

Management Presentation

Q1 2018 results

Christoph Vilanek, CEO and Joachim Preisig, CFO

04 May 2018 | Analyst and Investor Conference and Call

freenet GROUP

MOBILCOM-DEBITEL / KLARMOBIL.DE / GRAVIS / FREENET.DE / MEDIA BROADCAST / FREENET DIGITAL / FREENET ENERGY / MOTION TM

Cautionary statement

This presentation contains forward-looking statements which involve risks and uncertainties. The actual performance, results and timing of the business of freenet AG could differ materially from the expectations regarding performance, results and timing expressed in this presentation.

This presentation does not constitute an offer to sell or a solicitation to purchase any securities of freenet AG. Any such decision must not be made on the basis of the information provided in this presentation.

freenet AG does not undertake any obligation to publicly update or revise information provided during this presentation.

Q1 2018 performance on track to meet operational & financial goals

Group

- **+ 4.3 per cent yoy revenue** (without IFRS 15 effects) and **+ 5.6 per cent yoy EBITDA**
- **Stable gross profit** development underlining strength of the main business segments, mobile as well as TV and media
- **+ 17.2 per cent** in **digital lifestyle** revenue from 36.3 million euros in Q1 2017 to 42.6 million euros in Q1 2018

Mobile Communications

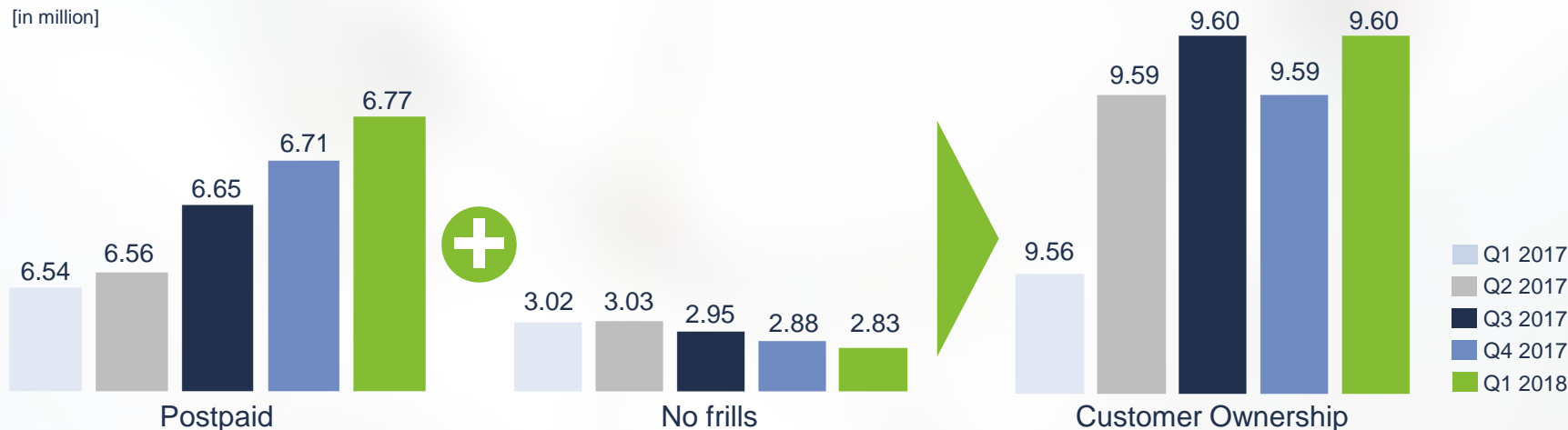
- **+ 0.9 per cent** or **+ 59.000 postpaid customers** with 24-month contracts in Q1 2018; **customer ownership stable**
- **+ 1.3 per cent yoy** or **+ 0.3 euros** leads to a stable **postpaid ARPU** of 21.4 euros in Q1 2018
- Both annual agreements with Vodafone and T-Mobile signed at expected levels

