Management Presentation Q2/2011 Results

10 August 2011

Cautionary statement

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freenet AG is raising its guidance for the financial year 2011

Based on the performance of Q1 and Q2 and promising new customer acquisition in July, freenet projects the following for the financial year 2011:

- Recurring Group EBITDA 350 m€ (previously: 325 m€)
- Free cash flow >220 m€ (previously: >200 m€)
- Postpaid customer shrinkage <450,000 (previously: <500,000)

Key drivers for the better performance projections

- Strengthening of captive sales channels
- Improvement of SACs
- Improved conditions with MNOs

- Operational excellence (improvement of internal processes and services)
- Successful IT migration in May fulfilled our best expectations

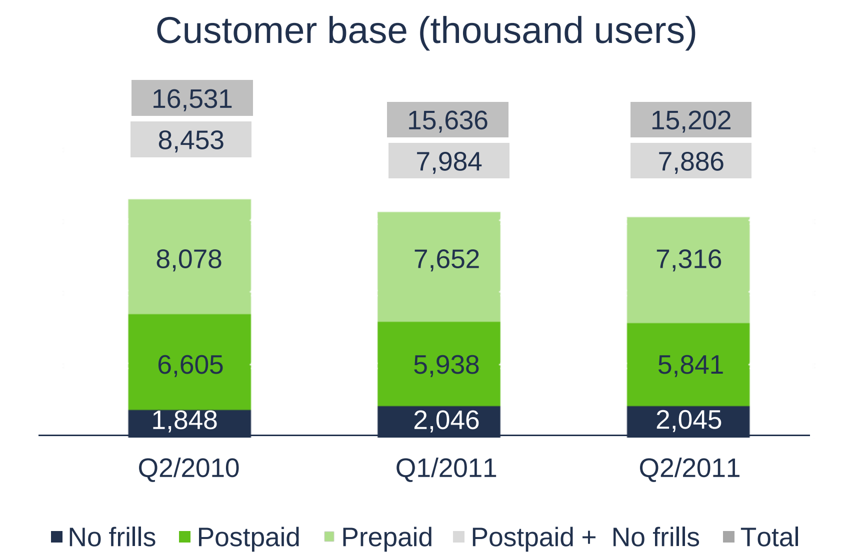
- Good performance of the entire internet/portal business

IT migration supports the expected effects

Q1/2011	Q2/2011	2^{nd} half 2011
▪ Stepwise preparation of the final migration including change of the entire process landscape ▪ Renewal of the MSH distribution contract ▪ Extension of retail programme to franchise	▪ Migration and shut down of Talkline/debitel system ▪ Refinancing ▪ Continuation of smartphone push and completion of tariff portfolio with “Flat 4 You” and “Flat Smart” ▪ Tests of new shop formats ongoing ▪ Opening of CAMPUS Erfurt, our innovative and efficient training centre	▪ In July system stabilization phase finished ▪ Better time-to-market and faster product, tariff and process optimization due to single platform implemented ▪ Improvement of business intelligence leads to better customer loyalty programmes and as a result upgraded contract renewal and churn ▪ Continuation of successful campaigns with flat tariff plans

