

Management presentation Preliminary results for FY 2016

Christoph Vilanek, CEO and Joachim Preisig, CFO

3 March, 2017 | **Analyst and Investor Conference Call**

freenet GROUP

MOBILCOM-DEBITEL / KLARMOBIL.DE / GRAVIS / FRENET.DE / MEDIA BROADCAST / FRENET DIGITAL / FRENET 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.

All figures are based on preliminary calculations before final consolidation and completion of the audit. There may therefore be discrepancies to the final financial figures to be published on **23 March 2017**.

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Financial and operational highlights in FY 2016

- Financial year 2016 showed **strong core business performance** and valuable contribution from **new segment TV and Media**
- **Customer Ownership** improvement by 2.5 per cent to **9.53 million users (+232,000 yoy)** mainly driven by the rise of **valuable postpaid customers** by 3.2 per cent to **6.51 million users (+203,000 yoy)**
- **Group revenue** increased by 7.8 per cent to **3.36 billion euros** yoy primarily through contribution of new segment **TV and Media** (218.9 m€) and the improved customer ownership
- **Significant increase in Group EBITDA** by 68.6 m€ to **438.8 m€** (FY 2015: 370.2 m€)
- **Further stabilisation of postpaid ARPU** on previous years' level (FY 2014 and FY 2015 at **21.4 €**)
- **Guidance for 2016** reached respectively outperformed
- **Capital Market Day 2017** scheduled for 12 April 2017 in Cologne

In 2016 the fundament of future success of freenet was built

Mobile Communications

- Growth in Customer Ownership (+2.5%) alongside with stable ARPU
- LTE speed available with all three networks
- Increase in brand recognition and awareness, full-scale multi-channel ability

Digital Lifestyle

- Revenue stream from DLS grew + 29% year on year to 137 million euros
- Portfolio extended to more than 25 products; new partnerships e.g. with Amazon
- Measureable increase in “digital lifestyle provider“ perception

TV-Access

- Takeover of Media Broadcast and 50% of the EXARING shares (by February 2017)
- Contribution of 219 million euros in revenue and 28 million euros in EBITDA in 2016
- Further details will be presented on 12 April at the Media Broadcast headquarters in Cologne

Adjacent business

- GRAVIS and retail contributed as planned to revenue and margin in 2017
- Energy business now also launching contracts with full customer ownership
- Distribution and Online business well performing despite difficult environment

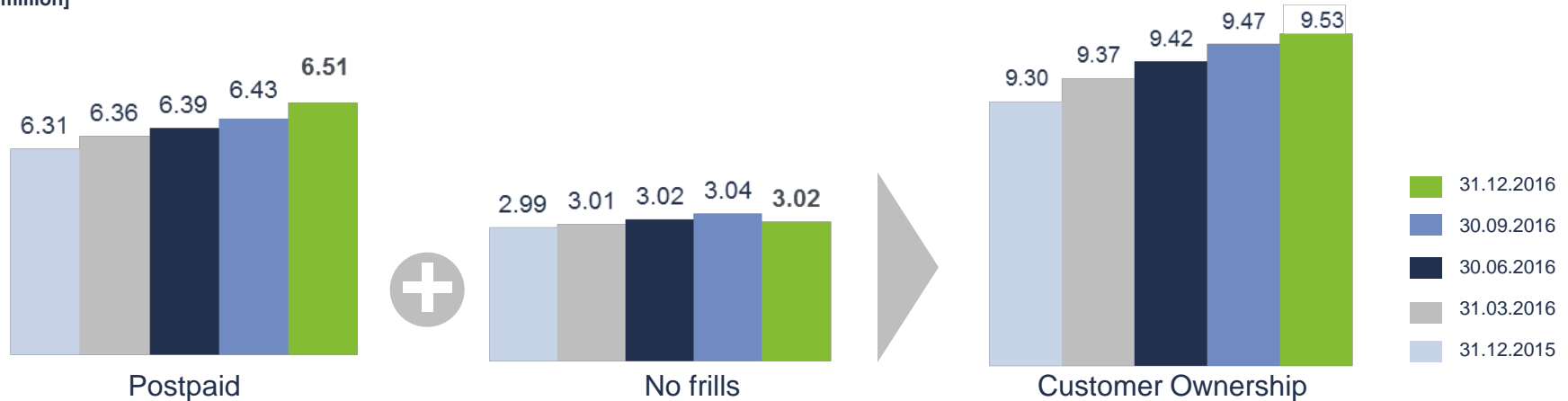
Financial investment

- Sunrise dividend payments about twice as much as corresponding interest payments
- Sunrise income contributed with 36.5 million euros to freenet EBITDA

