

Management presentation Q1 2015 results

Christoph Vilanek, CEO and Joachim Preisig, CFO

May 7, 2015

freenet **GROUP**

 mobilcom
debitel

freenet 

klarmobil.de

GRAVIS

TL TALKLINE

freenet
digital

 MFE
Energie

 MOTION TM

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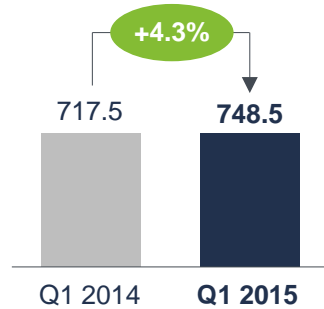
Promising first quarter underlines guidance given for 2015

- The new financial year started very successful while prudently and profitably expanding the traditional core business and the innovative digital lifestyle business
- Strong Q1 with all relevant KPIs up yoy and in line with internal expectations
 - Postpaid customer base grows 11th quarter in a row
 - Postpaid-ARPU stabilises as tariff changes from existing customers stepwise run out
 - EBITDA and Free Cash Flow grow correspondingly
 - Strategic growth of Digital Lifestyle revenues achieved
- Guidance 2015/2016 confirmed

Key figures Q1 2015 illustrate strong performance

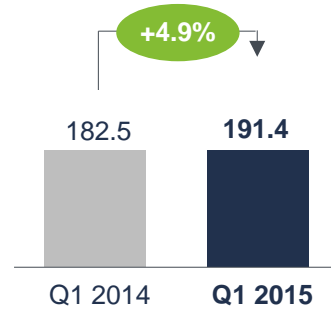
[in EUR million]

Group revenue



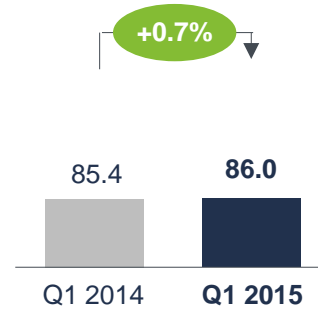
Group revenue increases compared with Q1 2014 (among other things due to increasing DL revenue)

Gross profit



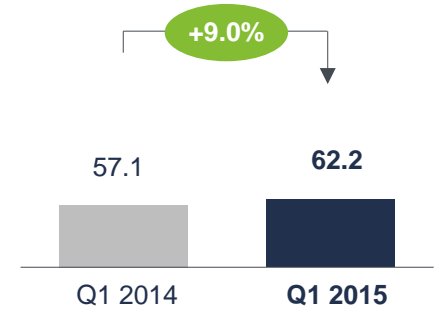
Gross profit grows by 8.9 m€ compared with Q1 2014

Group EBITDA



Group EBITDA also above previous-year quarter

Free cash flow



Free cash flow increases by 5.1 m€ in comparison to Q1 2014

freenet reports a good start into the new year

Q1 2015

- Strong Xmas campaign based performance continues during month of January
- Net adds promising also in Feb and March
- iPhone sales continue to be strong, Samsung S6 launch showed no “queuing impact”
- Digital lifestyle sales strong in customer base e.g. partnership with maxdome
- Media Markt and Saturn delivers good figures throughout entire tariff portfolio
- Adjacent business also strong (MFE, Motion TM, Gravis)

Q2 – Q4 2015

- Re-freshment of top-leadership-team decision processes supposed to shorten time-to-market
- Marketing campaigning planned to be more sales driven
- Online sales b-t-c and b-t-b increasing
- Partnerships to be intensified and broadened with OTT suppliers
- Intensified testing and exploiting Big Data

freenet continues its successful strategy in the fields of digital lifestyle

Health

- SmartSleep: Innovative products of "**Withings Aura**" around sleep analysis exclusively launched with GRAVIS
- Accessories: Networx sports wristband, Jawbone UP, Network, bike mount

Home Automation

- LED lighting system "**Elgato Aavea**" to create exceptional lighting scenes in rooms; remotely controlled via smartphone or tablet

SmartHome Security

- Market launch of an **App-controlled security system** for private homes and small offices

