

# Preliminary results 2011

Analyst and Investor Conference Call  
Hamburg, 1 March 2012

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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.

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 presented on 23 March 2012.

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

# Today's speakers

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Christoph Vilanek  
CEO



Joachim Preisig  
CFO

# Today's agenda

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- 1 Introduction and operational review
- 2 Financial review
- 3 Strategic outlook
- 4 Guidance 2012 and 2013

# Guidance 2011 increased and exceeded

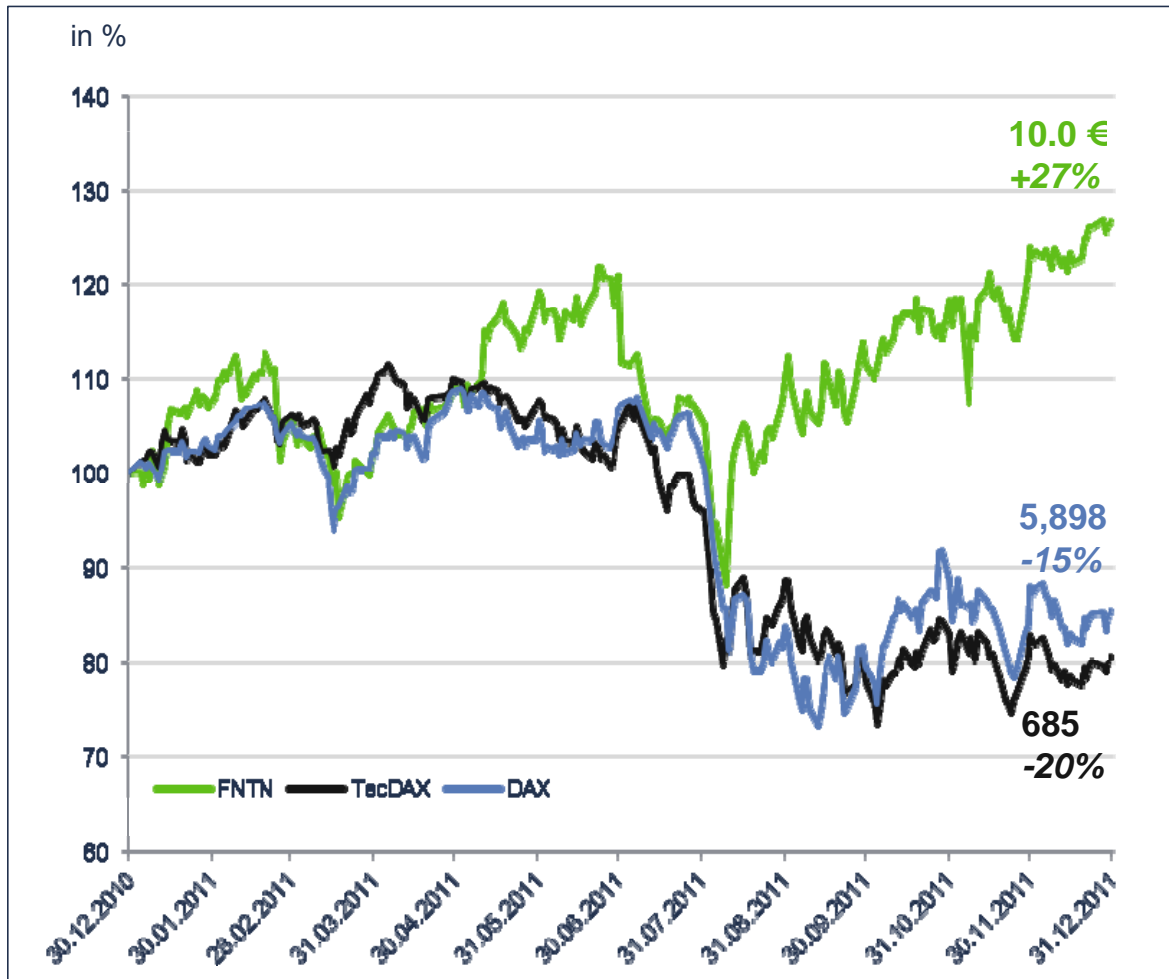
	Guidance 2011 original	Guidance 2011 latest <sup>1</sup>	Preliminary results 2011	
<b>Contract customer base</b>	< -500,000	< -420,000	<b>-366,000</b>	✓
<b>Rec. Group EBITDA</b>	325 m€	355 m€	<b>360.3 m€</b>	✓
<b>Free cash flow (FCF)<sup>2</sup></b>	>200 m€	>230 m€	<b>241.0 m€</b>	✓
<b>Dividend proposal</b>	0.80 €	40-60% of FCF, ≥ 0.80 €	Proposal of Executive Board: <b>1.00 €</b> (≙ 53% of FCF)	✓

1) Latest upgrade from 9 November 2011.

