

MANAGEMENT PRESENTATION

Results for Q2 2021

CHRISTOPH VILANEK, CEO
INGO ARNOLD, CFO

12 August 2021

Analyst and Investor Conference Call

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AGENDA

1 BUSINESS

C. VILANEK, CEO

2 FINANCIALS

I. ARNOLD, CFO

3 Q&A

STRONG PERFORMANCE IN H1 21

8,681 ^{000s}

TOTAL SUBSCRIBER BASE

222.3 ^{mEUR}

EBITDA

112.2 ^{mEUR}

FREE CASH FLOW

+190.4 ^{000s}

HIGH CUSTOMER INTAKE

+8.4 ^{mEUR}

GROWTH FROM TV & MEDIA

+11.9 ^{mEUR}

CHANGE W/O SUNRISE DIVIDEND
AND RELATED INTEREST PAYMENTS

yoy change

HIGHLIGHTS Q2 2021

MOBILE COMMUNICATIONS

- Retail partners rate mobilcom-debitel best telco 2021 (readers' poll German telco magazine 'Telecom Handel')
- GRAVIS launches 'Networx Greenline' lbrand as sustainable alternative for certified Apple accessories
- Gradual re-opening of stores since mid-May; July 100 per cent open from July

GROUP

- Share buyback program 2021: more than 3.8 million shares bought back for over 75.0 million euros, 5.0% hurdle of own shares held exceeded on 28 July 2021
- freenet AGM decided on dividend distribution of 1.50 euros per share for financial year 2020 plus special dividend of 0.15 euros per share
- Corona pandemic: Group-wide testing strategy and vaccination offering by company doctors, (cautious) gradual return of employees to the offices; short-term work suspended

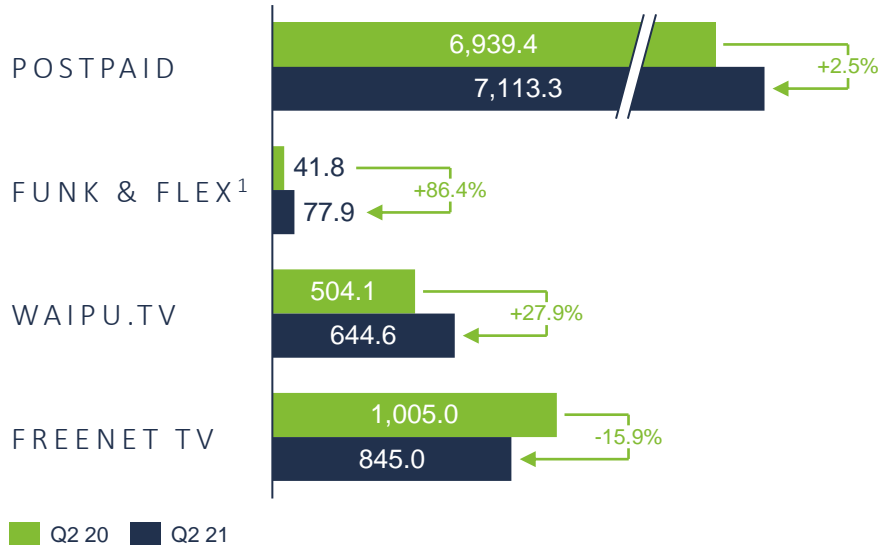
TV AND MEDIA

- 'Telecom Handel' award for cooperation with retailers in the TV segment: waipu.tv and freenet TV rank second (of five)
- Digital Radio: Media Broadcast wins 3 additional DAB+ platform licenses (NRW, Hamburg, Saarland)
- EXARING decides to switch to leased fibre: Decision cost neutral, but reduces future operational complexity