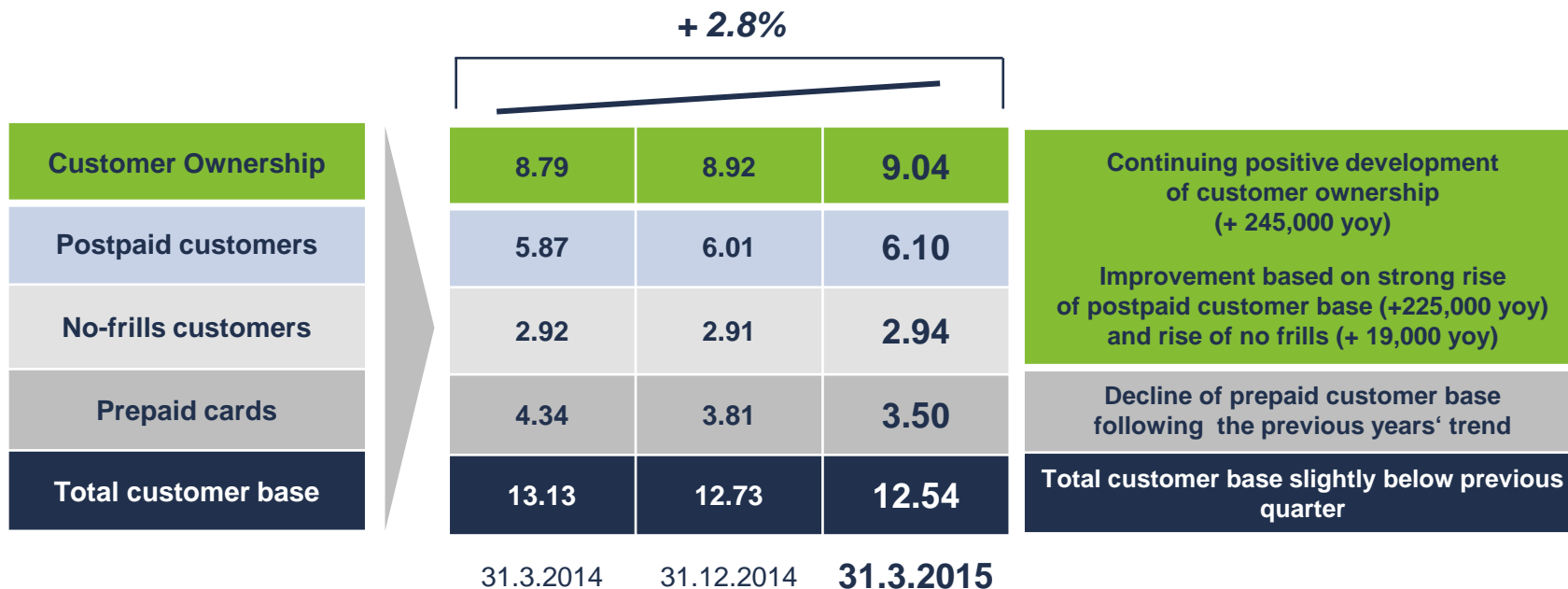
Entertainment

- Smartphone Option **mload Plus** (songs, games...)
- Cooperation with Pro7Sat1 on video service **maxdome**
- Cooperation of GRAVIS with **car2go**
- Test of md-TV-Box with customized program portfolio, apps and music as well as video services