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.

# freenet share outperformed the 2011 market after successful realignment and migration

## Relative performance of the freenet share against the TecDAX and DAX




- Share price performance +27% in 2011
- 80 cents dividend paid in 2011 for 2010
- Dividend yield of 8% in 2011<sup>1</sup>
- Market capitalization of 1.3 bn €<sup>1</sup>

- freenet outperforms TecDAX by almost 50%
- freenet wins HASPAX award for excellent share price performance
- freenet outperforms DAX by over 40%




1) As of 30 December 2011.

# Attractive product and hardware offering


## Successful launch of the new tariff plans “Flat 4 You”, “Flat Smart” and “Flat Allnet”

**Flat 4 You** 




- ✓ Unlimited on-net calls
- ✓ Mobile internet flat rate
- ✓ SMS Allnet Flat (3,000 SMS)
- ✓ MMS on-net Flat (1,500 MMS)
- ✓ Unlimited calls to a mobile network of your choice


**29.90 €**  
per month

**Flat Smart** 





- ✓ Unlimited on-net calls
- ✓ Mobile internet flat rate
- ✓ SMS Allnet Flat
- ✓ 120 free minutes per month to all German networks

**29.90 €**  
per month

**Flat Allnet** 





- ✓ Unlimited calls to all German networks
- ✓ Unlimited calls to German landlines
- ✓ Mobile internet flat rate




**29.90 €**  
per month

## Hardware option

Wide range of modern smartphones  
(Apple, HTC, LG, Nokia, Samsung, Sony Ericsson)

# Independent test results confirm tariff attractiveness

	<p><b>Handyflatrate-Preisvergleich.de</b></p> <p>debitel light SMS-Flat günstigste SMS Flatrate in alle deutschen Mobilfunknetze 03/2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF für Message-Fans im D1-Netz (30 Gesprächsminuten, 100 SMS für 20,00 € K. Profi) debitel light 8 Cent-Tarif + SMS-Flatrate Im Vergleich: 897 Tarife - Herbst von 18.03.2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF (4,50 € Kosten i. Profi) im D1-Netz in der Kategorie Wenigstelefonier mit 30 Minuten und 14 SMS pro Monat debitel light 8 Cent-Tarif Im Vergleich: 813 Tarife - Herbst von 28.04.2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF (20,00 € Kosten i. Profi) im D1-Netz in der Kategorie Massenrufer mit 30 Minuten und 100 SMS pro Monat debitel light 8 Cent-Tarif + SMS-Flatrate Im Vergleich: 813 Tarife - Herbst von 28.04.2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF für Wenigstelefonier im D1-Netz (30 Gesprächsminuten für 4,50 € K. Profi) debitel light 8 Cent-Tarif Im Vergleich: 897 Tarife - Herbst von 18.03.2011</p> <p><b>PRODUKT CHECK</b> 7/11 Debitel light ★★★★★ biallo.de</p>
	<p><b>billiger-telefonieren.de</b></p> <p>Handy-Tariftipp für Allrounder</p> <p><b>freenetmobile</b></p> <p>www.billiger-telefonieren.de (Stand: Januar 2011)</p>
	<p><b>Testsieger</b> Klarmobil Internet Flat bis 9:00 November 2011 ★★★★★ 5/5 Handy Flatrate</p> <p><b>Handyflatrate-Preisvergleich.de</b> klarmobil SMS Flat Günstige SMS-Flatrate in alle deutschen Netze 07/2011</p> <p><b>Handyflatrate-Preisvergleich.de</b> klarmobil Flat Festnetz Günstigste Handy-Flatrate in das deutsche Festnetz 07/2011</p> <p><b>Handyflatrate-Preisvergleich.de</b> klarmobil SMS Flat Günstigste SMS-Flatrate in alle deutschen Netze 08/2011</p> <p><b>Handyflatrate-Preisvergleich.de</b> klarmobil Flat Festnetz Günstige Handy-Flatrate in das deutsche Festnetz 08/2011</p> <p><b>Im Check</b> Klarmobil Tarife ★★★★★ Extras ★★★★★ Netz ★★★★★ connect Check ★★★★★</p> <p><b>PRODUKT CHECK</b> 4/11 Klarmobil Handy-Spar-Tarif ★★★★★ biallo.de</p>
	<p><b>www.prepaid-vergleich-online.de</b></p> <p>Bester Tarif für Wenigstelefonier</p> <p><b>callmobile clever9</b> (Stand Sommer 2011)</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF (4,50 € Kosten i. Profi) im D1-Netz in der Kategorie Wenigstelefonier mit 30 Minuten und 14 SMS pro Monat callmobile clever9 Im Vergleich: 897 Tarife - Herbst von 18.03.2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF (4,50 € Kosten i. Profi) im D1-Netz in der Kategorie Wenigstelefonier mit 30 Minuten und 14 SMS pro Monat callmobile clever9 Im Vergleich: 813 Tarife - Herbst von 28.04.2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF (20,00 € Kosten i. Profi) im D1-Netz in der Kategorie Massenrufer mit 30 Minuten und 100 SMS pro Monat callmobile clever9 Im Vergleich: 813 Tarife - Herbst von 28.04.2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF für Wenigstelefonier im D1-Netz (30 Gesprächsminuten für 4,50 € K. Profi) callmobile clever9 Im Vergleich: 897 Tarife - Herbst von 18.03.2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF (4,50 € Kosten i. Profi) im D1-Netz in der Kategorie Wenigstelefonier mit 30 Minuten und 14 SMS pro Monat callmobile clever9 Im Vergleich: 813 Tarife - Herbst von 28.04.2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF (20,00 € Kosten i. Profi) im D1-Netz in der Kategorie Massenrufer mit 30 Minuten und 100 SMS pro Monat callmobile clever9 Im Vergleich: 813 Tarife - Herbst von 28.04.2011</p> <p><b>Stiftung Warentest</b> GÜNSTIGSTER TARIF für Wenigstelefonier im D1-Netz (30 Gesprächsminuten für 4,50 € K. Profi) callmobile clever9 Im Vergleich: 897 Tarife - Herbst von 18.03.2011</p>