Customer Ownership growth year-on-year (+2.5 %)

Mainly driven by further growth of the postpaid customer base (+203,000 yoy)

[in million]

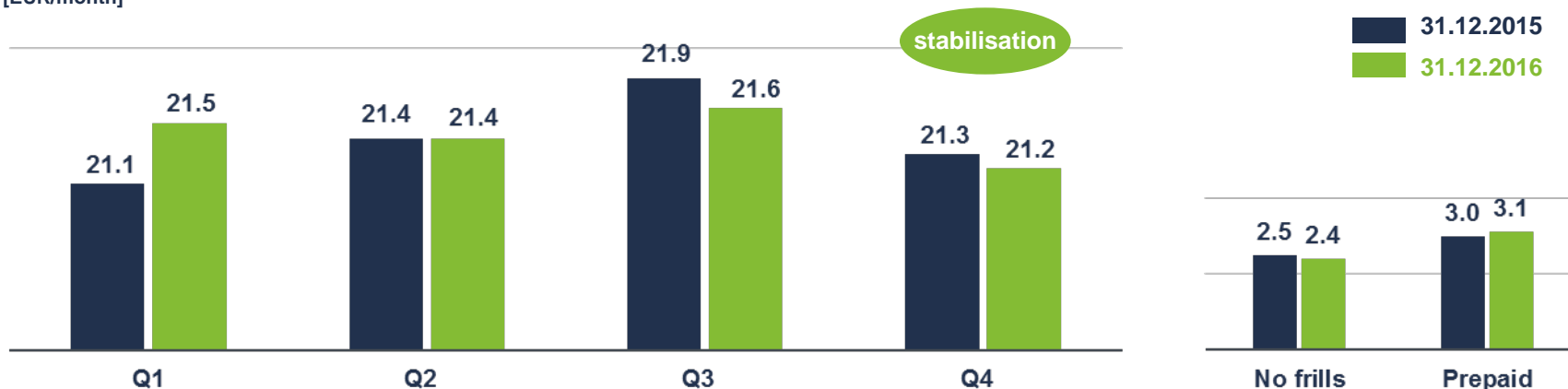


- Improvement of customer ownership (+232,000 yoy) based on considerable rise in **postpaid customers** (+203,000 yoy) and a slight increase of the **no-frills customer base** (+29,000 yoy)
- Decline of **prepaid customer base** to 2.53 million (previous year: 2.94 million) attributable to the network operators deactivating SIM-cards (technical churn)
- **Total customer base** at **12.06 million** – below previous years' figure of 12.24 million

freenet again succeeded in stabilising postpaid ARPU

Development demonstrates success in focussing on high-value customers

[EUR/month]



Postpaid ARPU

- **Stabilisation** at 21.4 euros at the level of the two previous years (21.4 euros)
- **Data revenue** share at 34.7%

No frills ARPU

- Slightly decreased by 0.1 euros yoy due to still high price pressure in the discount market sector

Prepaid ARPU

- Slightly above previous year's level (+0.1 euros)

Financial statements¹

Income statement information

[in EUR million]

	2016	2015	Q4 2016	Q4 2015
Revenue	3,362.4	3,117.9	938.3	826.8
Gross profit	898.7	790.4	253.0	215.6
EBITDA	438.8	370.2	127.1	97.8
Depreciation and amortisation	-124.3	-71.4	35.0	-18.8
EBIT	298.8	298.8	87.1	78.9
Interest result	-54.9	-44.1	13.4	-14.9
EBT	244.0	254.7	73.7	64.0
Taxes on income	-27.5	-33.2	19.4	-15.6
Group result	216.4	221.5	54.4	48.4
Earnings per share (€)	1.78	1.73	0.48	0.38

Revenue improved by 7.8% yoy mainly due to contribution from the new segment TV and Media in the amount of 218.9 m€