HIGH VALUE SUBSCRIBER BASE GROWS CONSTANTLY

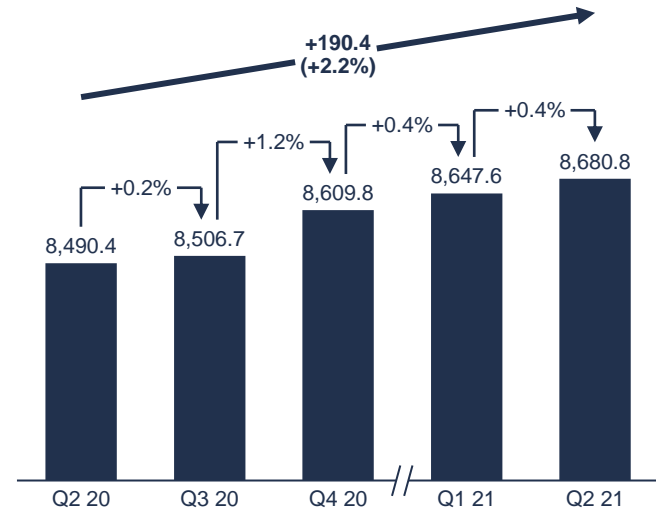
DEVELOPMENT PER SUBSCRIBER GROUP

in '000s



TOTAL SUBSCRIBER BASE

in '000s

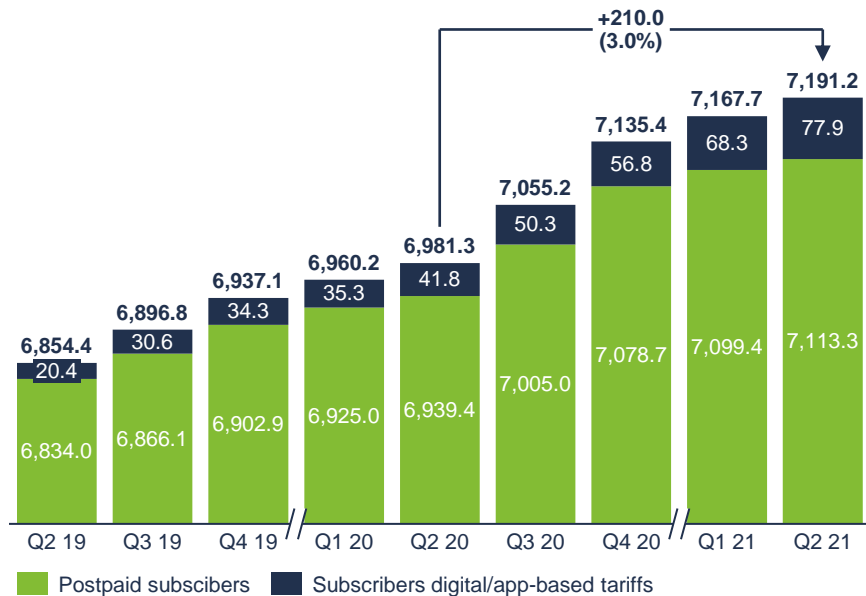


¹ ARPU, profitability, and loyalty comparable to postpaid contracts, but not yet counted within postpaid base

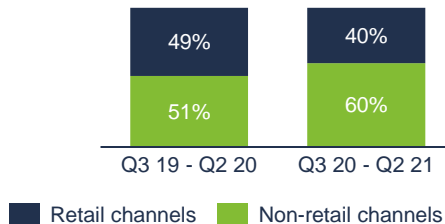
HIGH MARGIN MOBILE CUSTOMERS GROW BY +23,600 IN Q2

HIGH-VALUE MOBILE CUSTOMER BASE

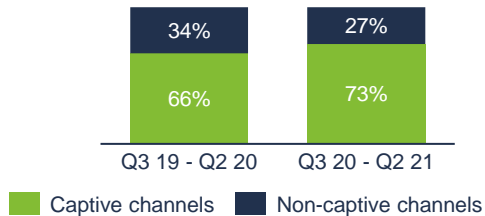
in '000s



APPROX. 60% OF GROSS ADDS VIA NON-RETAIL CHANNELS (L4Q)



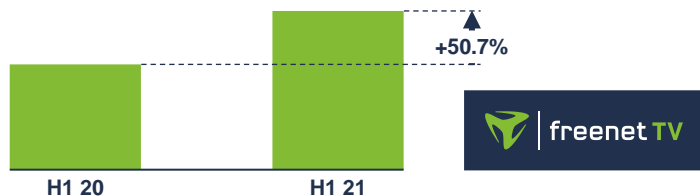
>70% OF CONTRACT CONCLUSIONS VIA CAPTIVE CHANNELS (L4Q)



FURTHER SLOWDOWN OF FREENET TV CUSTOMER ATTRITION

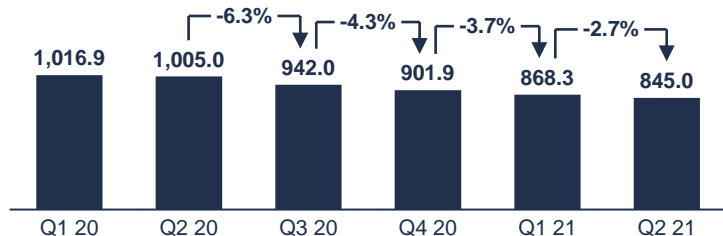
FREENET TV EBITDA IMPROVES

Indexed



STABILISATION OF FREENET TV SUBSCRIBER (RGU) CHURN EXPECTED

in '000s



B2B HIGHLIGHTS

- Media Broadcast won 3 regional DAB+ platform licenses in the German regions NRW, Saarland and Hamburg, each for a period of 10 years
- Prestigious tender to broadcast Bundesliga and 2nd Bundesliga matches for Sportschau won, over 1,000 matches, contract period 4 years
- 5G campus network implemented for TV broadcasts in the European Championship headquarter of the German national soccer team in Herzogenaurach, Germany