# Product success supported by strong sales performance

## Smartphone and flat rate trend

- More than 70% of new customers and contract renewals with smartphones
- 50% share of POS activations in 2<sup>nd</sup> half of 2011 with flat rates
- Improved performance in all sales channels on- and offline
- As a result lower subscriber acquisition and subscriber retention cost



## Exclusive GRAVIS/Apple cooperation

- mobilcom-debitel @ GRAVIS – full mobile tariff portfolio now available in all 28 GRAVIS shops and via [www.gravis.de](http://www.gravis.de)
- GRAVIS @ mobilcom-debitel – Apple portfolio made available in 30 mobilcom-debitel shops, delivering brand image, increase in footfall and additional revenues

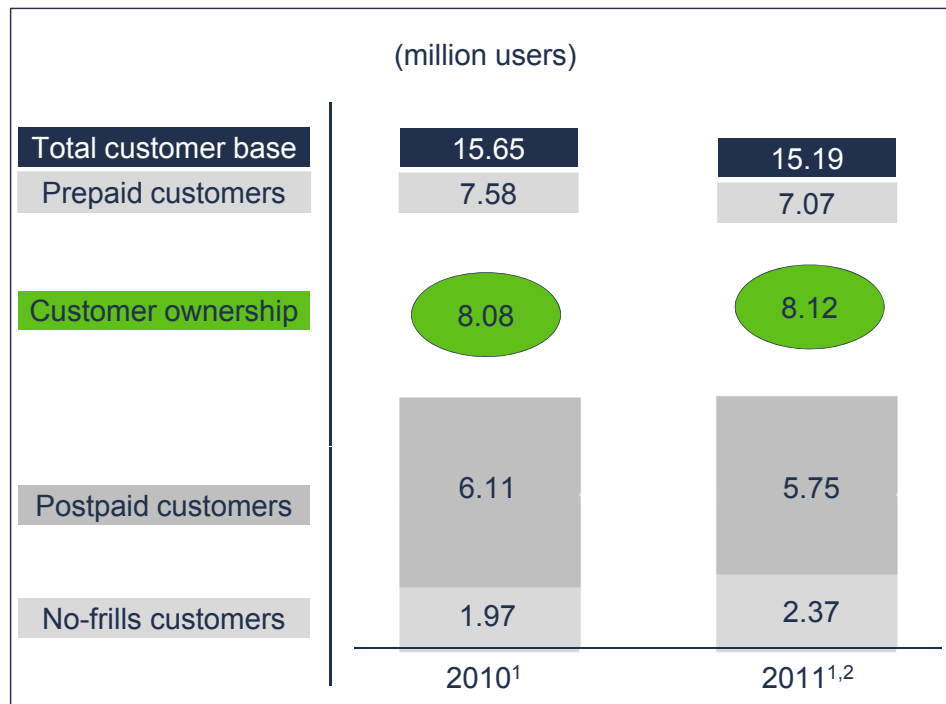


## Extended product and service portfolio

- Shop sales in accessories, hardware and adjacent products (e.g. handset insurance, energy, etc.)
- Repair services and in-shop-payment of bills create more sales opportunities into customer base