TV and Media

- **+ 4.9 per cent** added to **freenet TV** customer base in Q1 2018 with net number of payers of 1,022,000; Satellite offer with soft launch in early April 2018
- **+30.1 per cent** in **waipu.tv** full **paying** customers in Q1 2018 (102,000 to 133,000) and **+ 31.3 per cent** in **registered** customers (464,000 to 609,000)
- HD with Pro7Sat1, NPVR now covering more than 90% of programme and a dozen new channels added

High-value postpaid customer base keeps growing (+3.6% yoy)

[in million]



Key drivers

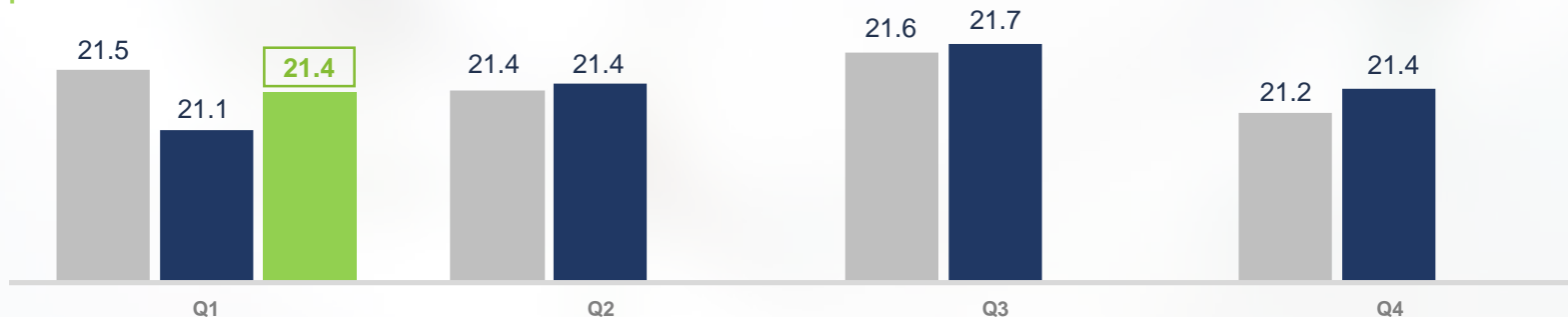
- Continued improvement of customer structure based on increase of postpaid customers by 3.6 per cent yoy or +232,000
- Slightly shrinking no frills customer base (-193,000 yoy) because of new ID regulations
- Customer Ownership remains stable

Most important postpaid ARPU remains stable

[EUR/month]

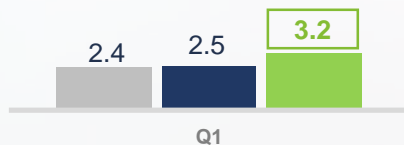
2018 2017 2016

Postpaid



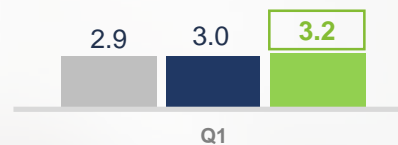
Postpaid-ARPU increased to **21.4 euros** compared with 21.1 in Q1 2017. Data revenue share at **35.0 per cent**.

No-frills



No-frills-ARPU higher at **3.2 euros** / + 0.6 euros above Q1 2017.

Prepaid



Prepaid-ARPU higher at **3.2 euros** compared with 3.0 euros in Q1 2017.

