billing system with great flexibility
- Experienced management team with the ability to identify early market trends and quickly grab and convert business opportunities

\*Average revenue per user

# Ecotel's strategy

- ▶ Expansion of the **business customer base** (organic / by acquisitions)
- ▶ **Product expansion** (greater share of the clients' telco budget)
- ▶ Investment in **new technologies** to optimize products and procurement costs

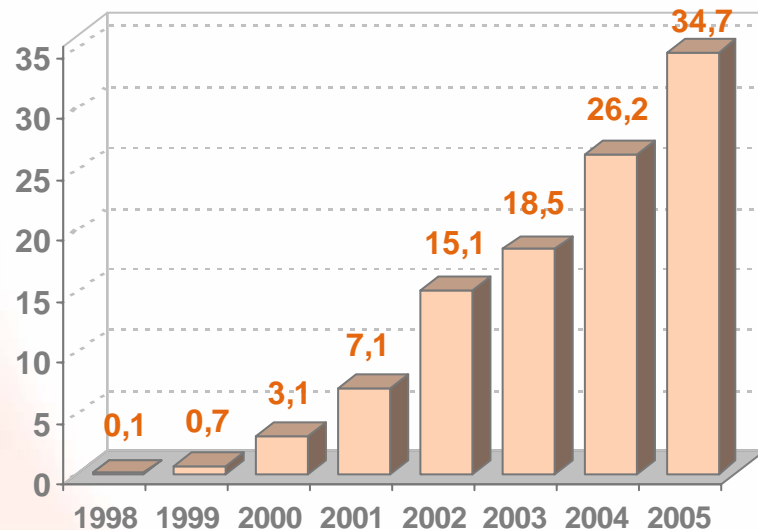
## Product expansion strategy



# Company growth over time

## Revenues

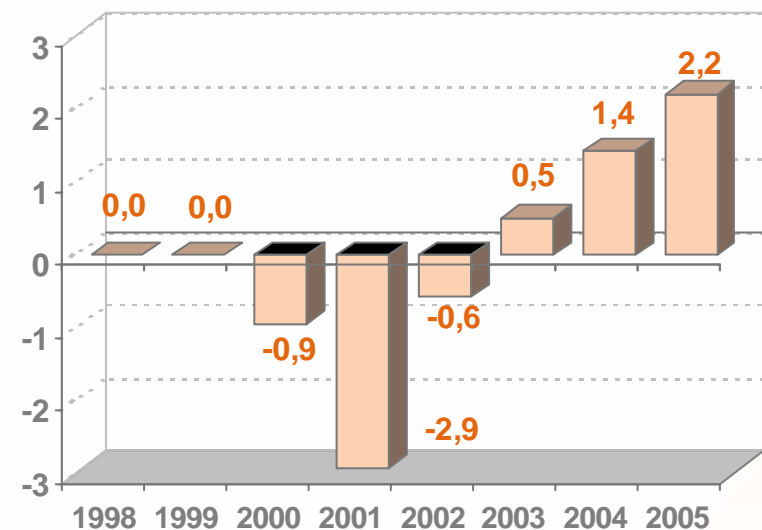
[€ mill]



- Revenues grew by 62% CAGR since 2000

## EBIT

[€ mill]



- Profitable since 2003
- Sizable Investments only since 2005

Management has succeeded in finding a healthy balance between profitability, growth and financial reserves.

# P&L

[€ mill]

Key P&L figures (HGB)	2004	2005	Growth	9M 2005	9M 2006	Growth
Revenues	26,2	34,7	32%	24,5	46,5	90%
of which business customers	26,2	32,0	22%	23,9	32,2	35%
of which reseller	0	2,7	n/a	0,6	14,3	n/a
Gross profit	9,0	11,5	28%	8,7	13,2	52%
of which business customers	9,0	11,3	26%	8,7	12,2	40%
of which reseller	0	0,2	n/a	0	1,0	n/a
EBITDA *	1,6	2,5	56%	2,2	3,8	73%
EBIT *	1,4	2,2	57%	2,0	3,2	60%
Net Income	0,3	1,0	233%	0,9	-6,4	n/a

