

# Management Presentation Q3/2012 Results

7 November 2012

freenet **GROUP**

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# Cautionary statement

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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.

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# Revised full year guidance based on successful performance in the first nine months of 2012

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## KPIs Q3/2012:

- Customer Ownership grows by 149,100 to 8.38 million
- Group revenue of 756.5 m€ slightly below internal expectations but equal to Q2/2012
- Group EBITDA rises to 92.5 m€
- Group result grows to 49.0 m€
- Free cash flow totals 71.9 m€

## Improved year-to-date performance:

- Customer Ownership increases by 259,000 year-to-date
- Increase of Group EBITDA to 263.2 m€ or by 16.8% (year-on-year)
- Group result totals 131.2 m€, an increase of 53.4 m€ on a year-on-year basis

**Executive Board upgrades full-year 2012 guidance for Group EBITDA and Free cash flow**

# Focus on capitalising core competencies and strengths

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Q3/2012

- Extension of flat rate portfolio Flat Allnet, Flat 4 You Plus
- Launch of iPhone 5 with Telekom, Vodafone and O2 network; launch of partnership with new vendor Huawei
- Soft launch of 'SmartHome' as a line extension into digital lifestyle
- Penetration of new marketing campaign and its core message "Gemeinsam geht mehr" ("Getting more together")

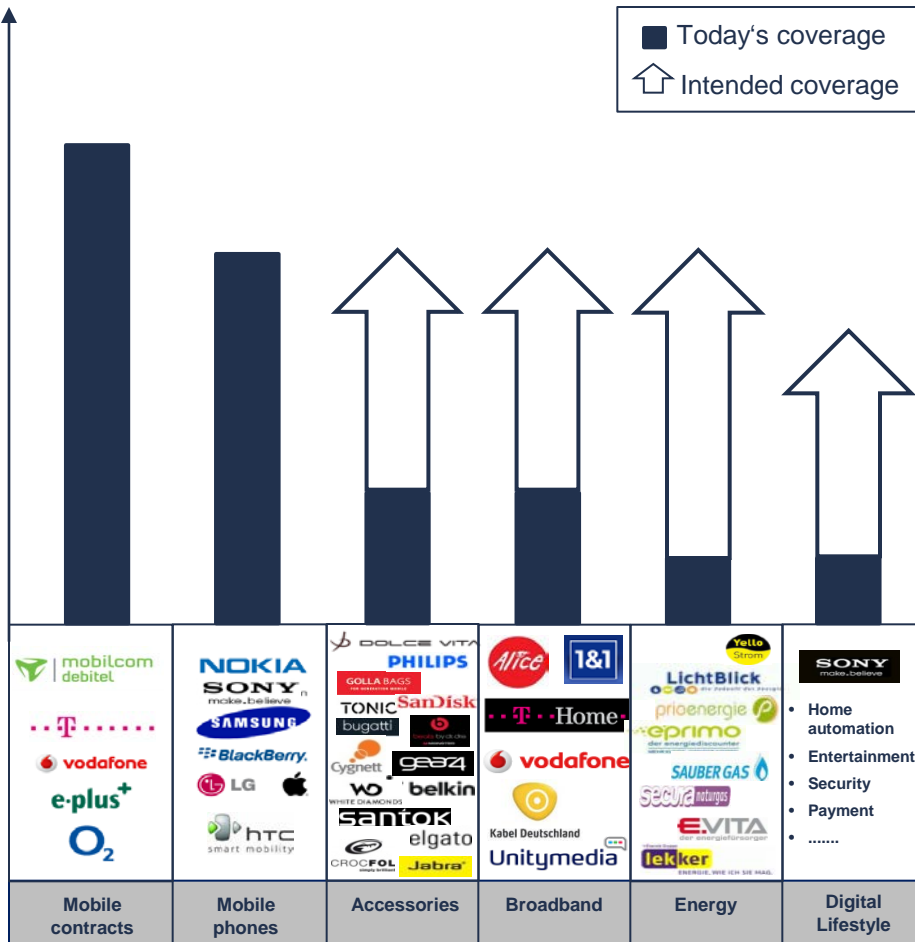
Q4/2012

- Targeted multi-channel approach with full set of SIM-only and tariff + handset portfolio
- Extensive campaigning of flat tariff plans into customer base
- Exclusive launch of Sony Xperia 007 edition in Germany
- Continuous extension and optimisation of accessory and service offering in retail shops
- Start of project to offer successful mobilcom-debitel retail model to third party dealership