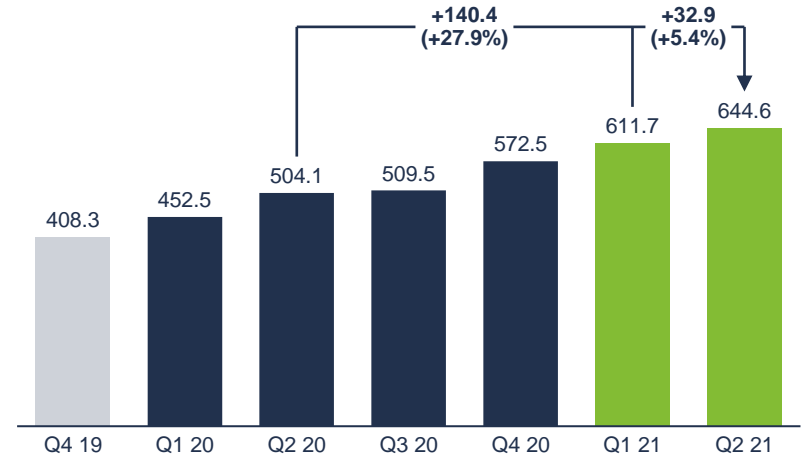
WAIPU.TV REMAINS ON PROFITABLE GROWTH PATH

BALANCE B/W PROFITABILITY AND GROWTH

- Another quarter with strong subscriber growth despite 30% retail price increase of flagship product 'waipu Perfect Plus' (effective since January 2021)
- waipu.tv as pioneer in Dynamic Ad Substitution: cooperation with Google gaining traction
- waipu.tv handled record traffic during UEFA Euro 2021 games without compromise in quality or signal speed, a differentiating factor versus virtually all competing platforms
- EBITDA contribution in the mid single-digit million range likely in 2021

SUBSCRIBER BASE DEVELOPMENT

in '000s



COMMERCIAL OUTLOOK H2 21

MOBILE COMMUNICATIONS

- Further strengthening of the operating model and focus on CLTV
- Retail back to normal expected
- Stable development of EBITDA and growth in terms of customer base
- New combined ATL and BTL advertising campaign across all brands with a single testimonial

STABLE DEVELOPMENT EXPECTED



TV & MEDIA

Media Broadcast

- Growth in listener numbers and improving advertising market should drive ad sales for radio

waipu.tv

- Launch of branded waipu.tv stick with owned remote control (waipu, waiputhek, Netflix, youtube preinstalled)

CONTINUATION OF GROWTH

GUIDANCE RAISED AFTER STRONG H1 AND POSITIVE OUTLOOK FOR H2

SUBSCRIBER GUIDANCE

in '000s



	ACTUAL 2020	GUIDANCE 2021 INITIAL	UPDATE
<ul style="list-style-type: none"> Postpaid customer (w/o digital/app-based tariffs) 	7,078.7	Moderate growth	=
<ul style="list-style-type: none"> freenet TV RGU 	901.9	Moderate decrease	=
<ul style="list-style-type: none"> waipu.tv subscriber 	572.5	Solid growth	=

FINANCIAL GUIDANCE

in mEUR/ as indicated

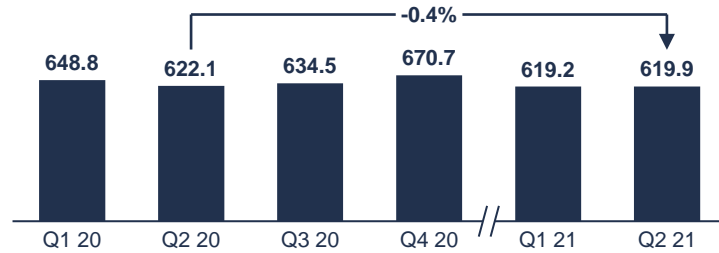


	ACTUAL 2020	GUIDANCE 2021 INITIAL	UPDATE
<ul style="list-style-type: none"> Revenue 	2,576.2	stable	=
<ul style="list-style-type: none"> EBITDA 	425.9	415-435	430-445 +12.5 to mid point
<ul style="list-style-type: none"> Free cash flow (w/o Sunrise) 	201.3	200-220	215-230 +12.5 to mid point
<ul style="list-style-type: none"> Payout policy: 80 per cent of FCF distributed to shareholders 			

GROUP EBITDA +4.3% YOY

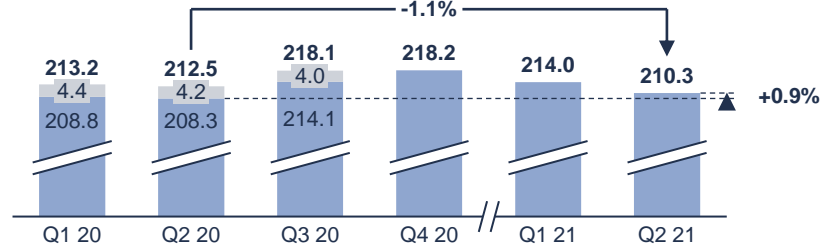
GROUP REVENUES

in mEUR



GROUP GROSS PROFIT

in mEUR



■ Gross profit w/o freenet digital (fn digital) ■ fn digital (decons. 30/09/2020)