Digital Lifestyle value contribution still growing

[in EUR million]

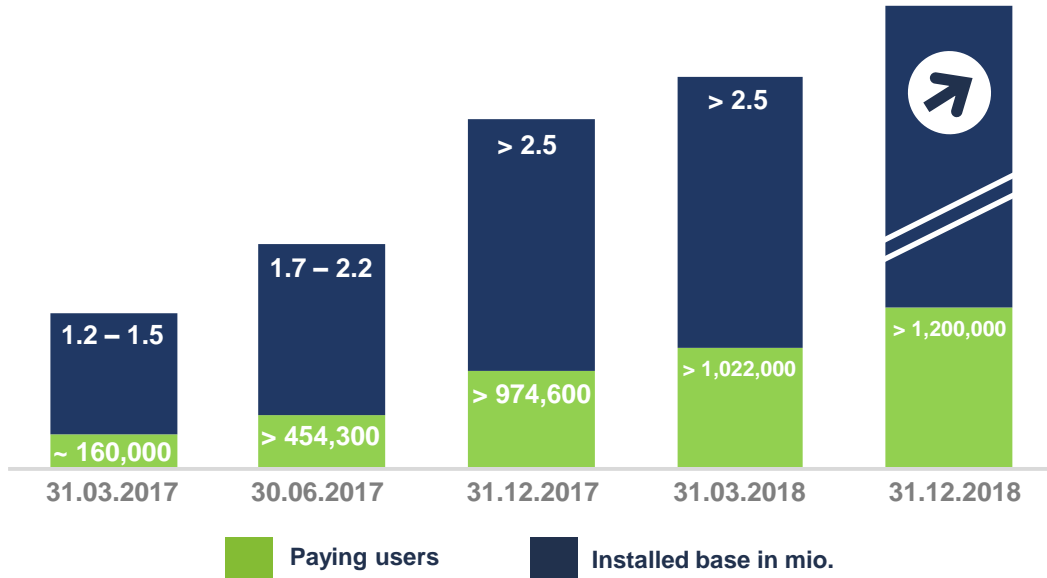


Growth driver

- Pure digital services
- Number of subscriptions
- Value per subscription
- New product launch freenet video in Q2

More than 1 million paying users by the end of march 2018

Hardware installs and paying subscribers



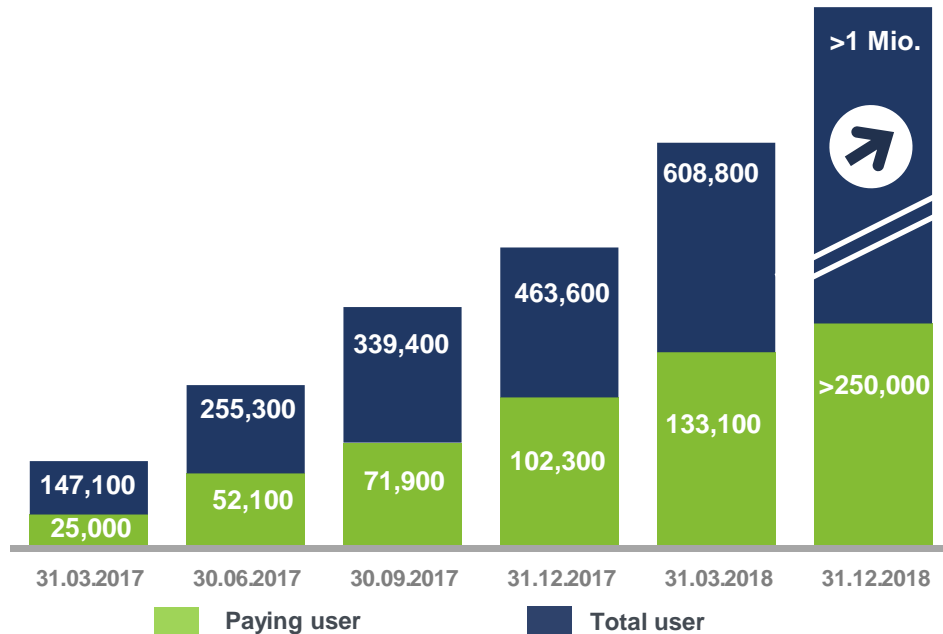
Q1 2018

- Net adds around 47,500
- Churn only from direct debit customers so far; no long term estimate possible yet
- GfK reports around 60,000 STB and CI+ modules sold in Q1 2018; those units will run into conditional access from Q2 going forward
- No Sat users yet, stepwise uptake in retail; reasonable sales only expected from Q3 onward

freenet TV

Significant increase of waipu.tv customers in Q1 2018

Total and paying users



Q1 2018

- Paying customer net adds ~ 31,000
- Registered customers grew by almost 145,000