# Revenue growth path through portfolio and channel extension

## Retail channels

Distributors  
 Non-exclusive partners  
 Exclusive partners  
 Free dealership  
 Franchise  
 Retail/  
 Captive-online



- freenet has successfully developed its assortment of profitable products and will continue to do so
- So far only retail and captive-online serves our customers with the full portfolio
- Retail channels can be managed profitably as a consequence
- The concept will now stepwise be extended into the other channels, that are currently served only with the standard mobile service provider products

# SmartHome has been launched after successful test

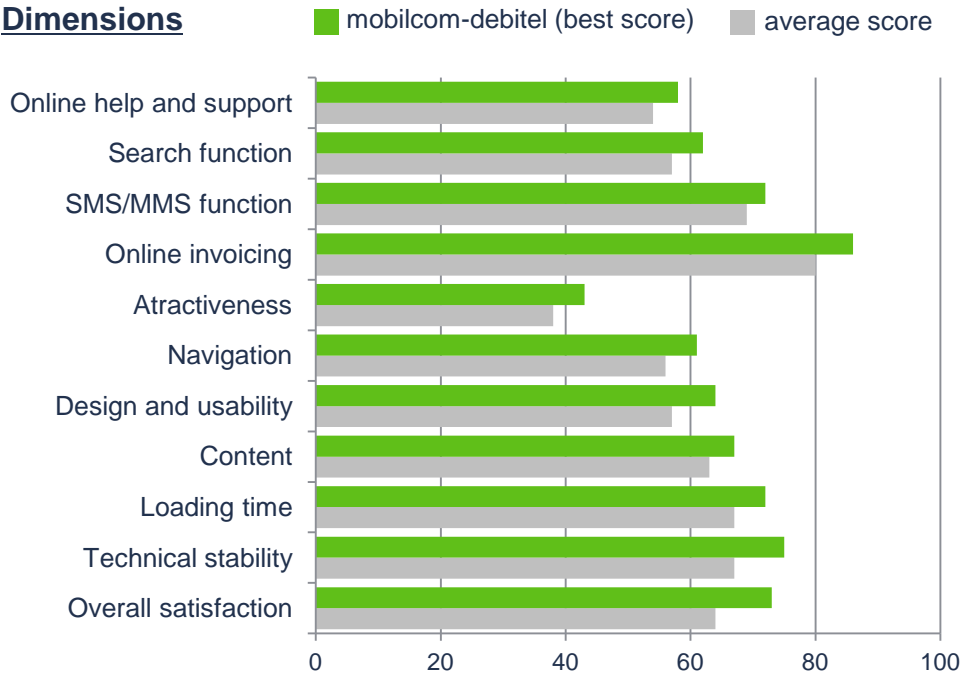
## 30% reduction of energy costs

- House control module for intelligent heating management (heating, windows, roller shutters)
- No intervention in the heating system (use of thermostat top parts and window contacts)
- Easily operated from afar via Smartphone App remote Software for iOS and Android operating system
- Sale of 'SmartHome' Starter-Kit in 150 mobilcom-debitel shops since September 2012
- 24 month subscription model equal to mobile phone contract at a price starting from 7.95 per month



# mobilcom-debitel online scores best in website benchmark

## Dimensions



mobilecom-debitel

Start

Online-Shop | Kundenvorteile | Tarife & Optionen | Mobiles Internet | Mein mobilcom-debitel | Hilfe & Services