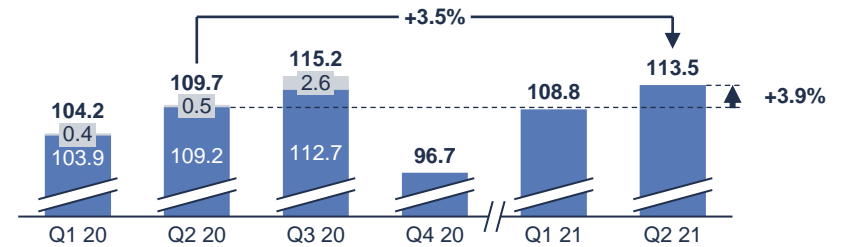
freenet **GROUP**

FIRST HALF 2021

- Revenue down 2.5% yoy at 1,239 mEUR, mainly due to the decline in sales of low-margin hardware in the Mobile Communications segment (pandemic-related)
- Gross profit (w/o freenet digital) up 1.7% at 424.3 mEUR.
- EBITDA (w/o freenet digital) up 4.3% yoy at 222.3 mEUR, driven by TV and Media segment and overall sustainable cost management

GROUP EBITDA

in mEUR

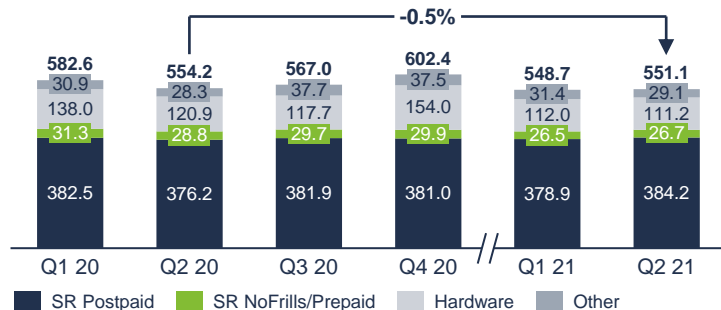


■ EBITDA w/o fn digital ■ fn digital (decons. 30/09/2020)

MOBILE COMMUNICATIONS ROCK-SOLID FCF CONTRIBUTOR

REVENUES

in mEUR

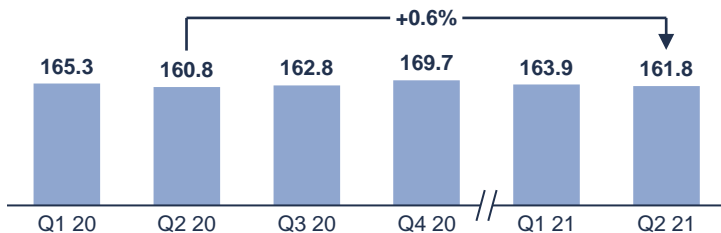


FIRST HALF 2021

- Revenue down 3.3% yoy at 1,099.9 mEUR, negative impact from low-margin hardware sales overcompensate slight uptake in Postpaid Service Revenue (SR)
- Stable gross profit (-0.1%) and EBITDA (+0.4%) development yoy due to increased valuable postpaid customer base and cost efficiency
- No change in mobile customers' payment behavior visible (bad debt remains on low level); marketing spend still low as well