New tests initiated

- Positive option introduced in March, conversion into pay during Q2
- First tests on uptake of HD 2nd half of March
- Browser version in beta
- New EPG in beta
- VoD channels - Stromberg, Fix & Foxi
- About 10 new linear channels



Financial statements – Income statement information

[in EUR million]	Q1 2018	Q1 2017	Q4 2017
Revenue without the effect of IFRS 15	873.7	838.0	949.9
Revenue	689.6	838.0	949.9
Gross profit	223.5	227.0	251.6
EBITDA	106.5	100.9	118.2
Depreciation and amortisation	-36.6	-35.0	-44.0
Subsequent recognition from Sunrise PPA	-4.8	-5.2	-4.4
EBIT	65.2	60.7	69.8
Interest result	-10.9	-12.4	-13.0
EBT	54.2	48.4	56.8
Taxes on income	-7.5	-6.7	-30.2
Group result	46.7	41.7	26.6
Earnings per share (EUR)	0.39	0.35	0.23

The increase in **Group revenue without the effect of IFRS 15** by 35.7 m€ to 873.7 m€ is mainly attributable to higher hardware sales.

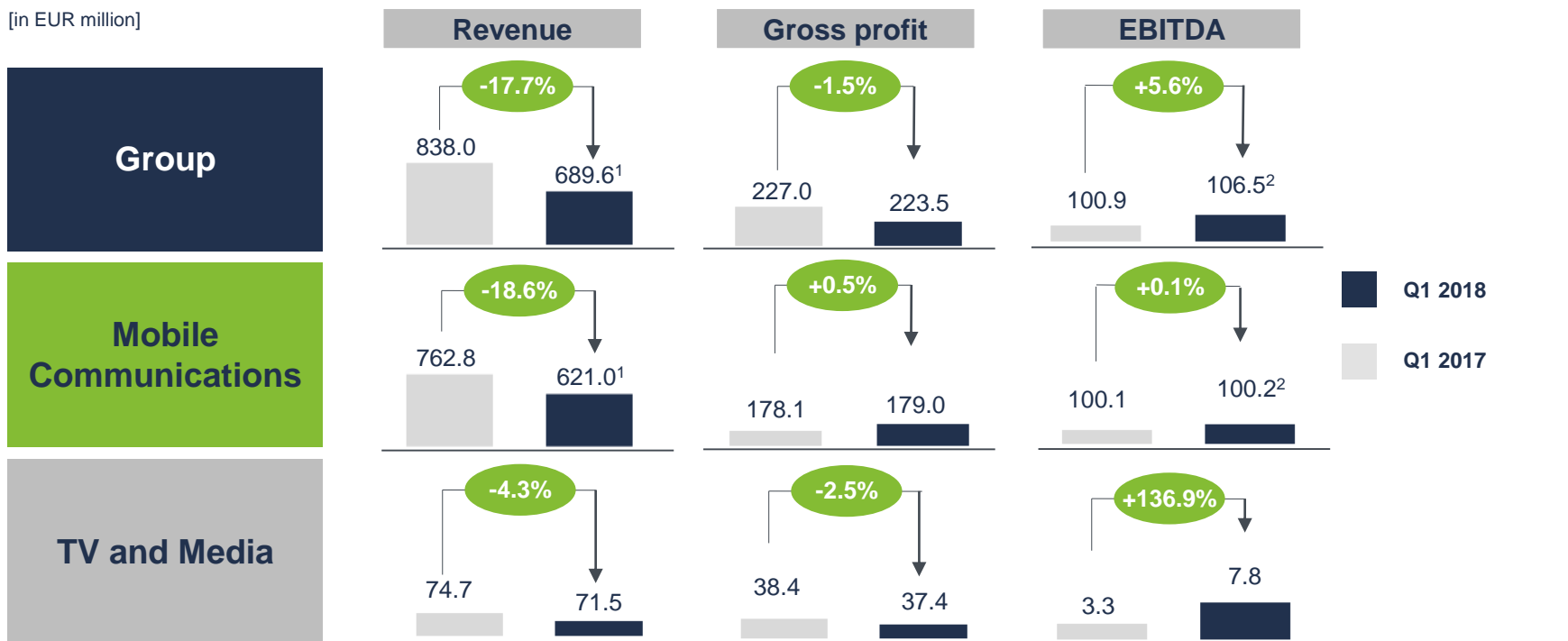
Decrease in **reported Group revenue** due to the reclassification of commissions because of IFRS 15.