iPhone 5

Bestellen | Weitere Infos

Sony Xperia™ T

LG Optimus 4X HD

ALL NET FLAT

Samsung Galaxy S3

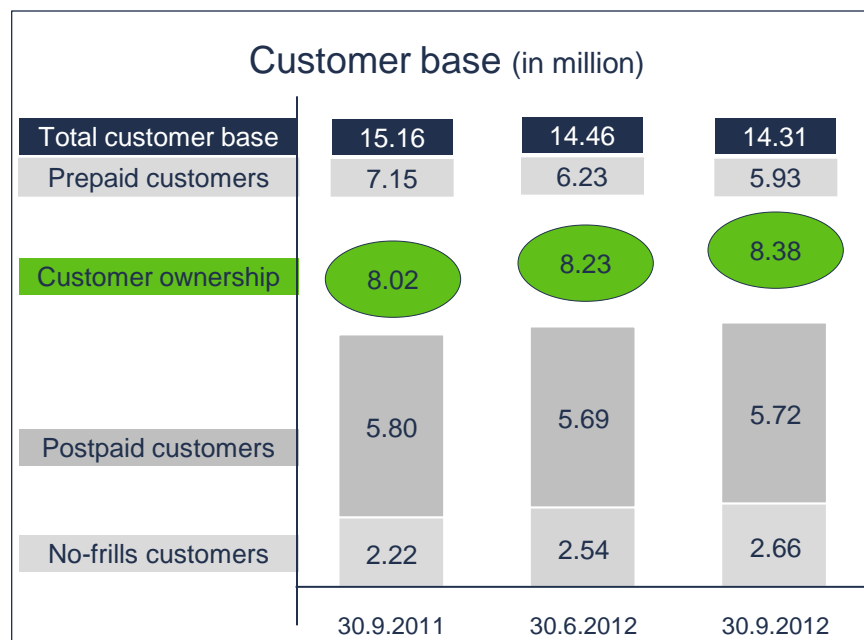
mobilecom-debitel significantly optimized and improved its website in all relevant dimensions

Source: Psyma Research and Online Studies No. 11110231; Online Benchmarking for Mobile Telecommunication Websites

- 70% of the population searches the internet for offers before deciding on a tariff plan
- Consequently, an attractive layout of the provider's website is a key factor for customer satisfaction and brand awareness
- According to a benchmark study conducted by the independent research institute 'Psyma' the mobilcom-debitel website scores best in all key dimensions underlining its positioning as leading independent mobile service provider in Germany

# Further growth of customer ownership base

## Development of the customer base



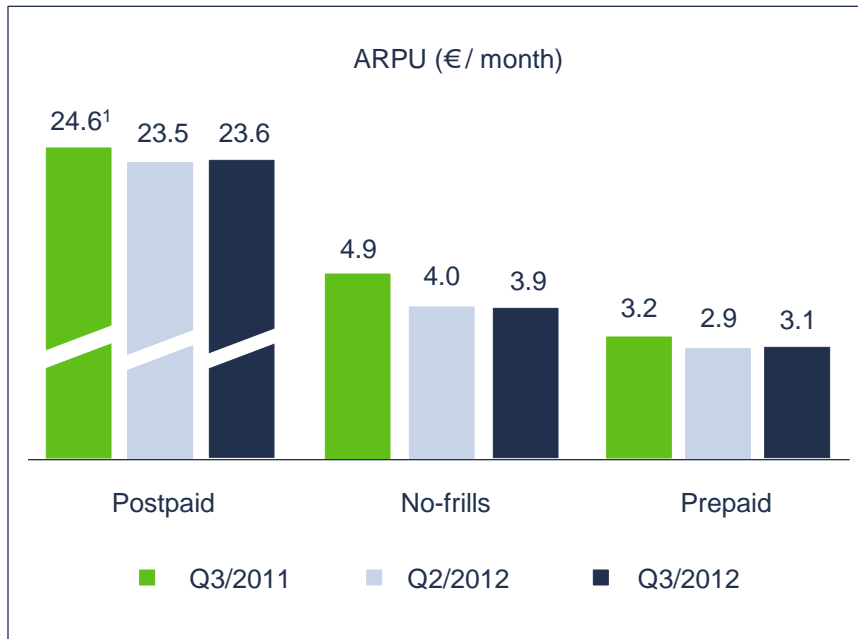
### Highlights

- On a year-to-date basis **Customer ownership** (Postpaid + No-frills segment) went up by 259,000
- Compared to Q2/2012 **Customer ownership** increased by 149,100 to 8.38 million customers
- Postpaid customer base** went up by 31,100
  - The **No-frills** segment recorded a growth of 118,000 customers (+4.7%)
- Prepaid segment** continues to decline



# Stable ARPU development in 2012

## Segment specific ARPU



- **Postpaid ARPU** stabilizes at 23.6 euros (year-to-date: 23.5 euros)
- Solid **no-frills ARPU** at 3.9 euros
- **Data revenue** share still growing to 19.4% of postpaid ARPU in Q3/2012
- klarmobil 24-month-commitment-plans not counted in no-frills ARPU explaining negative development vs. 2011
- **Prepaid ARPU** stabilizes at 3.1 euros