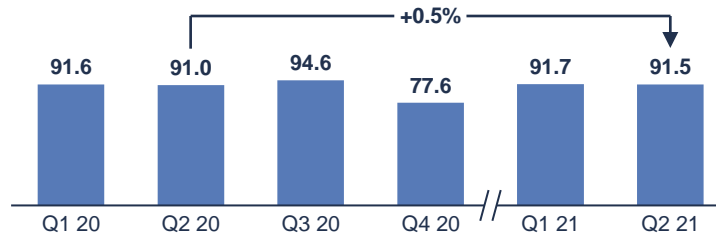
GROSS PROFIT

in mEUR



EBITDA

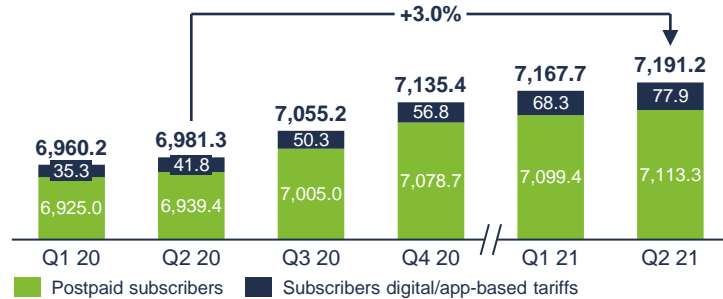
in mEUR



STRONG GROWTH OF DLS REVENUE

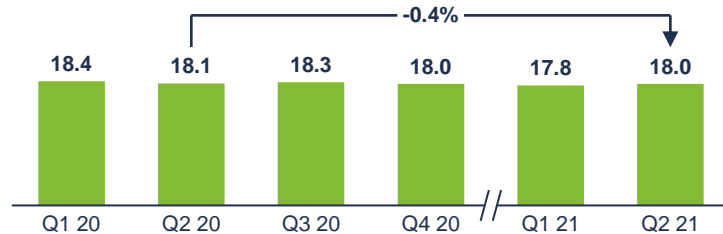
HIGH-VALUE MOBILE CUSTOMER BASE

in '000s



ARPU POSTPAID

in EUR

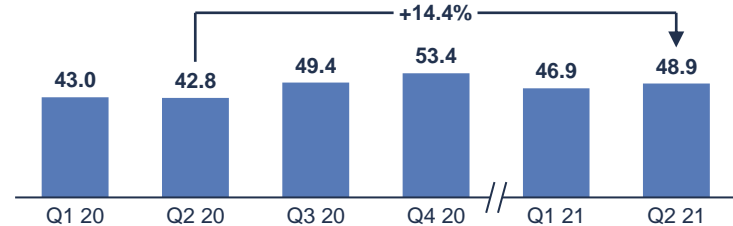


FIRST HALF 2021

- Growing mobile customer base with comparably high profitability and loyalty (+3.0% yoy at 7,191.2k).
- H1 ARPU at 17.9 EUR (-0.3 EUR yoy), reflecting headwinds from Covid-19 restrictions; qoq stabilisation at 18.0 EUR, but roaming and variable ARPU components still below pre-Covid level.
- Gross margin-strong DLS revenue up 11.7% yoy at 95.8 mEUR, high subscription share secures sales contribution.

DIGITAL LIFESTYLE (DLS) REVENUE

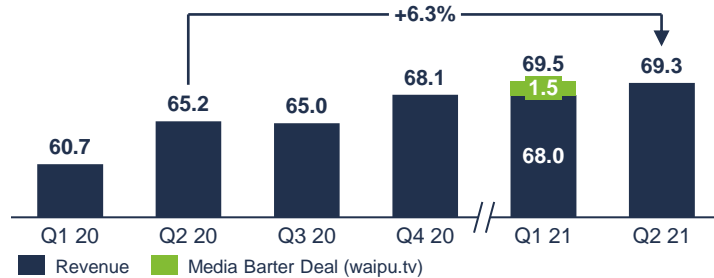
in mEUR



ONGOING POSITIVE CONTRIBUTION OF TV AND MEDIA SEGMENT

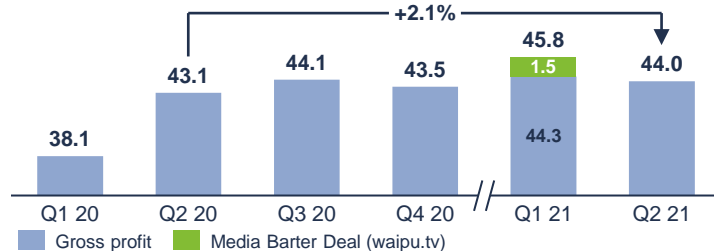
REVENUE

in mEUR



GROSS PROFIT

in mEUR

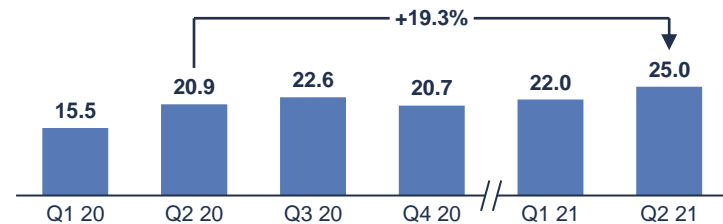


FIRST HALF YEAR 2021

- Revenue up 10.3% yoy at 138.8 mEUR, mainly based on solid waipu.tv subscriber
- Significant increase of gross profit (+7.2 mEUR yoy w/o Media Barter) and EBITDA (+28.8% yoy) primarily related to strong waipu.tv contribution and cost discipline