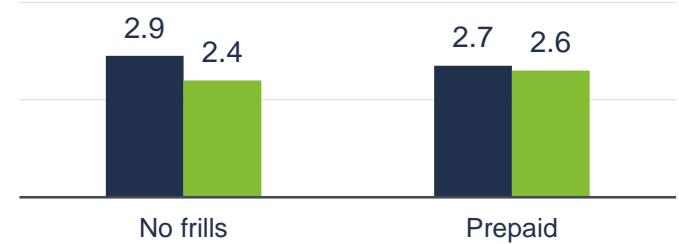
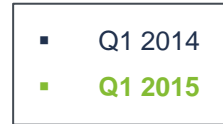
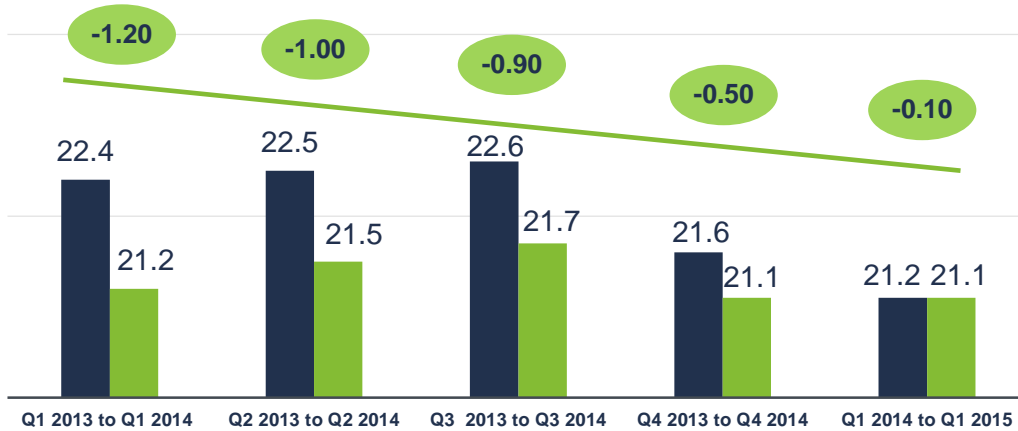
Postpaid customer base subsequently grows 11 quarters

[in million]



ARPU stability is within reach in 2015

[EUR/month]



Postpaid ARPU

- slightly down 0.1 €yoy – the customers' switching into new flat tariffs no longer with relevant effect on postpaid ARPU
- same level as in Q4/2014
- **Data revenue** share at 32.0%

No-frills ARPU

- 0.5 € lower compared to previous year

Prepaid ARPU

- slightly down 0.1 € compared to the previous year

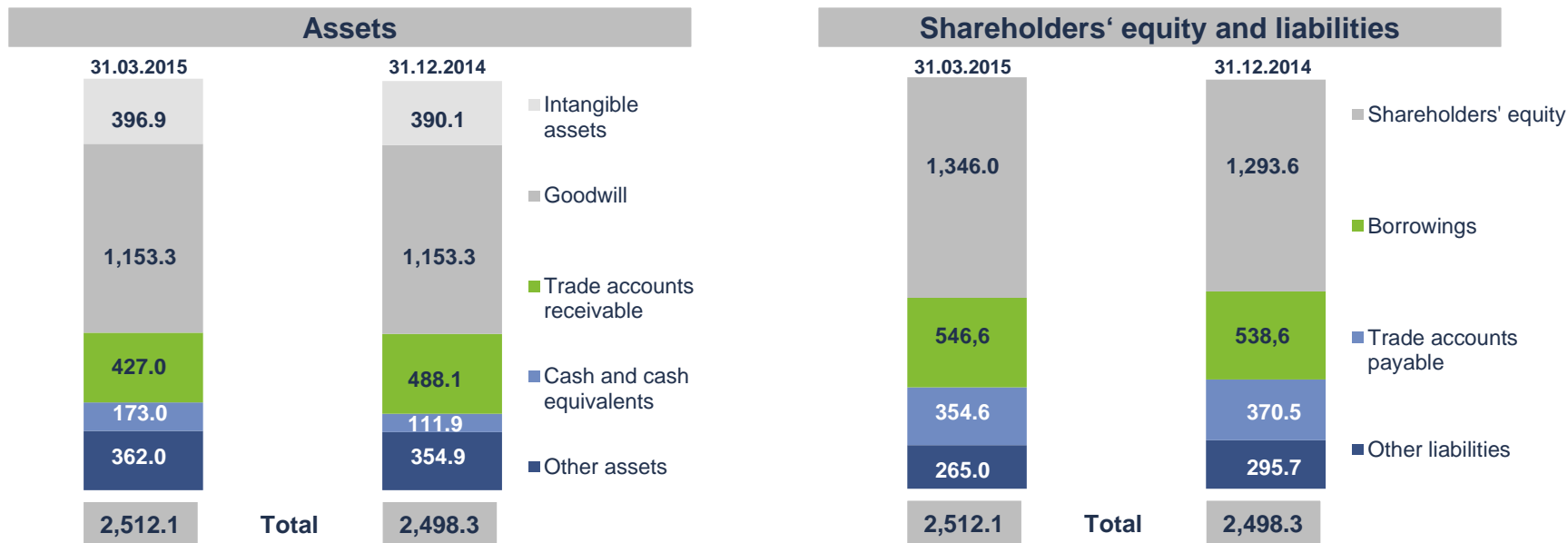
Financial statements – income statement

[in EUR million]