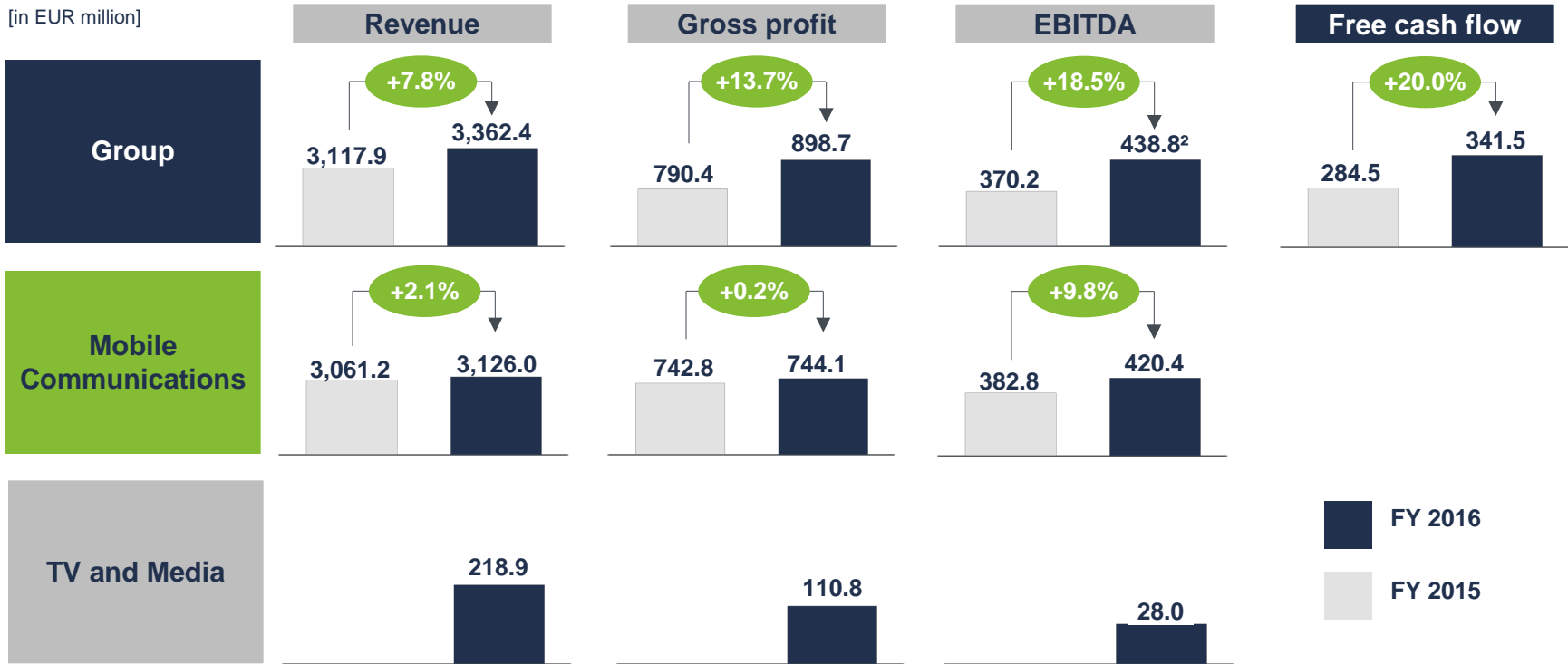
EBITDA of 438.8 m€ (+18.5 % yoy) includes contribution of 36.5 m€ from the investment in Sunrise Communications Group AG

Depreciation and amortisation increased by 52.9 m€ yoy based on the increase in property, plant and equipment and intangible assets related to the acquisition of Media Broadcast and associated final purchase price allocation.

1) Preliminary figures

Group and segment overview¹ FY 2016

[in EUR million]



1) Preliminary figures

2) Excluding profit share of our holding in Sunrise, we generated Group EBITDA of 402.3 million euros

Financial statements

Balance sheet insight¹

- **Balance sheet total** increased from **2.7 billion euros** in 2015 to **4.3 billion euros** in 2016.
- **Net debt** (financial debt less liquid assets) increased yoy to **725.8 million euros** (2015: 369.2 million euros). For this parameter, financial debt is reduced by the liquid assets and the stake in the market value of Sunrise as of 31 December 2016 (11,051,578 shares multiplied by the closing price of 62.45 euros; Source: Bloomberg).
- Accordingly, **debt ratio** increased considerably from 1.0 in 2015 to **1.7 in 2016**.