- Increase of total transaction share of captive channels

# Stabilization in customer ownership achieved

## Customer base



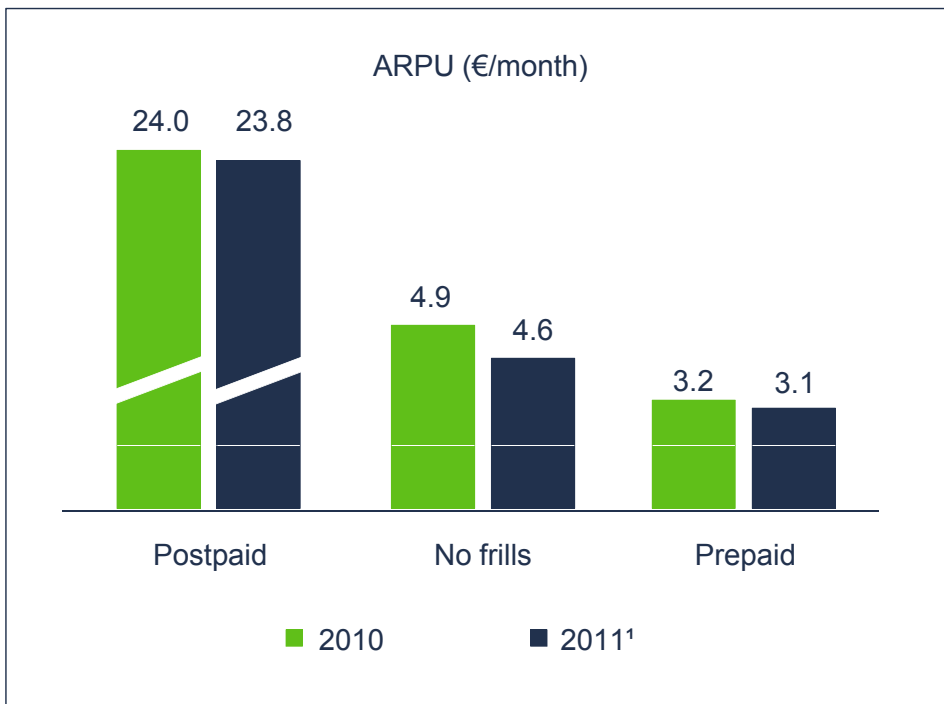
- Total customer ownership (postpaid + no frills) grew by 43,000 customers
- Postpaid customer base only -366,000 (134,000 or 27% better than expected)
- No-frills segment grew by 410,000 customers (+21%)

Stable customer ownership expected in 2012

1) At the end of period.  
 2) Preliminary figures.

# Quality focus leads to ARPU stabilization

## Average revenue per user (ARPU)



- Postpaid ARPU stable (-0.8%) due to increasing number of smartphone tariffs and increased data revenue share in postpaid of 17.3%
- No-frills ARPU slightly shrinking, but significant growth in customer base (no impact on margin due to frontload business model)
- Prepaid business with slightly declining ARPU (-3%) but with stable contribution

**Stable postpaid ARPU expected for 2012**

1) Preliminary figures.