	Q1 2015	Q1 2014
Revenue	748.5	717.5
Gross profit	191.4	182.5
EBITDA	86.0	85.4
Depreciation and amortisation	-15.5	-16.0
EBIT	70.6	69.5
Interest balance	-9.5	-9.5
EBT	61.0	60.0
Taxes on income	-4.8	-2.6
Group result	56.2	57.4
Earnings per share (€)	0.44	0.45

Financial statements – balance sheet

[in EUR million]



- Equity ratio at 53.6% in Q1 2015 (Q4 2014: 51.8%)
- Net debt of 373.6 m€ in Q1 2015 compared to 426.6 m€ as of December 31, 2014

Financial statements – cash flow statement

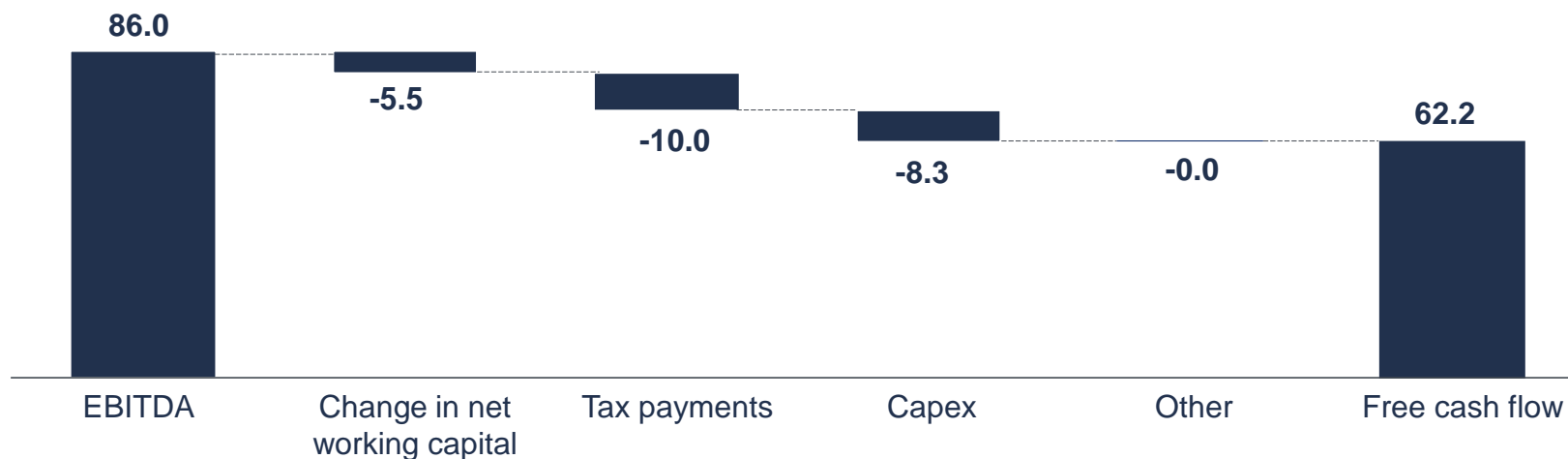
[in EUR million]

	Q1 2015	Q1 2014
Cash flow from operating activities	70.5	62.9
Cash flow from investing activities	-8.0	-51.9
thereof net capex	-8.3	-5.8
Cash flow from financing activities	-1.5	-0.5
Change in cash and cash equivalents	61.0	10.5
Free cash flow¹	62.2	57.1

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.







Detailed bridge from EBITDA to free cash flow for Q1 2015

[in EUR million]



FY 2014	365.6	- 29.0	- 40.4	- 27.9	- 1.7	266.6
FY 2015e	370	- 25	- 40	- 25	0	280
FY 2016e	375	- 30	- 35	- 25	0	285

