

Management Presentation Q1/2011 Results

11 May 2011

freenet **GROUP**

 mobilcom
debitel

freenet 

freeXmedia

TALKLINE

 tarmobil

PLAYERS.DE

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Management summary Q1/2011

- Performance of business KPIs in Q1 equal the internal seasonal planning
- Financial performance also in line with internal seasonal planning
- Restructuring of the financing long term executed
- All relevant steps for the final migration to one single system so far on time, final migration planned to happen in May/June followed by two months stabilization phase
- Guidance confirmed

freenet agenda for 2011

2010

- Finishing first migration “Tristar” and preparation for final migration “Rainbow”
- Increase of smartphone share in customer base including iPhone distribution
- Introduction of category management und extension of assortment for captive channels, mainly the shop chain
- Mobile data push – consequently stabilization of the postpaid ARPU

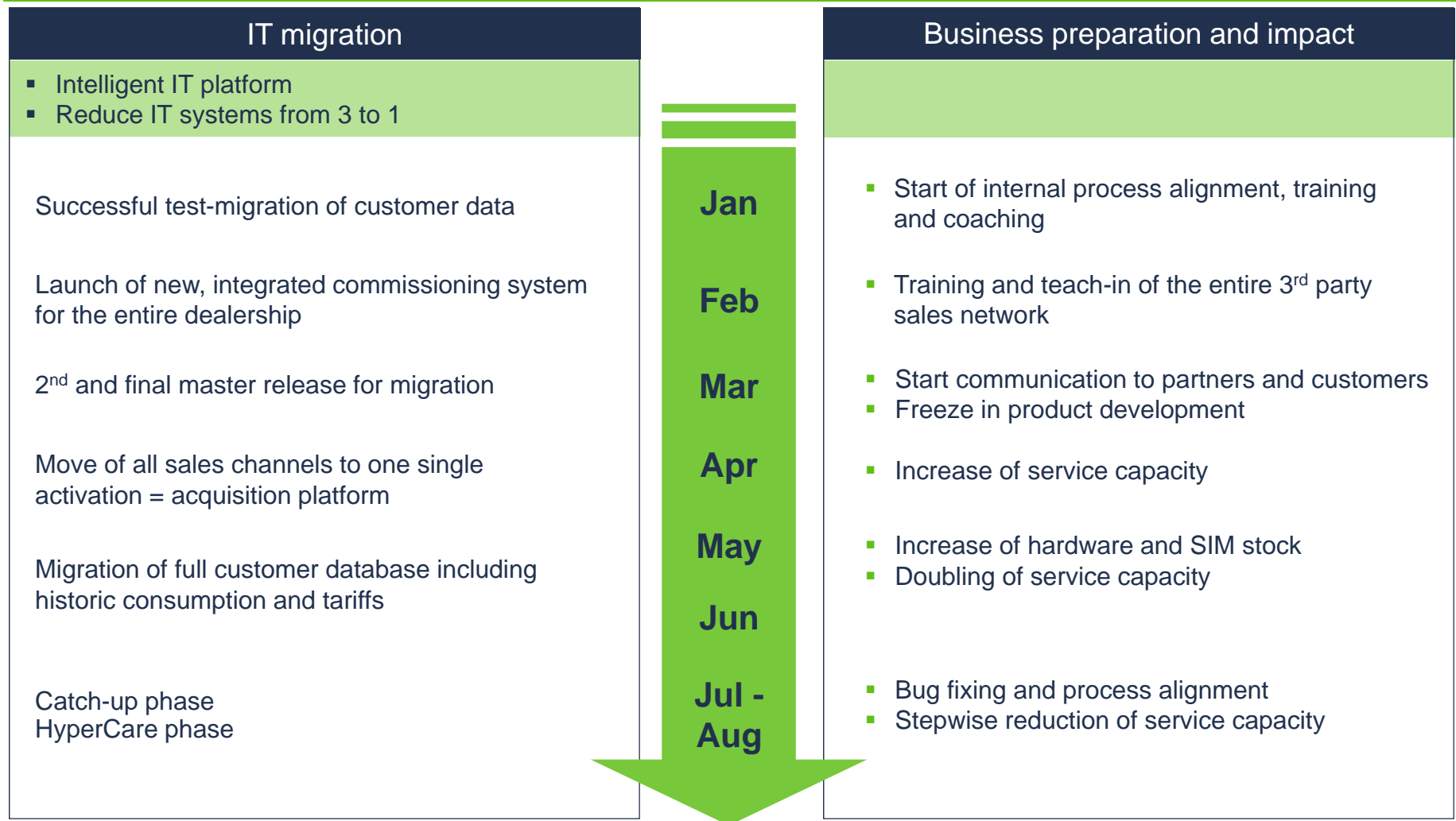
1st half 2011

- Stepwise preparation of the final migration including change of the entire process landscape
- Migration and shut down of Talkline/debitel system
- Renewal of the MSH distribution contract
- Extension of retail programme to franchise
- Refinancing
- Continuation of smartphone push and completion of tariff portfolio with “Flat 4 You” and “Flat Smart”