EBITDA

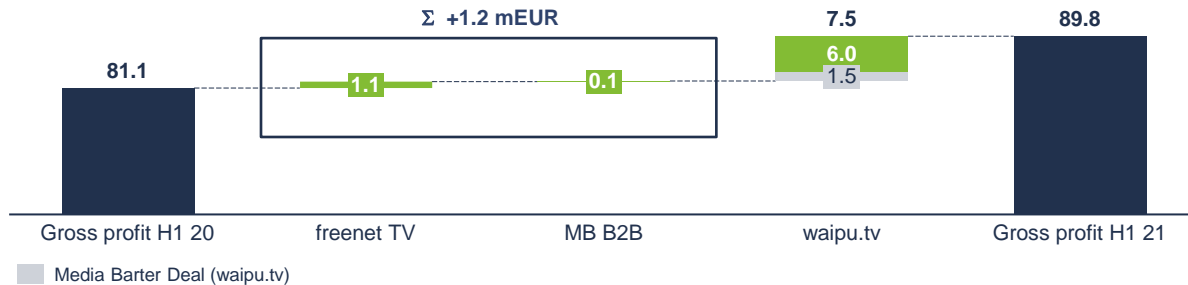
in mEUR



IMPROVEMENTS THROUGH EACH TV AND MEDIA DIVISION

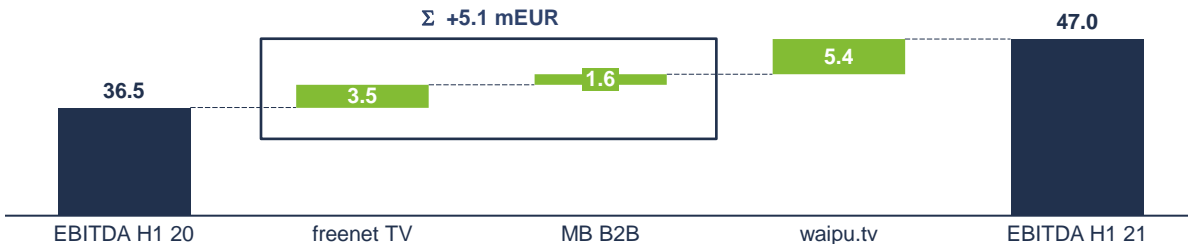
GROSS PROFIT H1 21 VS H1 20

in mEUR



EBITDA H1 21 VS H1 20

in mEUR



EXPLANATION

- freenet TV (MB B2C):** Gross profit improvement due to effect from price increase vs. average freenet TV customer base; at EBITDA level, cost measures become visible
- MB B2B:** Gross profit and EBITDA improvement mainly due to DAB+ (2nd Bundesmux) ramping up
- waipu.tv:** Benefits from further customer acquisition above break-even threshold and improved customer profitability

EXCURSUS: IMPAIRMENT FIBRE OPTICS NETWORK RIGHT OF USE (EXARING)

BACKGROUND

- EXARING had contractually agreed upon a network usage right with NGN Fiber Network, which allowed EXARING to use a nation-wide dark fibre optics network for waipu.tv until June 2025 at no costs
- During the PPA process (2015), the fair value of the network usage right was determined with 68.9 mEUR (capitalized on B/S)
- As of 31 March 2021, the book value amounted to 30.8 mEUR

TRIGGERING EVENT FOR IMPAIRMENT

- Latest market developments enable EXARING to rent the fibre-optic capacity it needs externally at lower operating costs and without any loss of quality for customers
- As a result, EXARING decided to discontinue the in-house operation of a cost and labor-intensive network leading to an impairment of the right of use to an carrying amount of 0 euro (impairment: -29.6 mEUR)
- Decision cost neutral, but reduces future operational complexity

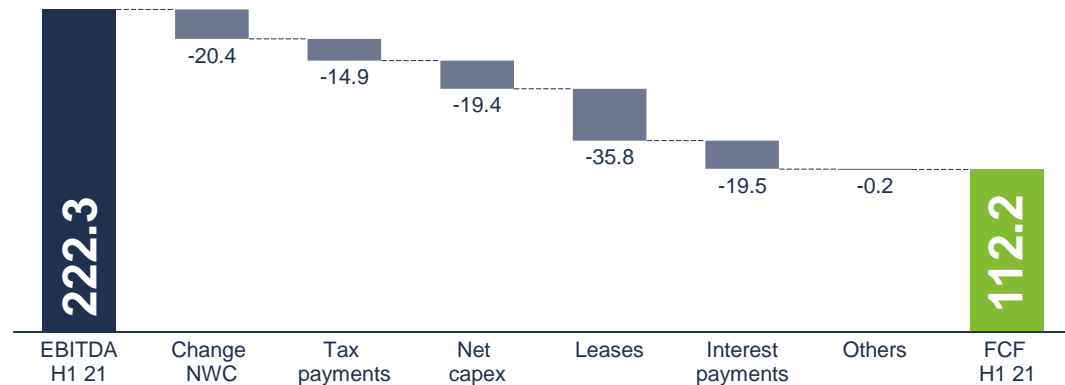
in mEUR/ as indicated	Item	H1/2021 <u>before</u> impairment	H1/2021 <u>after</u> impairment	Delta
B/S:	Intangible assets	482.4	452.8	-29.6
P/L:	D&A	83.7	113.3	-29.6
	EBIT	138.6	109.0	-29.6
	Net Profit*	103.1	82.5	-20.6
	EPS (EUR)	0.84	0.74	-0.10
C/S:	No cash impact!			

* Reversal of deferred tax liability has an offsetting positive effect of around 9.0 mEUR.