# Financial statements – income statement

In € million	2011 <sup>1</sup>	2010
Revenue	3,217.9	3,339.5
Gross profit	715.8	720.3
EBITDA	337.4	334.9
NRI (non recurring items)	22.9	31.6
Recurring EBITDA	360.3	366.5
Depreciation and amortisation	-168.9	-189.4
EBIT	168.5	145.5
Interest receivable and similar income	5.0	18.2
Interest payable and similar expenses	-56.1	-61.0
EBT	117.3	102.6
Taxes on income	26.5	16.1
Group result	144.0	112.5
Earnings per share (€)	1.12	0.88

- Decline in revenue is mainly the result of the reduction of contract customers
- Gross profit margin 2011 of 22.2% (vs. 21.6% in 2010)
- Reduction of depreciation and amortisation of 20.5 m€: comparatively lower investment level
- Reduction of interest receivable of 13.2 m€: expiry of the interest rate swaps on 31 July 2010
- Increase of taxes on income of 10.4 m€: mainly due to increase of deferred tax assets on tax loss carryforwards, based on better planning assumptions

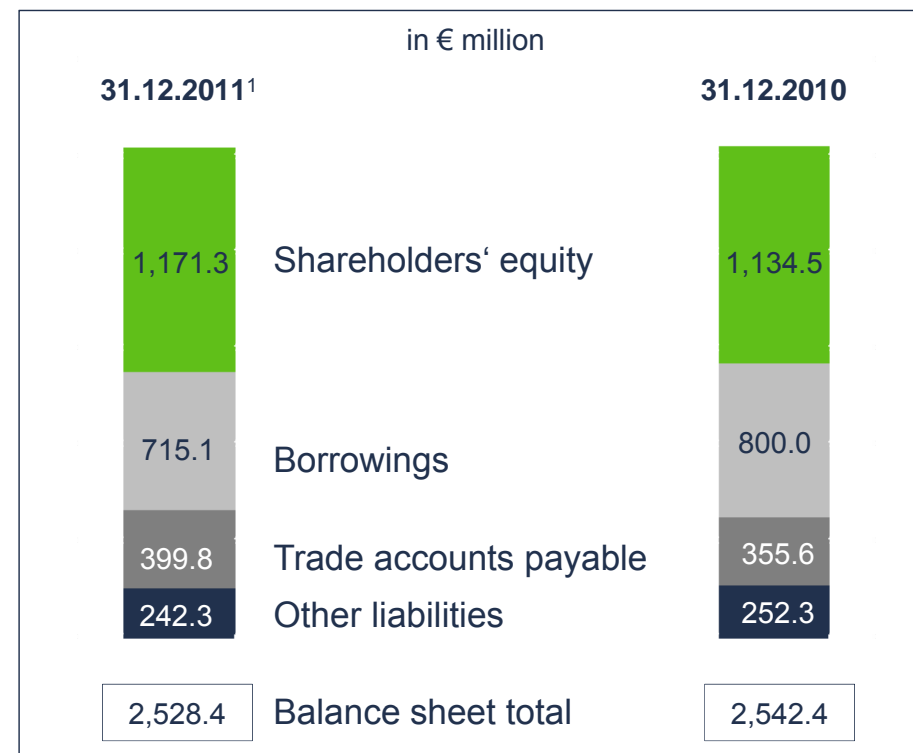
1) Preliminary figures.

# Financial statements – balance sheet

## Assets



## Shareholders' equity and liabilities



### Comment

- Equity ratio at 46.3% as of 31 December 2011 (31 December 2010: 44.6%)
- Net debt of 529.4 m€ as of 31 December 2011 (31 December 2010: 623.1 m€)

1) Preliminary figures.