EBITDA grows to 106.5 m€ yoy (+5.6 per cent) significantly influenced by growth in TV and media segment.

Group result amounts to 46.7 m€; an increase of 5.0 m€ yoy (+12.1 per cent)

Split of the financials into the relevant segments

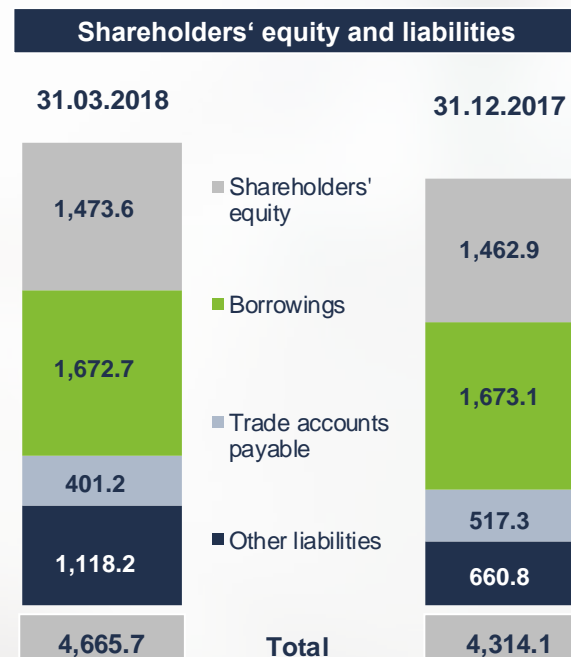
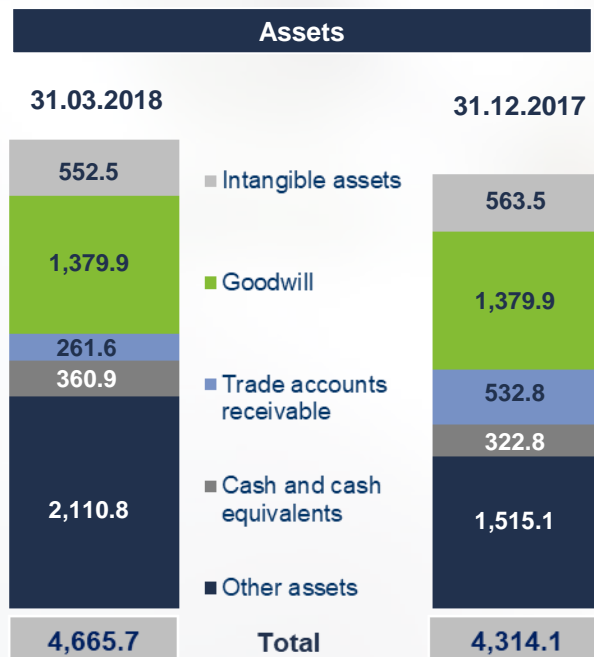
[in EUR million]



- 1) Revenue incl. IFRS 15 effects; Group revenue Q1 2018 without IFRS 15 effects **873.7 million euros**; Mobile revenues Q1 2018 without IFRS 15 effects **805.0 million euros**.
- 2) Excluding the profit share of our holding in Sunrise we generated a Group EBITDA of **96.6 million euros** (Q1 2017: 91.1 million euros); Excluding the profit share of our holding in Sunrise we generated a Mobile Communications Segment EBITDA of **90.3 million euros** (Q1 2017: 90.4 million euros).