2nd half 2011

- July and August still considered to be part of migration respectively represent stabilization phase
- Better time-to-market and faster product, tariff and process optimization due to single platform
- Improvement of business intelligence leading to better customer loyalty programmes and as a result upgraded contract renewal and churn

Challenging migration 3 weeks before „D-day“ still on time



Qualitative business overview Q1/2011 (1/2)

Competition

- No additional price erosion or significant new tariff changes
- Telekom still selling most iPhones, iPhone pricing still under control
- mobilcom-debitel distinguishes itself with 10% discount on iPhone tariffs

Sales

- Renewal of the contract with Media Saturn Holding
- Test of new shop format pushing accessories
- Retail performance stable after last year's rise by Retail+ programme; extension to franchise
- Postpaid acquisition in line with internal planning
- iPhone sales/incl. renewal > 20,000 units per month
- Data share still growing due to strong upsell and data stick business
- Prepaid above plan
- No-frills slightly above plan

Products/Tariffs

- Successful launch of new tariff plan "Flat 4 You" and "Flat Smart"; internal share of 45% right from the start; ARPU equal to current postpaid average
- During migration (April/May/June) product freeze limiting new tariff launches to a minimum of legally necessary ones

Qualitative business overview Q1/2011 (2/2)

Marketing

- Share of advertising in Q1 3.2% but alltime high in unprompted and prompted advertising recognition
- Prompted brand recognition of 82%
- Marketing KPIs prove high marketing efficiency
- Start of large promotion in cooperation with Sony Ericsson

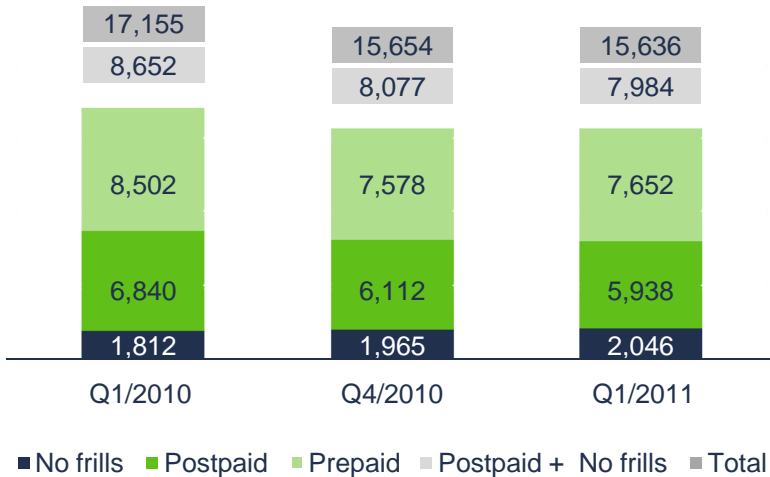
Internet

- Revenue and EBITDA slightly above plan due to very good advertising sales
- freeXmedia thanks to new partner Computec under Top 15 online advertisers according to AGOF and ranking number 9 according to IVW

Development of the mobile customer base

Customer base

Customer base (thousand users)