# Financial statements – cash flow statement

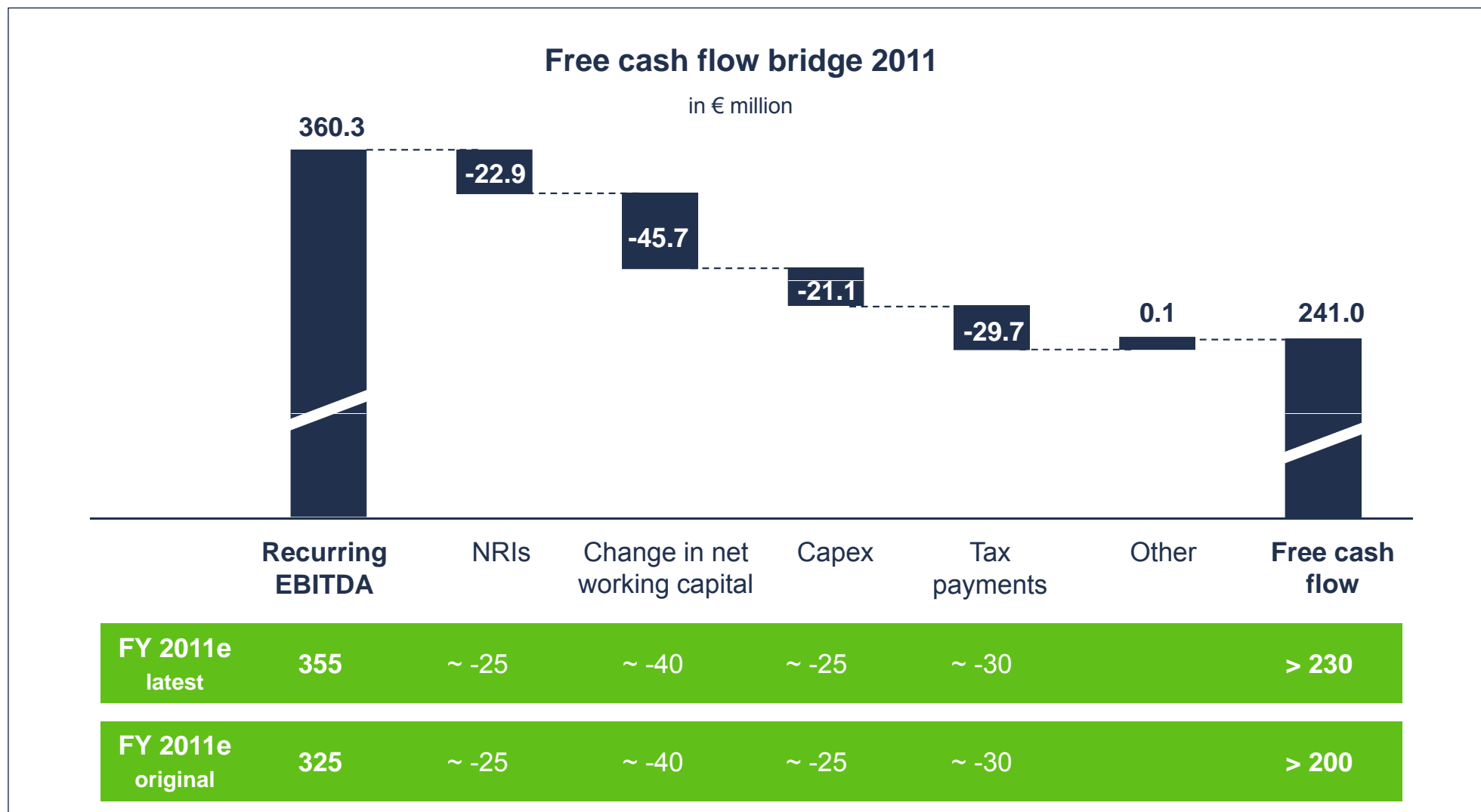
In € million	2011 <sup>1</sup>	2010
Cash flow from operating activities	262.0	236.3
Cash flow from investing activities	-16.2	0.4
Cash flow from financing activities	-190.4	-537.8
<b>Change in cash and cash equivalents</b>	<b>55.4</b>	<b>-301.1</b>
<b>Free cash flow<sup>2</sup> (FCF bridge see next page)</b>	<b>241.0</b>	<b>211.7</b>

- CF from operating activities: lower change in NWC, but higher income tax paid
- CF from investing activities: One-off items in 2010 of 19.1 million, from received payments due to disposal of DSL business, STRATO Group and Next ID
- CF from financing activities: dividend payment of 80 cents per share for 2010, repayments in 2011 and high unscheduled repayments in 2010

1) Preliminary figures.