Financial statements – Balance Sheet information

[in EUR million]



Financial statements – Cash flow information

[in EUR million]	Q1 2018	Q1 2017	Q4 2017
Cash flow from operating activities	65.8	78.3	73.4
Cash flow from investing activities	-11.2	-21.5	0.9
thereof net capex	-11.0	-21.9	1.0
Cash flow from financing activities	-16.5	-18.7	-85.2
Change in cash and cash equivalents	38.1	38.2	-10.9
Free cash flow¹	54.8	56.4	74.4

1) Free cash flow is defined as cash flow from operating activities, minus investments in property, plant and equipment and intangible assets, plus proceeds from the disposal of property, plant and equipment and intangible assets.

Cash flow from operating activities decreased in Q1/2018 by 12.6 m€ to 65.8 m€ yoy mainly due to the increase of 15.7 m€ in net working capital.

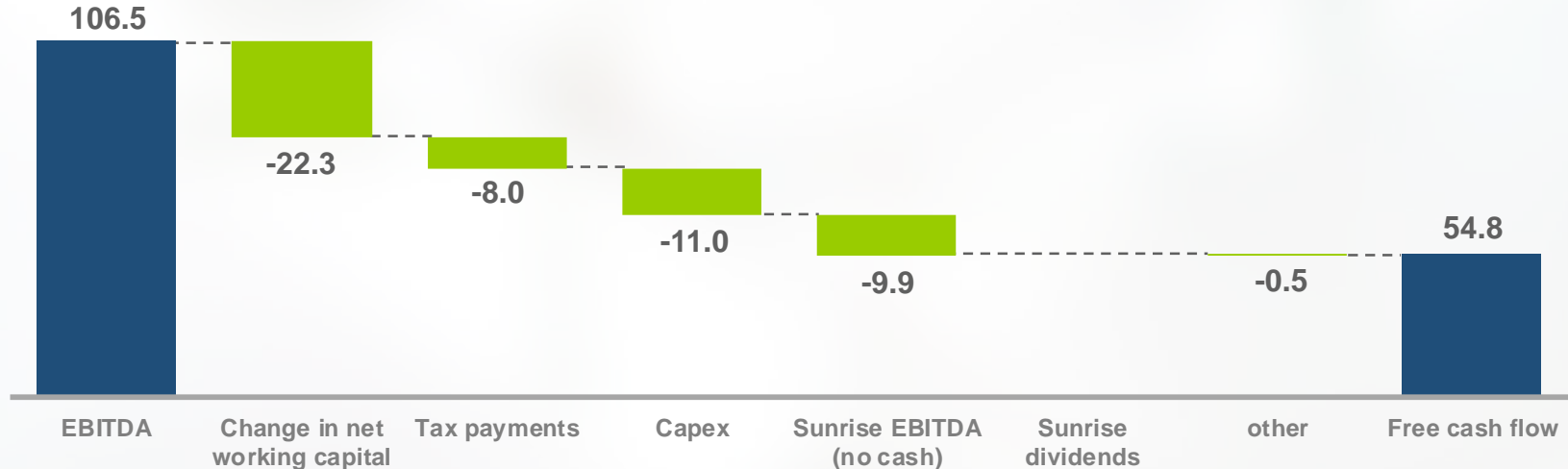
Cash flow from investing activities is significantly lower in Q1/2018 primarily due to lower outflows of cash recorded in the previous year following the change-over to the antenna standard DVB-T2 in March 2017.