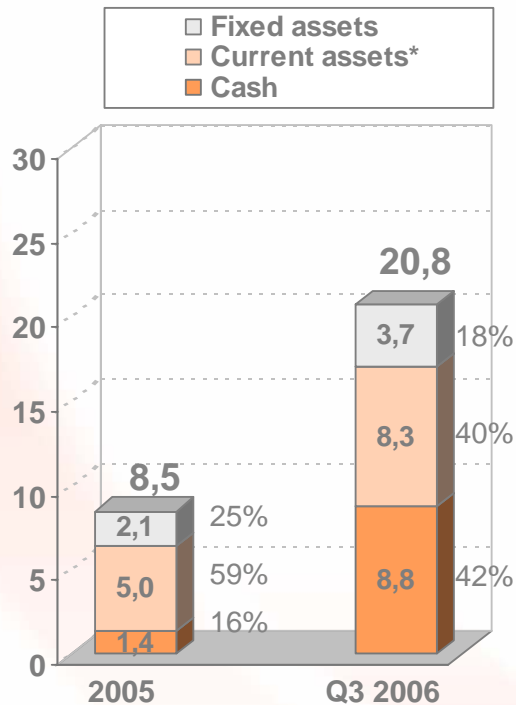
- ▶ Gross profit grew by 52% in 9M 2006
- ▶ Gross profit margin for business customers increased slightly to 38%
- ▶ EBITDA grew by 73% in 9M 2006
- ▶ EBIT grew by 60% in 9M 2006

\* excluding extraordinary expenses (e.g. IPO cost or the merger with DSLCOMP)

# Balance sheet

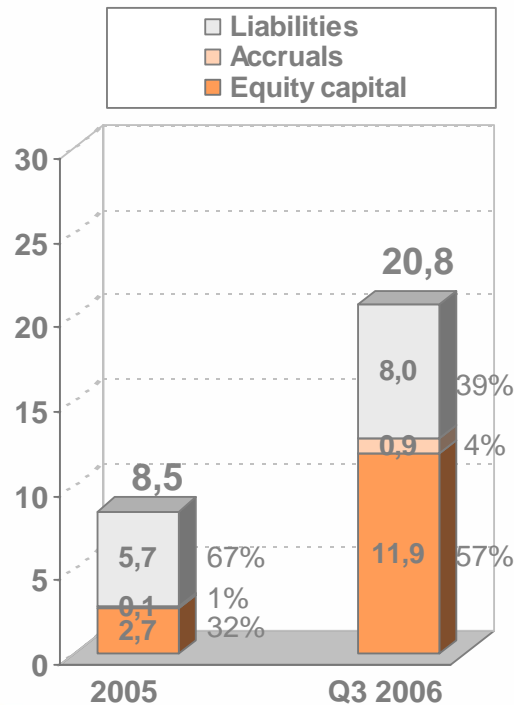
## Assets

[€mill]



## Liabilities

[€mill]



- HGB accounting
- Balance sheet total increased due to IPO
- Equity ratio of 55%
- No interest-bearing liabilities
- Cash of € 8,8m
- Merger with DSLCOMP (purchase price: € 7,6m) booked as extraordinary expense – no goodwill

\* Current assets incl. deferred items excluding cash

# Cash-Flow

[€ mill]

Key figures on cash flow	2004	2005	Q3 2006
Cash and cash equivalents as of Jan. 01	1,3	1,5	1,4
Cash flow from operating activities	1,0	1,9 (1,3 *)	3,0 (-5,7 *)
Cash flow from investing activities	-0,8	-1,4	-2,2
Free cash flow	0,2	0,5 (-0,1 *)	0,8 (-7,9 *)
Cash flow from financing activities	0,0	0,0	15,3
Cash and cash equivalents as of Dec. 31	1,5	1,4	8,8

- ▶ Extraordinary cost (IPO, Merger of DSLCOMP, Acquisition of toBEmobile and Bindone) of € 8.7m in H1 2006
- ▶ Investment of € 1,3m in 9M 2006 in intelligent central switching technology and software and €0,9m for a majority share in toBEmobile and Bindone
- ▶ IPO capital increase in March 2006 resulted in € 15,9m cash flow. Cash flow from financing activities also contains € 0,6m profit payout to DSLCOMP

\* Incl. extraordinary items

# Outlook

## ▶ Targets 2006:

- **EBIT targets for 2006 of over €4.4m**
  - EBIT business customers: € 4.4m
  - EBIT reseller: € 0m (not impacting on profit)
- **Revenue target of 2006 of over €62m**
  - Revenues business customers: € 43m
  - Revenues reseller: € 19m

## ▶ Targets 2007:

- **Expected EBIT growth for 2007 of 50%**
- **Expected sales growth for 2007 of ~ 40% out of existing business (incl. access lines) and new products such as mobile telephony**
- **Strategic acquisitions continue to be a focus areas**
- **Shift into the Prime Standard planned for Q1 2007**



# The stock – ticker E4C / WKN 585434



\*Based on a share price of € 12

- IPO in March 2006, Entry Standard
- 3,5 mill common shares
- Market capitalization: €42m\*, €9.3m net cash
- Acquisition of **DSLCOMP** in May 06 for €7,6m
- Acquisition of **toBEmobile** and **bin/done** in September 06 for €1m
- Shareholder structure (11.09)
 

P. Zils:	34.6%
T. Schulte Havermann:	18.0%
Asgard Int.:	10.8%
GVA:	7.2%
Freefloat:	29.4%
- All pre-IPO shareholders have a soft lock-up period until March 07