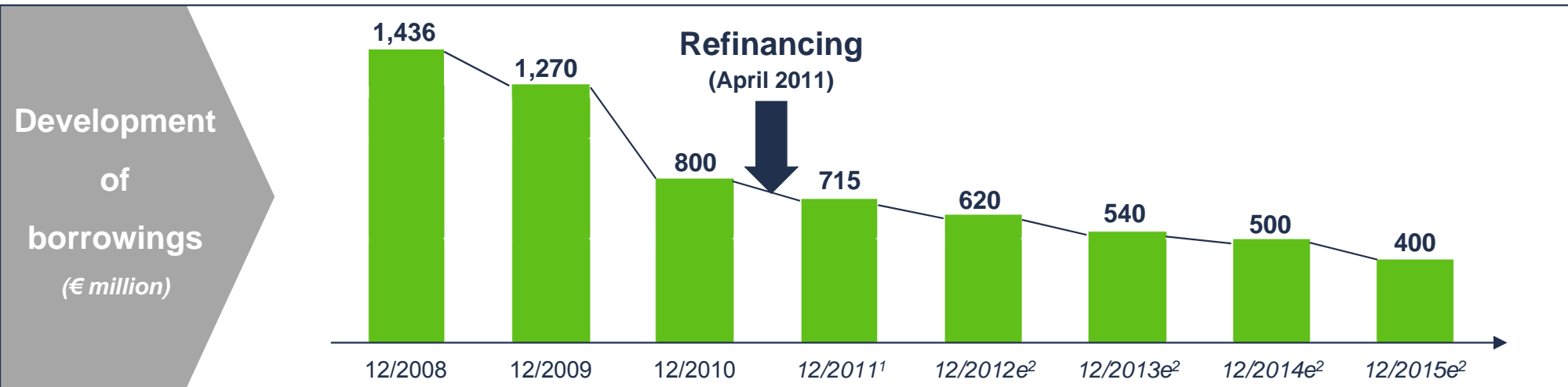
2) Free cash flow is defined as cash flow from operating activities, minus investments in property, plant and equipment and intangible assets, plus proceeds from the disposal of property, plant and equipment and intangible assets.

# Detailed bridge from recurring EBITDA to free cash flow



# Refinancing 2011: long term and well-balanced funding structure secured

## Replacement of old financing, dating back to private equity times



**Structure of the OLD financing**

	Maturity	Volume	Coupon
<b>Syndicated bank loan (as of 31/12/2010)</b>	31/07/2014	650 m€	Floating
<b>Revolving credit facility (as of 31/12/2010)</b>	31/07/2014	150 m€	Floating

**Structure of the NEW financing**

	Maturity	Volume original	Volume Q4/2011 <sup>3</sup>	Coupon
<b>Corporate bond</b>	20/04/2016	400 m€	400 m€	Fixed
<b>Syndicated bank loan</b>	20/04/2014	240 m€	200 m€	Floating
<b>Revolving credit facility</b>	20/04/2015	Up to 100 m€	100 m€	Floating

1) Preliminary figures.  
 2) Pro forma figures given a maximum utilisation of credit lines, and without accrued interest.  
 3) At the end of period.



# Strategic outlook

## freenet Group strategy

Extension and expansion of current product and service portfolio from telecommunications, internet, energy into full digital lifestyle arena exploiting existing competences and strengths.



### Operationalisation in 2012

- Launch of new branding campaign in April 2012 to improve USP perception with the consumers
- Enhancement of the service offering at all customer touchpoints with unified customer experience
- Introduction of LTE as fixed network substitution as well as mobile service with new smartphones
- Expand smartphone penetration with “legacy” customer base driven by handset option paid on top of tariff plans
- Strengthening of captive channels by adding adjacent product portfolio
- Testing of new product categories such as “mobilcom-debitel smart home” (test running in 10 shops in Q1 and Q2)
- Change of purchase model in no frills from frontload-based to backend-driven; integration of classic service provider postpaid and no frills to best exploit synergies in purchase as well as sales