Overall decrease of 1.6 m€ in **free cash flow** from 56.4 m€ to 54.8 m€ yoy.

Detailed Bridge from EBITDA to free cash flow

Q1 2018






[in EUR million]



	EBITDA	Change in net working capital	Tax payments	Capex	Sunrise EBITDA (no cash)	Sunrise dividends	other	Free cash flow
FY 2017	541.2	-25.6	-30.1	-42.5	-133.2	34.4	-1.4	342.8
FY 2018e	410 – 430	-25	-50	-50		37		327 - 347

* Free cash flow w/o Sunrise dividends EUR million 290 - 310 according to guidance

freenet AG financial guidance 2018 & perspective 2019

	Group revenue ⁵	Group EBITDA	Free cash flow (FCF) ¹	Dividend payout
Perspective 2019				50-75% of FCF incl. Sunrise
Guidance 2018		410 - 430 m€³ (+ Sunrise)	290 - 310 m€⁴ (+Sunrise)	50-75% of FCF incl. Sunrise
Results 2017 (preliminary)	3,507.3 m€	408.0 m€ (incl. Sunrise 541.2 m€)	308.4 m€ (incl. Sunrise 342.8 m€)	1.65 €/share⁴
Guidance 2017		> 410.0 m€² (+ Sunrise)	~310.0 m€³ (+Sunrise)	50-75% of FCF incl. Sunrise

- Free cash flow is defined as cash flow from operating activities, minus investments in property, plant and equipment and intangible assets, plus proceeds from the disposal of property, plant and equipment and intangible assets.
- The expected EBITDA contribution of Sunrise Communications Group AG is not included in our guidance.
- Dividend payment from Sunrise is not included in our guidance.
- Dividend of 1.65 euros per dividend-bearing share for the financial year 2017 to be proposed by the Executive Board
- Without effects from IFRS15

freenet AG KPI guidance 2018 & perspective 2019

	Mobile Communication		waipu.tv		freenet TV	
	Customer ownership	Postpaid ARPU	Total User	Paying User	Paying User	ARPU ¹
Perspective 2019						
Guidance 2018				> 250,000	> 1,200,000	
Results 2017	+60,000	21.4 €	464,000 ²	102,000	975,000	4.3 €
Guidance 2017			> 500,000	> 100,000	~ 950,000	~ 4.5 €

1) freenet TV ARPU is referring to number of freenet TV paying users

2) without 76,000 pre-registered users

freenet Group management

We are looking forward to your questions

Christoph Vilanek, CEO

Joachim Preisig, CFO

- **CEO of freenet AG since 2009**
- Management positions at debitel AG since 2005
- Consultant for telecommunication with McKinsey&Company since 2001
- Management positions in Direct Marketing and Media 1991-2001



- **CFO of freenet AG since 2010**
- CFO of debitel AG since 2006
- CFO of T-Mobile / Head of Group Controlling at Deutsche Telekom AG since 2002
- CFO at O₂ since 1996