Two-year guidance confirmed

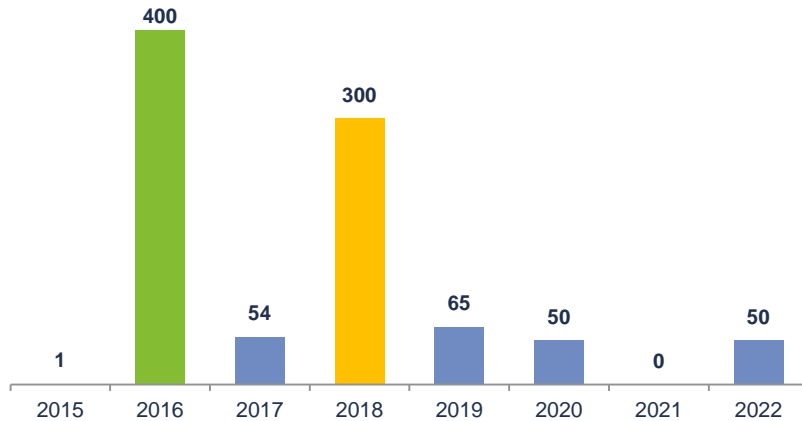
	Customer ownership	Postpaid ARPU	Group revenue	Group EBITDA	Free cash flow (FCF) ¹	Dividend pay-out
Guidance 2016				375 m€	285 m€	50-75% of FCF
Guidance 2015				370 m€	280 m€	50-75% of FCF
Results 2014	+ 162,000	21.4 €	3,040.6 m€	365.6 m€	266.6 m€	1.50 €/share ²
	Contract customer base again increased (+1.9% yoy)	Postpaid ARPU largely stabilized	Revenue growth of -4.8% yoy within forecasted guidance (-5% to -8%)	Group EBITDA slightly exceeded guidance of 365 m€	Free cash flow exactly within the target corridor (2014: 265 m€)	Corridor for dividend pay-out ratio remains unchanged

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) Dividend of 1.50 euros per dividend-bearing share to be proposed by the Executive Board

Optimising the financing profile to further reduce refinancing risks

Instruments and maturity profile (EUR million)



- Unrated Bond: EUR 400 million
- Promissory Notes: EUR 220 million
- Revolving Credit Facility: EUR 300 million

New Issuance of Promissory Notes in May 2015

- Issuance of Promissory Notes in May 2015
- Investment Grade Structure and Pricing
- Amount: EUR 100 million, due in 2020 and 2022
 - EUR 50 million due in May 2022, fixed interest rate at 1.79%
 - EUR 25 million due in May 2020, fixed interest rate at 1.325%
 - EUR 25 million due in May 2020, floating interest rate (first 6 months at 1.05% exp.)
- For general corporate purposes
- Lead Arrangers: BayernLB, Commerzbank AG, HSH Nordbank and LBBW

Key achievements in Q1 2015

- The 11th successive quarter of growth in **Customer Ownership**
- **Postpaid-ARPU** stable
- Increasing revenue due to postpaid business and digital lifestyle
- **EBITDA** slightly increasing as expected
- Strong cash flow generation
- Optimising the **debt structure** by investment grade refinancing
- Confirmation of **guidance** 2015/2016