**Stable Postpaid ARPU expected for full year 2012**

1) Including one-off items

# Financial statements – income statement (1/2)

In € million	Q1 – Q3/2012	Q1 – Q3/2011	Q3/2012	Q3/2011
Revenue	2,269.6	2,405.4 <sup>1)</sup>	756.5	840.6 <sup>1)</sup>
Gross profit	519.7	513.7	182.3	178.0
EBITDA	263.2	246.5 <sup>2)</sup>	92.5	84.2 <sup>3)</sup>
Depreciation and amortisation	-111.1	-135.5	-37.0	-44.0
EBIT	152.1	111.0	55.5	40.1
Interest receivable and similar income	2.2	3.8	0.7	0.9
Interest payable and similar expenses	-32.3	-43.9	-10.4	-12.9
EBT	122.0	70.9	45.8	28.1

- 1) Adjusted according to IAS 8
- 2) Recurring EBITDA: Q1-Q3/11: 263.9 m€
- 3) Recurring EBITDA: Q3/11: 90.1 m€

# Financial statements – income statement (2/2)

In € million	Q1 – Q3/2012	Q1 – Q3/2011	Q3/2012	Q3/2011
EBT	122.0	70.9	45.8	28.1
Taxes on income	9.2	6.8	3.2	2.8
Group result from continued operations	131.2	77.7	49.0	30.9
Group result from discontinued operations	0.0	0.1	0.0	0.0
Group result	131.2	77.8	49.0	30.9
Group result attributable to shareholders of freenet AG	131.1	77.6	48.9	30.9
Group result attributable to non-controlling interest	0.1	0.2	0.0	0.0
Earnings per share (€) <sup>1)</sup>	1.02	0.61	0.38	0.24

1) Undiluted/diluted

# Financial statements – balance sheet

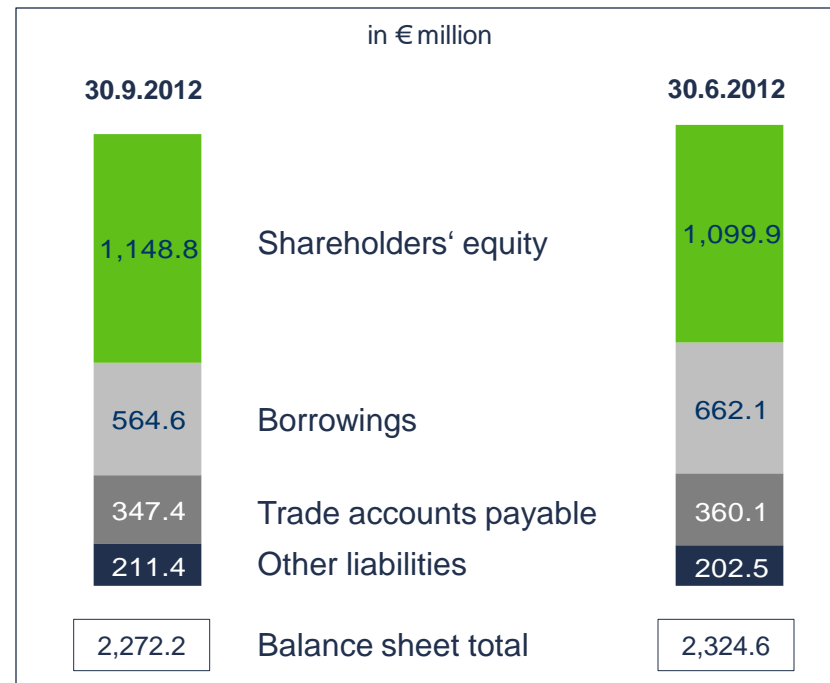
## Assets

in € million



## Shareholders' equity and liabilities

in € million



### Comment

- Equity ratio increased from 47.3% (30 June 2012) to 50.6% (30 Sept. 2012)
- Net debt of 512.1 m€ as of 30 Sept. 2012 (30 June 2012: 575.7 m€)

# Financial statements – cash flow statement

In € million	Q1 – Q3/2012	Q1 – Q3/2011	Q3/2012	Q3/2011
Cash flow from operating activities	208.1	198.2	77.6	64.4
Cash flow from investing activities	-9.2	-9.6	-5.0	-3.5
Cash flow from financing activities	-267.0	-187.8	-41.5	-146.6
<b>Change in cash and cash equivalents</b>	<b>-68.1</b>	<b>0.9</b>	<b>31.1</b>	<b>-85.7</b>
<b>Free cash flow<sup>1</sup></b>	<b>195.9</b>	<b>184.3</b>	<b>71.9</b>	<b>60.1</b>

- 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.