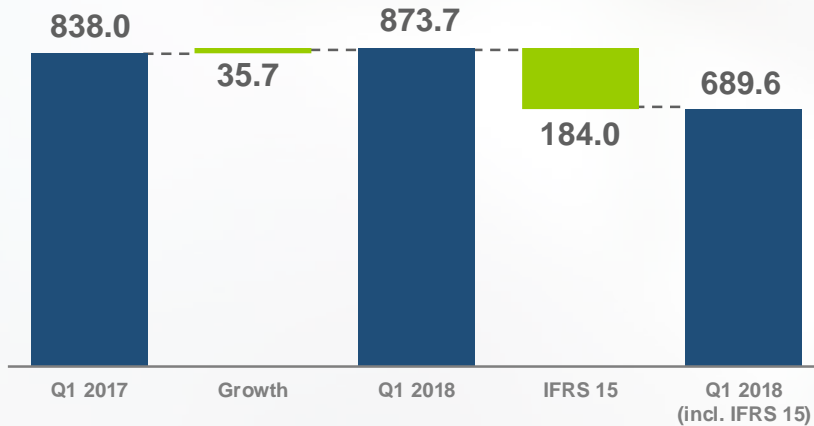
Appendix

Effects from the accounting standard IFRS 15 on revenues

Group revenue

Q1 2018

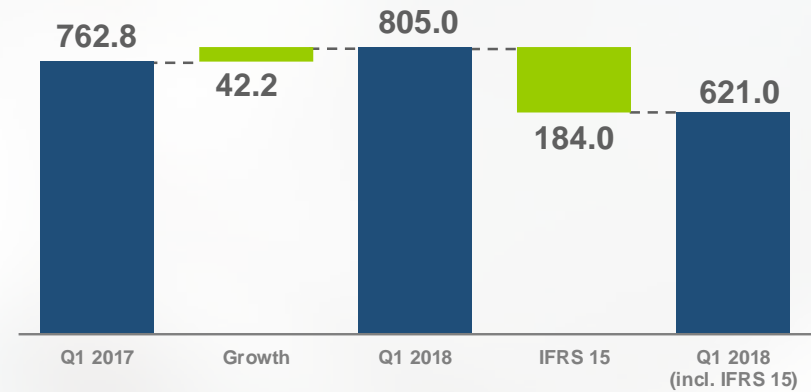
[in EUR million]



Mobile revenue

Q1 2018

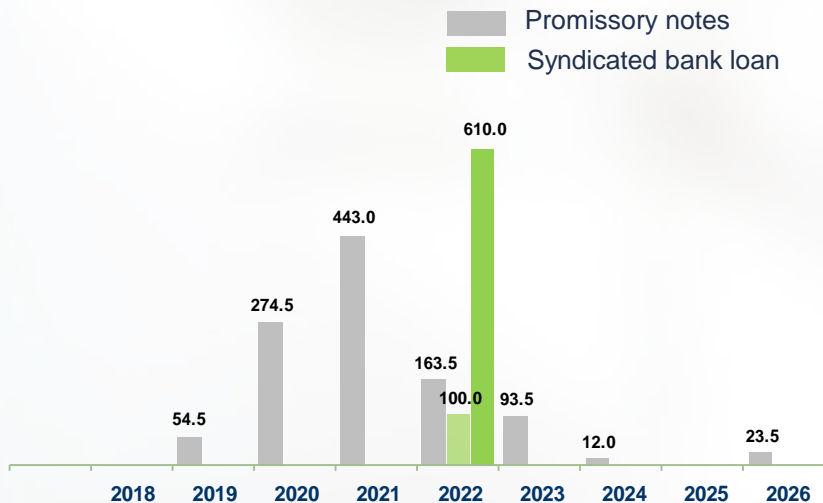
[in EUR million]



Overview over current financing and maturity structure

Average financing cost below 2.0 per cent p.a.

[in EUR million]



Issue	Instrument	Volume	Maturity
2012	Promissory note	54.5 m€	2019
2015	Promissory note	100 m€	2020, 2022
2016 (March)	Promissory note	560 m€	2021, 2023, 2026
2016 (November)	Promissory note	350 m€	2020, 2022, 2024
2016	Syndicated bank loan	610 m€ (+100 m€)	2022

Thank you.

Hollerstrasse 126
24782 Büdelsdorf
www.freenet-group.de

Investor Relations
+49 (0) 40 513 06 778
investor.relations@freenet.ag

freenet GROUP

MOBILCOM-DEBITEL / KLARMOBIL.DE / GRAVIS / FREENET.DE / MEDIA BROADCAST / FREENET DIGITAL / FREENET ENERGY / MOTION TM