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



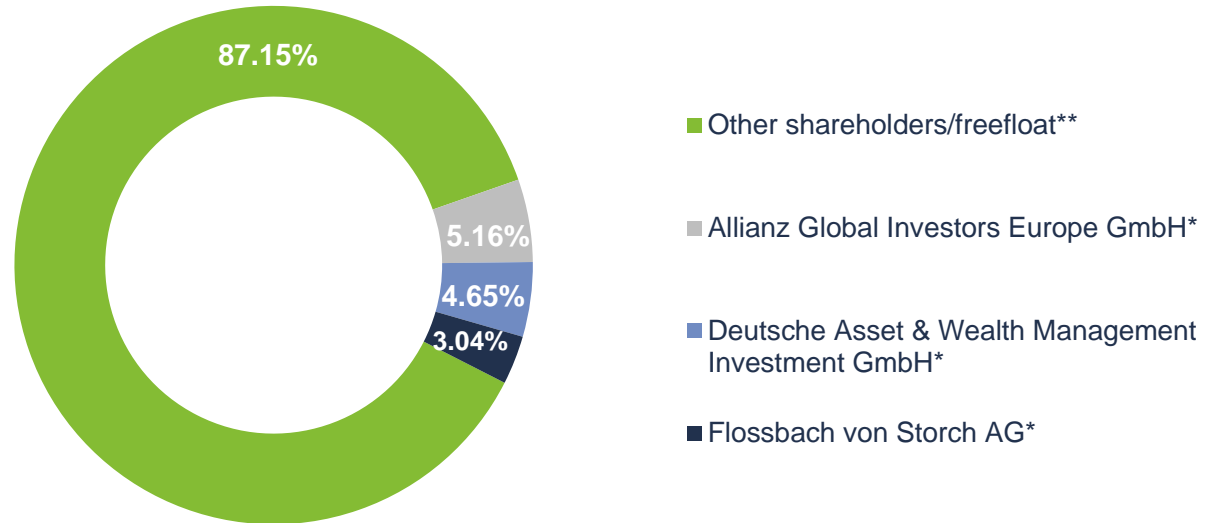
Joachim Preisig, CFO

- **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

Shareholder structure

Major shareholders of freenet AG

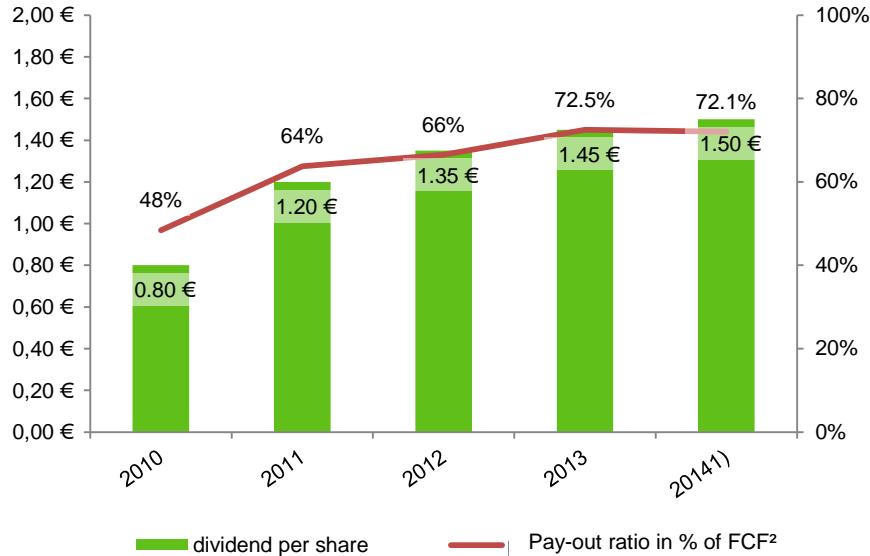
As of March 31, 2015



* Including attributions according to German Securities Trading Act
** The free float according to Deutsche Börse AG amounts to 94.84%

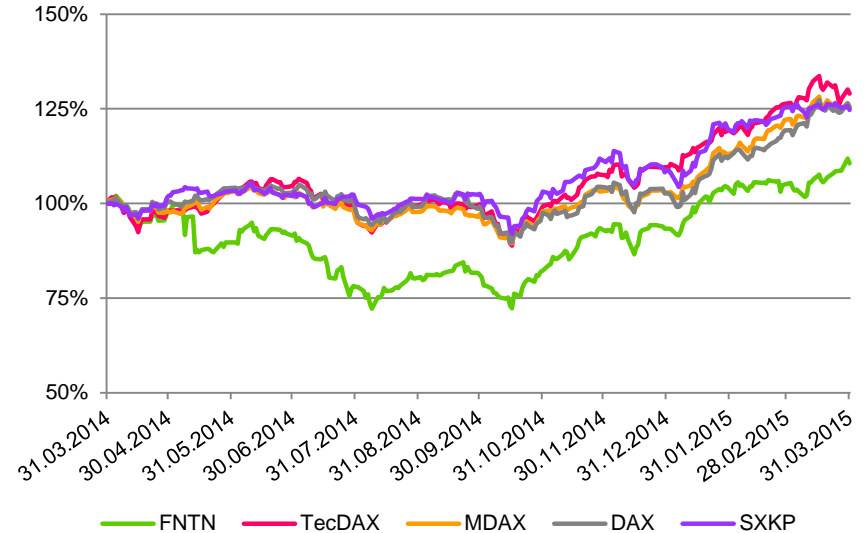
freenet AG share

Dividend performance



- 1) Dividend of 1.50 euros per dividend-bearing share to be proposed by the Executive Board
- 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.

Indexed share performance (12 months)



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