Development of the mobile communications customer base

Customer base

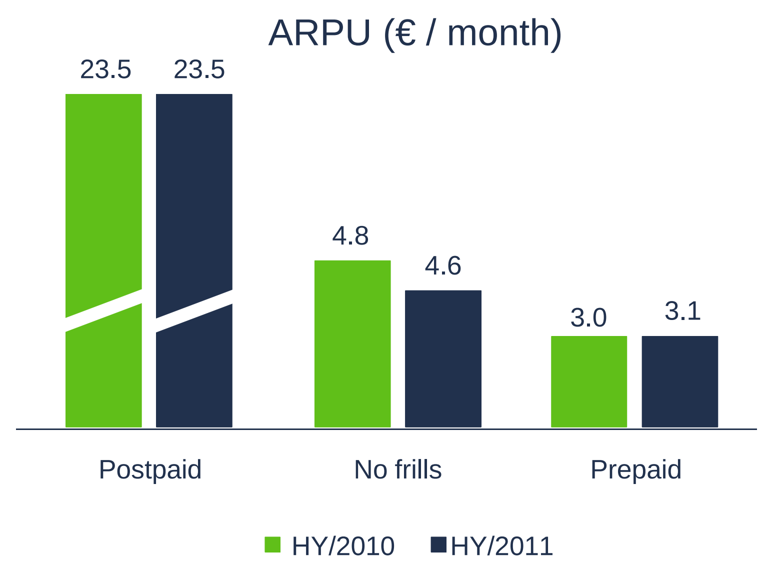


- Customer base postpaid reduced by 97,000
- Internal projection for year-end amounts < 450,000 net loss
- Growth in no-frills (+10.7% yoy)
- Customer ownership (postpaid and no-frills segment) totals 7.886 million (-98,000 or -1.23% vs. Q1/2011)

Stabilization of customer base expected in the course of 2012

Development of ARPU per segment

ARPU



- Postpaid:
  - Half year accumulation: equal to previous year
  - +40 cents vs. Q1/2011 (+1.7%)
  - -50 cents vs. Q2/2010 (-2.1%)
  - Further penetration of the market and the customer base with smartphones and mobile internet access increases data revenue share in postpaid to 14.4%
- No frills:
  - -20 cents vs. HY/2010 (-4.2%)
  - +20 cents vs. Q1/2011 (+4.4%)
  - -40 cents vs. Q2/2010 (-7.8%)
- Prepaid stable

Stable ARPU in both postpaid and no-frills segments expected for 2011

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Financial statements – income statement (1/2)

In €´000s	1st half 2011	1st half 2010 adjusted[1]	Q2/2011	Q2/2010 adjusted[1]
Revenue	1,546,261	1,638,401	757,450	835,333
Gross profit	335,718	357,764	171,009	193,572
EBITDA	162,328	160,804	83,887	89,061
NRI (non recurring items)	11,536	13,544	5,861	6,199
Recurring EBITDA	173,864	174,348	89,748	95,260
Depreciation and amortisation	-91,479	-96,071	-45,664	-48,743
EBIT	70,849	64,733	38,223	40,318
Interest receivable and similar income	2,915	13,599	1,607	7,026
Interest payable and similar expenses	-30,998	-37,762	-20,404	-17,636
EBT	42,766	40,570	19,426	29,708

1) The comparison figures have been adjusted retrospectively due to IFRS 5 (presentation of Next ID as a discontinued operation).

Financial statements – income statement (2/2)

In €´000s	1st half 2011	1st half 2010 adjusted[1]	Q2/2011	Q2/2010 adjusted[1]
EBT	42,766	40,570	19,426	29,708
Taxes on income	3,957	5,351	1,393	213
Group result from continued operations	46,723	45,921	20,819	29,921
Group result from discontinued operations	140	-1,532	0	-6,298
Group result	46,863	44,389	20,819	23,623
Group result attributable to shareholders of freenet AG	46,744	44,395	20,778	23,626
Group result attributable to non-controlling interest	119	-6	41	-3
Earnings per share (€)	0.37	0.35	0.17	0.19

1) The comparison figures have been adjusted retrospectively due to IFRS 5 (presentation of Next ID as a discontinued operation).

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Financial statements – balance sheet

Assets

in € million

	30.6.2011	31.3.2011
Intangible assets	546.7	585.1
Goodwill	1,116.9	1,116.7
Trade accounts receivable	413.1	368.1
Cash and cash equivalents	216.9	206.5
Other assets	254.5	260.8
Balance sheet total	2,548.1	2,537.2

Shareholders' equity and liabilities

in € million

	30.6.2011	31.3.2011
Shareholders' equity	1,181.3	1,160.6
Borrowings	739.7	765.2
Trade accounts payable	370.0	338.0
Other liabilities	257.1	273.4
Balance sheet total	2,548.1	2,537.2

Comment

- Equity ratio improved from 45.7% (31 March 2011) to 46.4% (30 June 2011)
- Net debt of 523 m€ as of 30 June 2011 (31 March 2011: 559 m€)

Financial statements – cash flow statement

In € million	1st half 2011	1st half 2010	Q2/2011	Q2/2010
Cash flow from operating activities	133.8	104.0	57.4	12.6
Cash flow from investing activities	-6.0	9.6	-2.6	-1.9
Cash flow from financing activities	-41.1	-449.5	2.2	-74.1
Change in cash and cash equivalents	**86.6**	**-335.9**	**57.0**	**-63.4**
Free cash flow[1]	**124.2**	**92.5**	**51.7**	**6.5**

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.