# Upgrade of full-year guidance 2012 for EBITDA and FCF

Guidance 2012			
	Original	New (November 2012)	Comment
Contract customer base	→	→	Stable contract customer base
Postpaid ARPU	→	→	Stable postpaid ARPU
Group revenue	→	→	Slight decrease of Group revenue to 3 billion euros, but further stabilisation of value-driven revenue
Group EBITDA	340 m€	355 m€	Increase of Group EBITDA forecast (includes ~5 m€ effect from KielNET sale)
Free cash flow (FCF) <sup>1</sup>	240 m€	255 m€	Increase of free cash flow outlook
Dividend	40-60% of FCF	40-60% of FCF	According to existing dividend policy

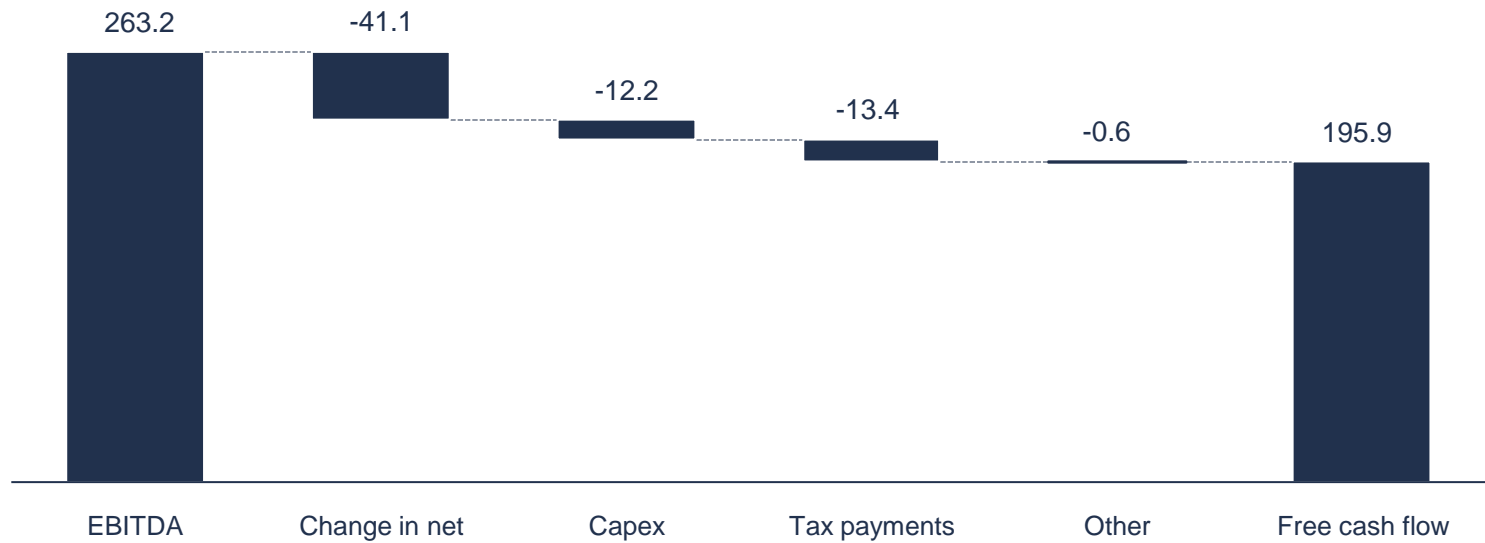
Financial year 2013 outlook remains unchanged due to the ongoing budgeting process

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# Detailed bridge from EBITDA to free cash flow

## Free cash flow bridge Q1-Q3/2012

in € million



	EBITDA	Change in net working capital	Capex	Tax payments	Other	Free cash flow
<b>FY 2012 New guidance</b>	<b>355</b>	<b>~ -50</b>	<b>~ -20</b>	<b>~ -25</b>	<b>~ -5<sup>1</sup></b>	<b>255</b>
FY 2012 original guidance	340	~ -50	~ -20	~ -30		240

1) KielNET effect; included in Group EBITDA but no impact on free cash flow (as defined by freenet), accounted for in Q4/2012

# Summary

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- Positive business trend continued in Q3/2012
- Stabilisation of main value drivers such as postpaid ARPU and contract customer base
- Growing Customer Ownership indicates focus on high-value customers
- Diversification in products and services strengthens competitive advantage
- Upgrade of full-year 2012 guidance for Group EBITDA and Free cash flow



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