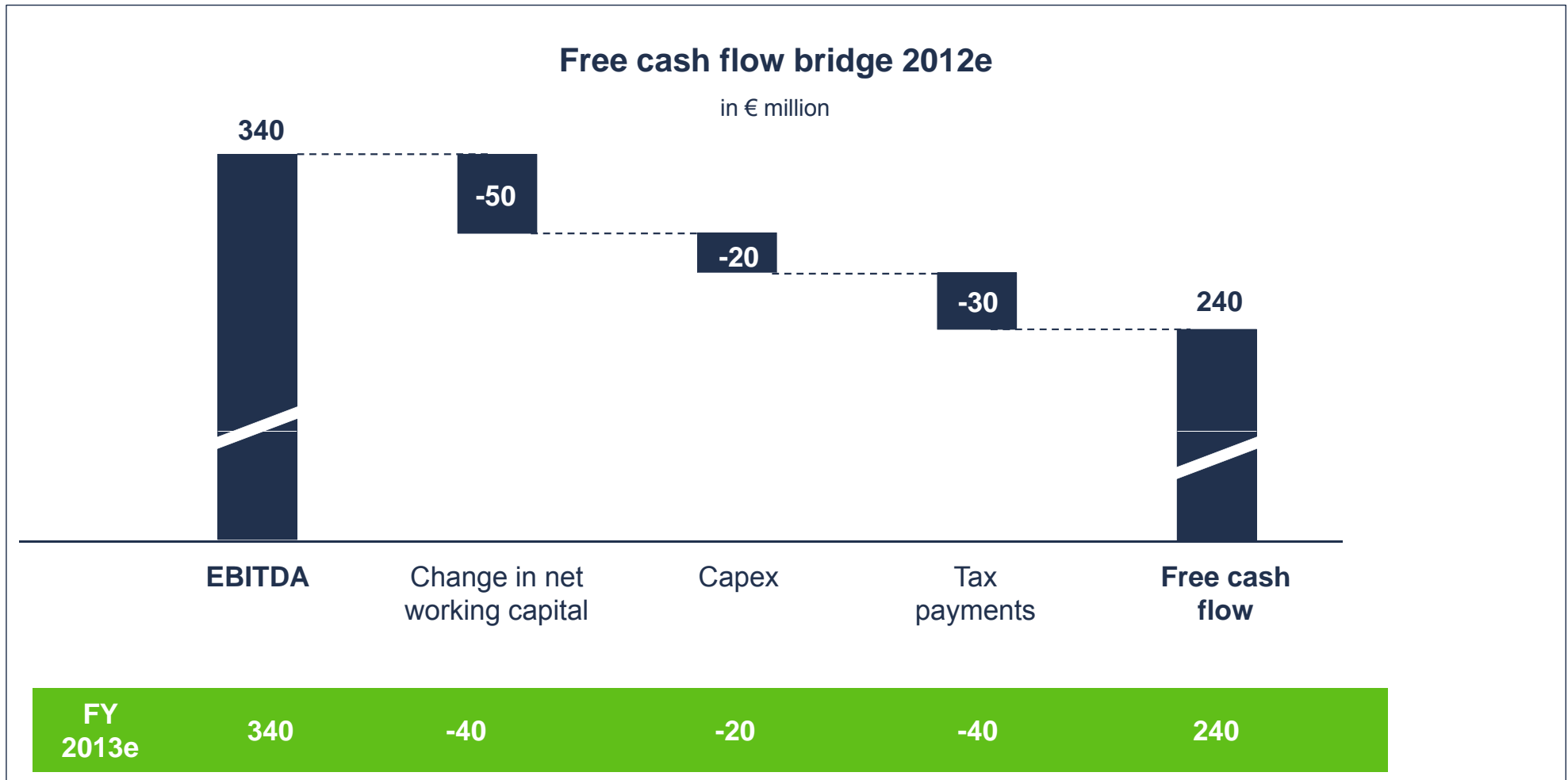
# Guidance 2012 and outlook 2013 – Continuation of the current strategy

Introduction and operational review
Financial review
Strategic outlook
<b>Guidance 2012 and 2013</b>

	Preliminary results 2011	Guidance 2012	Outlook 2013
Contract customer base	-366,000 customers		
Postpaid ARPU	Stable at 23.8 €		
Group revenue	3.22 bn€		
Group EBITDA	337.4 m€	340 m€	340 m€
Free cash flow (FCF) <sup>1</sup>	241.0 m€	240 m€	240 m€
Dividend proposal	Proposal of Executive Board: 1.00 € ( $\triangleq$ 53% of FCF)	40-60% of FCF	40-60% 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.

# Detailed bridge from EBITDA to free cash flow



# Summary

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- freenet has outperformed the original and upward revised expectations for the year 2011
- freenet is an accepted and respected partner of all 4 network operators as well as of all relevant hardware suppliers in Germany and keeps its position as the number 3 in the market
- freenet has shown a strong operational performance in the final year of migration and integration
- freenet has successfully refinanced its borrowings in 2011, de-risking the balance sheet and placing the company on a very sound and stable funding structure
- freenet predicts strong results for the coming years
- freenet walks along a clear path towards its strategy to be the leading independent digital lifestyle provider in Germany

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