1) Preliminary figures

Financial statements¹

Cash flow information

[in EUR million]	2016	2015	Q4 2016	Q4 2015
Cash flow from operating activities	389.6	314.9	92.7	77.8
Cash flow from investing activities	-862.4	-28.5	-14.5	-8.3
thereof net capex	-48.1	-30.4	-13.9	-10.7
Cash flow from financing activities	521.2	-128.7	-20.5	-3.4
Change in cash and cash equivalents	48.4	157.8	57.7	66.1
Free cash flow²	341.5	284.5	78.8	67.1

1) Preliminary figures

2) 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 increased by 74.7 m€ to 389.6 m€ yoy

Cash flow from investing activities developed from -28.5 m€ in the previous year to -862.4 m€, primarily due to the outflow of 738.9 m€ for the acquisition of 24.56 per cent of shares in Sunrise, which are disclosed under the outflows for the acquisition of companies accounted for using the equity method.

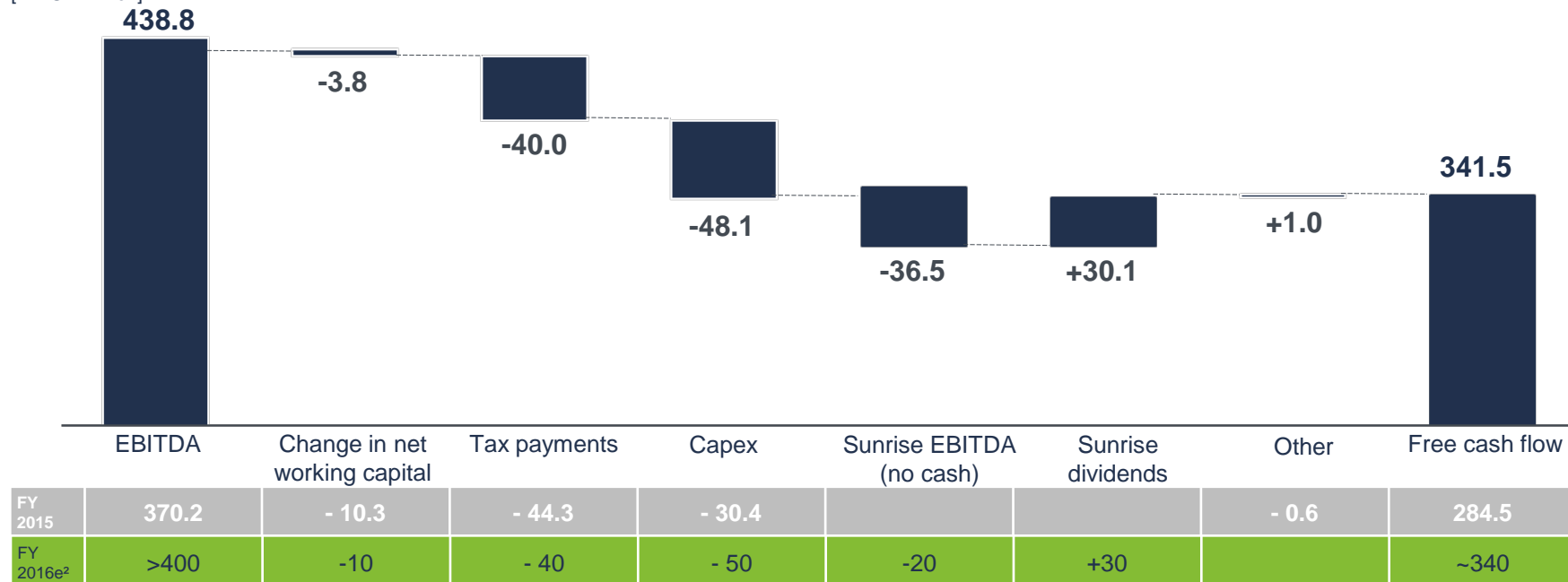
The financing of the acquisitions, the refinancing of the corporate bond as well as the dividend payment of 198.4 m€ had a negative impact on the **cash flow from financing activities**

Free cash flow increased by 57.0 m€ to 341.5 m€ year-to-date

Detailed Bridge from EBITDA to free cash flow

Q1 – Q4 2016¹

[in EUR million]