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Guidance 2011 increased

	Guidance 2011	
	previously	**new**
Rec. Group EBITDA	*325 m€*	**350 m€**
Free cash flow[1]	*>200 m€*	**>220 m€**
Dividend proposal	*80 cents*	**40% - 60% of free cash flow, with a minimum of 80 cents**

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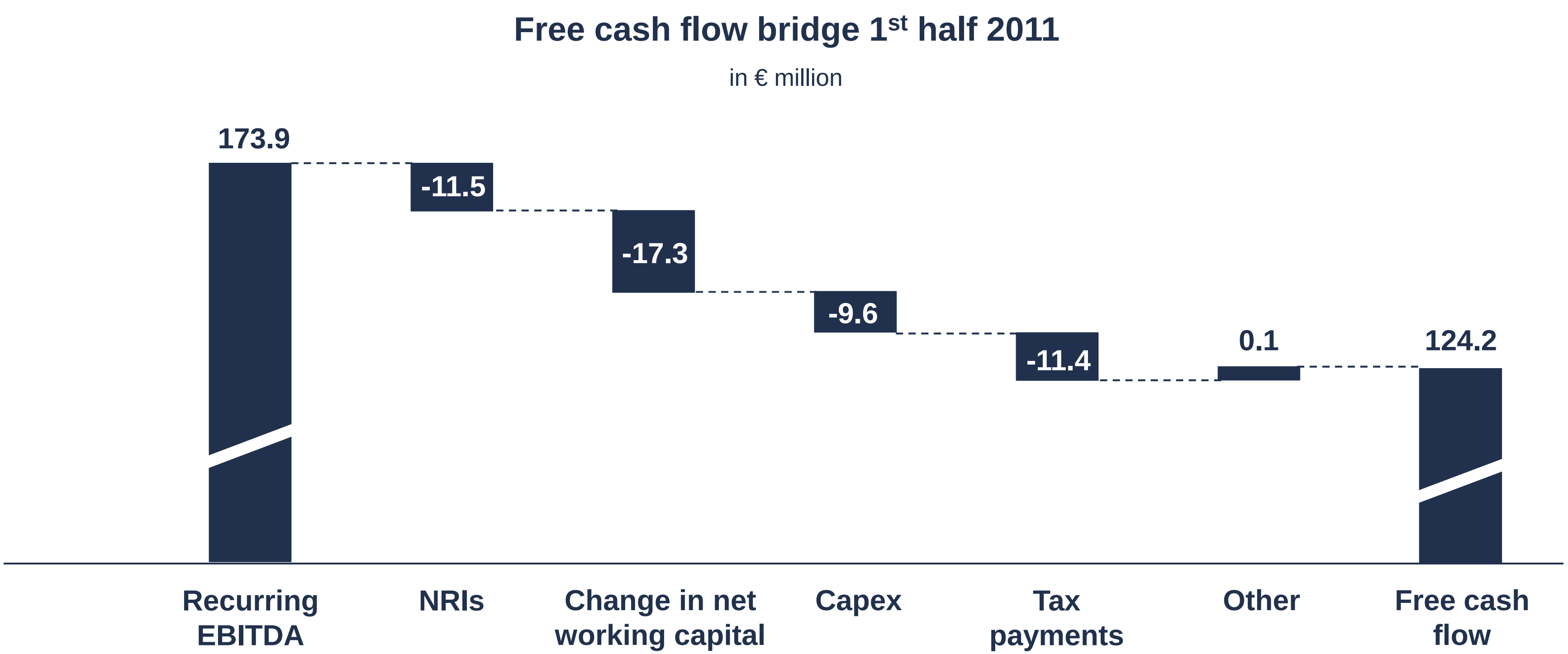
Detailed bridge from recurring EBITDA to free cash flow



FY 2011e:	350	~ -25	~ -40	~ -25	~ -30		> 220

Summary

- Performance during the 1st half year 2011 above internal planning
- Projection for the full year 2011 improved in all relevant KPIs
- Refinancing in Q2/2011 protects the company from overall financial risks currently hitting the markets
- National focus and nature of the business makes freenet largely independent from the overall crisis and inflation risks

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