FREE CASH FLOW SIGNIFICANTLY UP BY +11.8% YOY

EBITDA TO SUSTAINABLE FREE CASH FLOW (FCF)

in mEUR



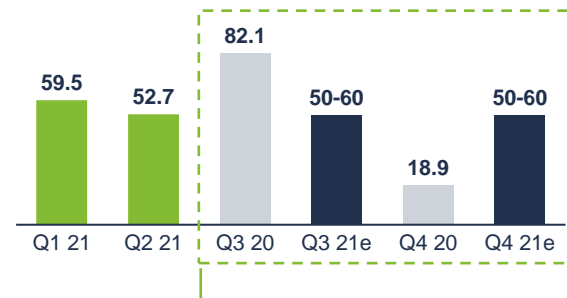
H1 20 w/o Sunrise:

EBITDA H1 21	Change NWC	Tax payments	Net capex	Leases	Interest payments	Others	FCF H1 21
213.9	-32.6	-13.7	-17.3	-32.9	-17.5	0.4	100.3

- H1 21 free cash flow (w/o Sunrise dividends and corresponding interest payments) up 11.9 mEUR yoy (+11.8%) due to EBITDA and NWC improvements.

QUARTERLY BREAKDOWN 2021

in mEUR (2020 excl. Sunrise dividend and interest payments syndicated bank loan)

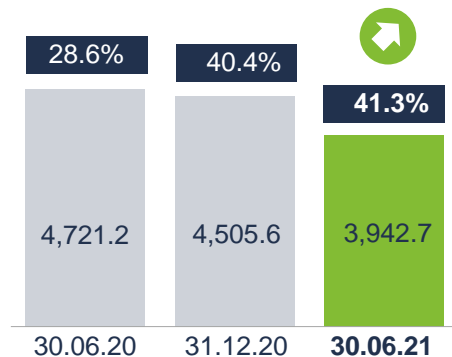


**FCF Guidance H2:
100-120 mEUR**

KEY FINANCIAL KPIs STILL WITH CONSIDERABLE HEADROOM

TOTAL ASSETS & EQUITY RATIO (Lower limit: >25%)

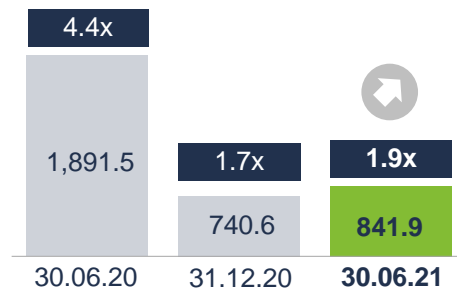
in mEUR/ as indicated



Equity ratio improves despite dividend distribution and impairment of fibre network right of use (EXARING AG).

NET DEBT & LEVERAGE* (Upper limit: ≤3,0x)

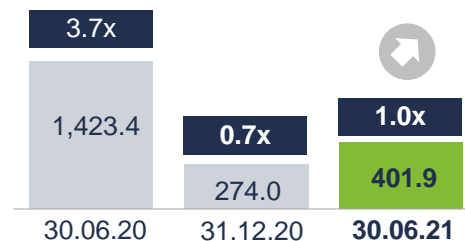
in mEUR/ as indicated



Slight increase of leverage based on the dividend paid in mid-June and the resulting brief reduction in the liquidity base.

BANK NET DEBT & BANK LEVERAGE**

in mEUR/ as indicated



Bank net debt and leverage increase slightly as a result of the effects mentioned.

* EBITDA = EBITDA of last twelve months (i.e., July 2020 to June 2021 or rather July 2019 to June 2020 for the previous year)

** Bank leverage = Bank net debt incl. interest accrual divided by lease-adjusted EBITDA of last twelve months

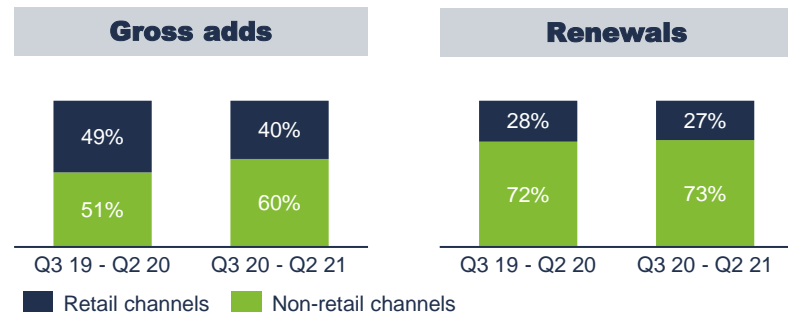
OPEN FOR YOUR QUESTIONS.