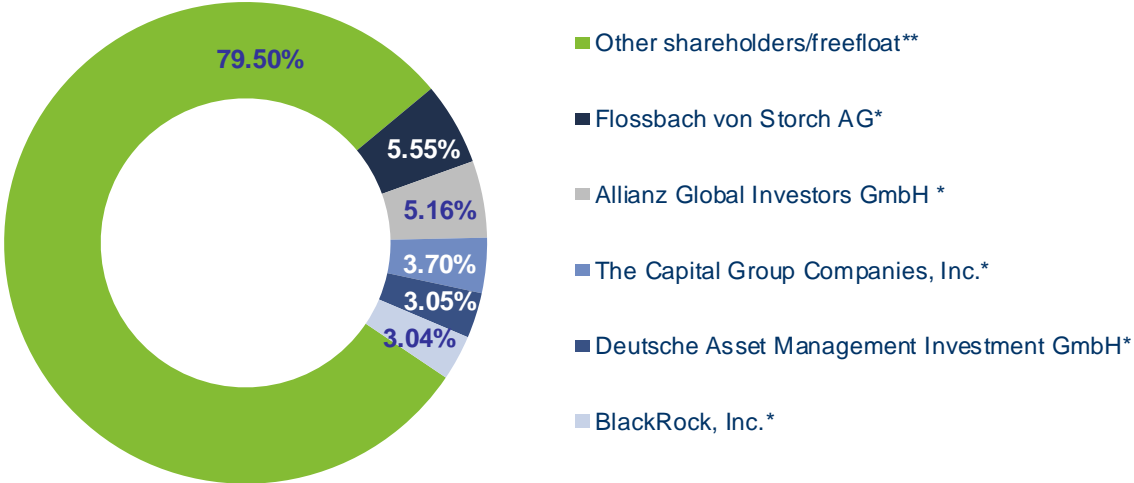
1) Preliminary figures

2) Based on expectations from November 2016 (Q3 2016)

Shareholder structure




Major shareholders of freenet AG

As of 27 February 2017



* Including attributions according to German Securities Trading Act
** The free float according to Deutsche Börse AG amounts to **89.29%**

freenet again met or exceeded key targets for FY 2016

	Customer ownership	Postpaid ARPU	Group revenue	Group EBITDA	Free cash flow (FCF) ¹	Dividend payout
Preliminary results 2016	+ 232,000	21.4 €	3,362.4 m€	438.8 m€ (excl. Sunrise 402.3 m€)	341.5 m€ (excl. Sunrise 311.4 m€)	1.60 €/share ⁴
Guidance 2016				> 400.0 m€	~300.0 m€	50-75% of FCF

- 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.
- 2) The expected EBITDA contribution of Sunrise Communications Group AG is not included in our guidance.
- 3) Dividend payment of 30.1 m€ (from Sunrise) is not included in our guidance.
- 4) Dividend of 1.60 euros per dividend-bearing share for the financial year 2016 to be proposed by the Executive Board

freenet Group management

We take time for your questions



Christoph Vilanek, CEO

- **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



Joachim Preisig, CFO

- **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

Thank you

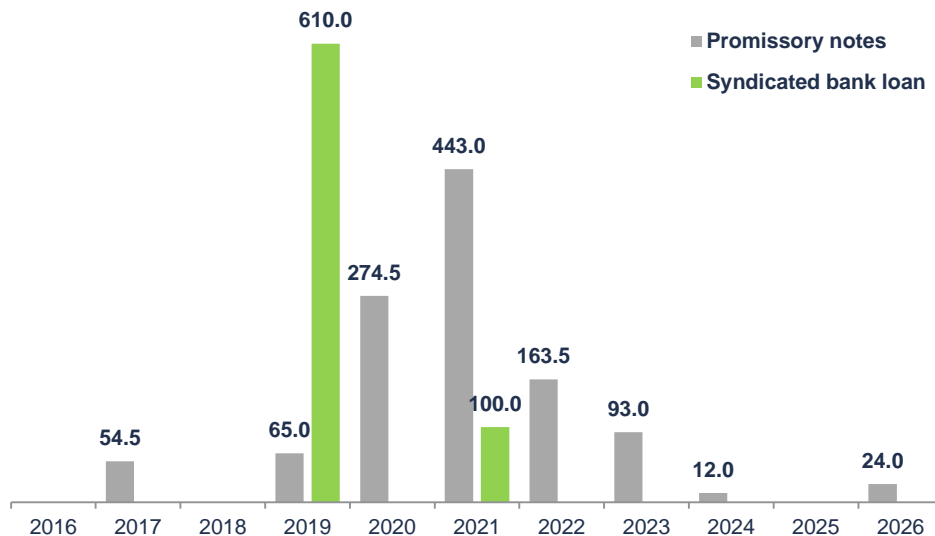
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Overview over current financing and maturity structure



Issue	Instrument	Volume	Maturity
2012	Promissory note	119 m€	2017, 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	790 m€	2019, 2021
Total financial debt amounts to 1,734.2 million euros as of 31.12.2016			