FOR FOLLOW-UP QUESTIONS REACH OUT TO:

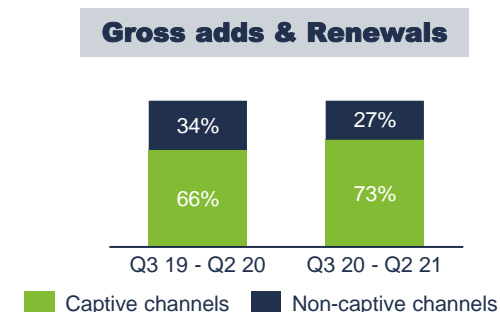
Investor Relations & ESG
investor-relations@freenet.ag
www.freenet-group.de
Fon: +49 (0)40 513 06 778

BALANCE OF RETAIL AND NON-RETAIL ADJUSTED TO COVID-19-SITUATION

IMMEDIATE ADAPTION TO NEW SITUATION



CAPTIVE CHANNEL EXPANSION



NON-RETAIL

- Solution-oriented, demand-driven
- Daily optimization BI/AI based
- Immediate implementation of new prices/tariffs/campaigns
- Combination of online/social media/app/phone
- High competition

RETAIL

- Strongly relationship-based
- Upselling (e.g. warranty/insurance)
- Cross-Selling (e.g. DLS options)
- Attachment rate (accessories/hardware)
- Conversion high two-digit percentage still better than online

ADVANTAGES OF CAPTIVE SALES CHANNELS

- Direct customer access and advertising permission
- Improved up-selling potential in the lifecycle
- Higher LCEs and retention rates
- Lower distribution costs

P&L OVERVIEW (REPORTED)

in mEUR	H1/2021	Q2/2021	H1/2020	Q2/2020	
Revenue	1,239.0	619.9	1,271.0	622.1	
Gross Profit	424.3	210.3	425.7	212.5	
Margin in %	34.2%	33.9%	33.5%	34.2%	
EBITDA	222.3	113.5	213.9	109.7	
Margin in %	17.9%	18.3%	16.8%	17.6%	H1/2021 excl. impairment right of use (EXARING)
EBIT	109.0	40.0	135.4	70.5	EBIT = 138.6 mEUR
Margin in %	8.8%	6.5%	10.7%	11.3%	
Consolidated Profit from continued operations	82.5	32.8	98.3	52.6	Profit = 103.1 mEUR
Margin in %	6.7%	5.3%	7.7%	8.5%	
EPS from continued operations (in EUR)	0.74	0.34	0.79	0.42	EPS = 0.84 EUR

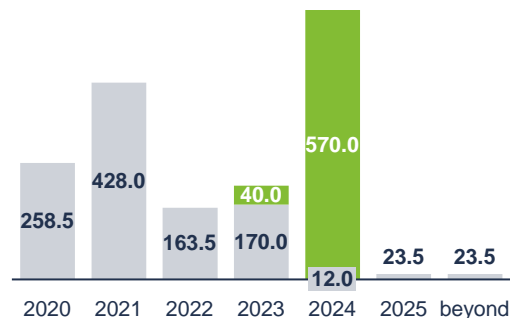
CASH FLOW OVERVIEW (REPORTED)

in mEUR	H1/2021	H1/2020	
EBITDA	222.3	213.9	
Cash flows from operating activities	174.9	198.3	H1/2020 incl. 46.0 mEUR Sunrise dividend
Net CapEx	-19.4	-17.3	
Cash flows from investing activities	-17.2	-17.4	
Cash repayments of lease liabilities	-43.3	-40.3	
Cash flows from financing activities	-535.6	-95.4	
Free cash flow	112.2	140.7	Free cash flow H1/2020 w/o Sunrise = 100.3 mEUR
Cash funds (EoP)	288.9	219.1	

DEVELOPMENT OF DEBT AND MATURITY STRUCTURE

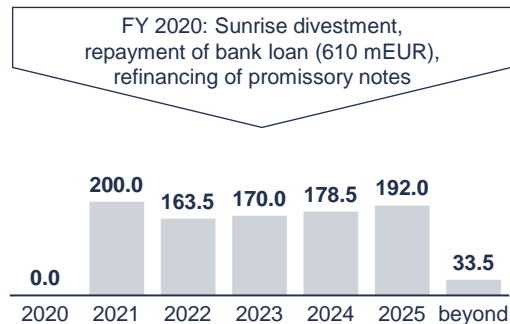
SITUATION YEAR-END 2019

In mEUR



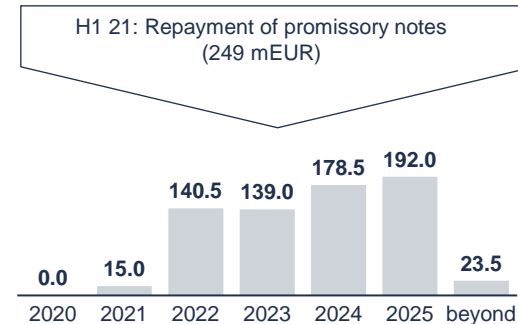
SITUATION YEAR-END 2020

In mEUR



SITUATION AS OF 30.06.2021

In mEUR



■ Promissory notes ■ Syndicated bank loan (excl. 300 mEUR RCF)

	in mEUR	Situation year-end 2019	Situation year-end 2020	Situation as of 30.06.2021
	Bank gross debt (nominal)	1,689.0	937.5	688.5
+	Interest Accrual	4.6	3.3	2.3
-	Cash	133.7	666.9	288.9
=	Bank net debt	1,559.9	274.0	401.9