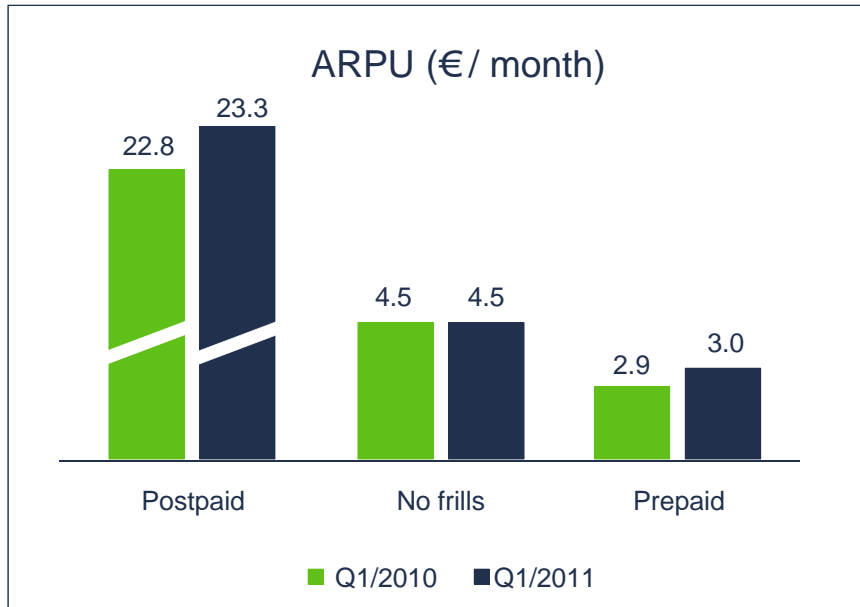


- Stable customer base including prepaid
- Customer ownership (postpaid and no-frills segment) totals 7.984 million (-1.15% vs. Q4/2010)
- Customer base postpaid reduced by 174,000 following the internal projection
- No frills growing by 82,000 equalling +4.1%
- Quality of the entire customer base improving

Stabilization of customer base expected in the course of 2012

Development of ARPU per segment

ARPU



- Improvement of the postpaid ARPU YOY +50 cents equalling +2.2%
- Further penetration of the market and the customer base with smartphones and mobile internet access increases data revenue share in postpaid to 11.7%
- No frills with stable ARPU despite customer growth

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

Financial statements – income statement (1/2)

In €'000s	Q1/2011	Q1/2010 adjusted ¹	Δ	Δ in %
Third-party revenue	788,811	803,068	-14,257	-1.8%
Gross profit	164,709	164,192	517	0.3%
EBITDA	78,441	71,743	6,698	9.3%
NRI (non recurring items)	5,675	7,345	-1,670	-22.7%
Recurring EBITDA	84,116	79,088	5,028	6.4%
Depreciation and impairment write-downs	-45,815	-47,328	1,513	3.2%
EBIT	32,626	24,415	8,211	33.6%
Interest receivable and similar income	1,308	6,573	-5,265	-80.1%
Interest payable and similar expenses	-10,594	-20,126	9,532	47.4%
EBT	23,340	10,862	12,478	114.9%

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	Q1/2011	Q1/2010 adjusted ¹	Δ	Δ in %
EBT	23,340	10,862	12,478	114.9%
Taxes on income	2,564	5,138	-2,574	-50.1%
Group result from continued operations	25,904	16,000	9,904	61.9%
Group result from discontinued operations	140	4,766	-4,626	-97.1%
Group result	26,044	20,766	5,278	25.4%
Group result attributable to shareholders of freenet AG	25,966	20,769	5,197	25.0%
Group result attributable to non-controlling interest	78	-3	81	2700.0%
Earnings per share (€)	0.20	0.16	0.04	25.0%

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Financial statements – balance sheet

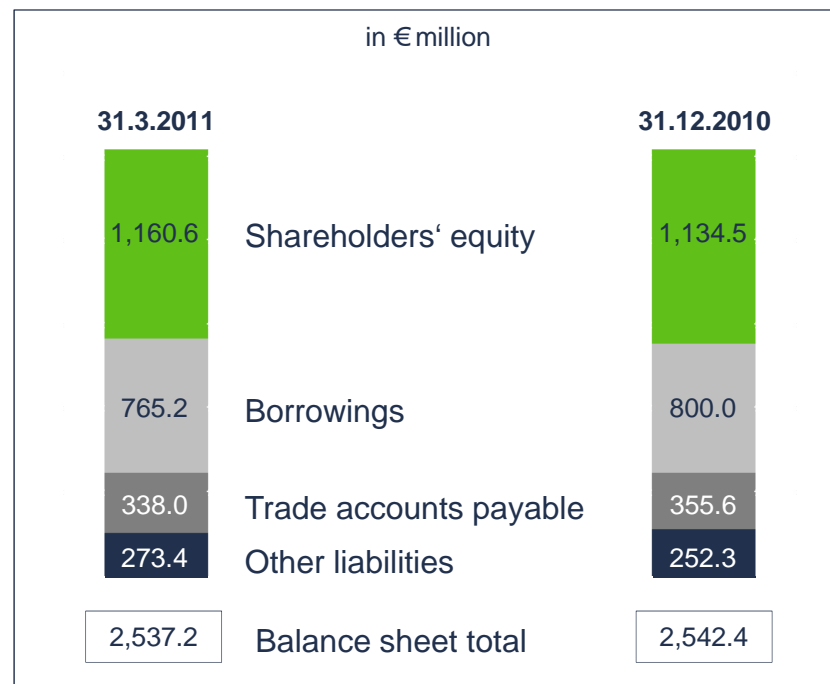
Assets

in € million



Shareholders' equity and liabilities

in € million



Comment

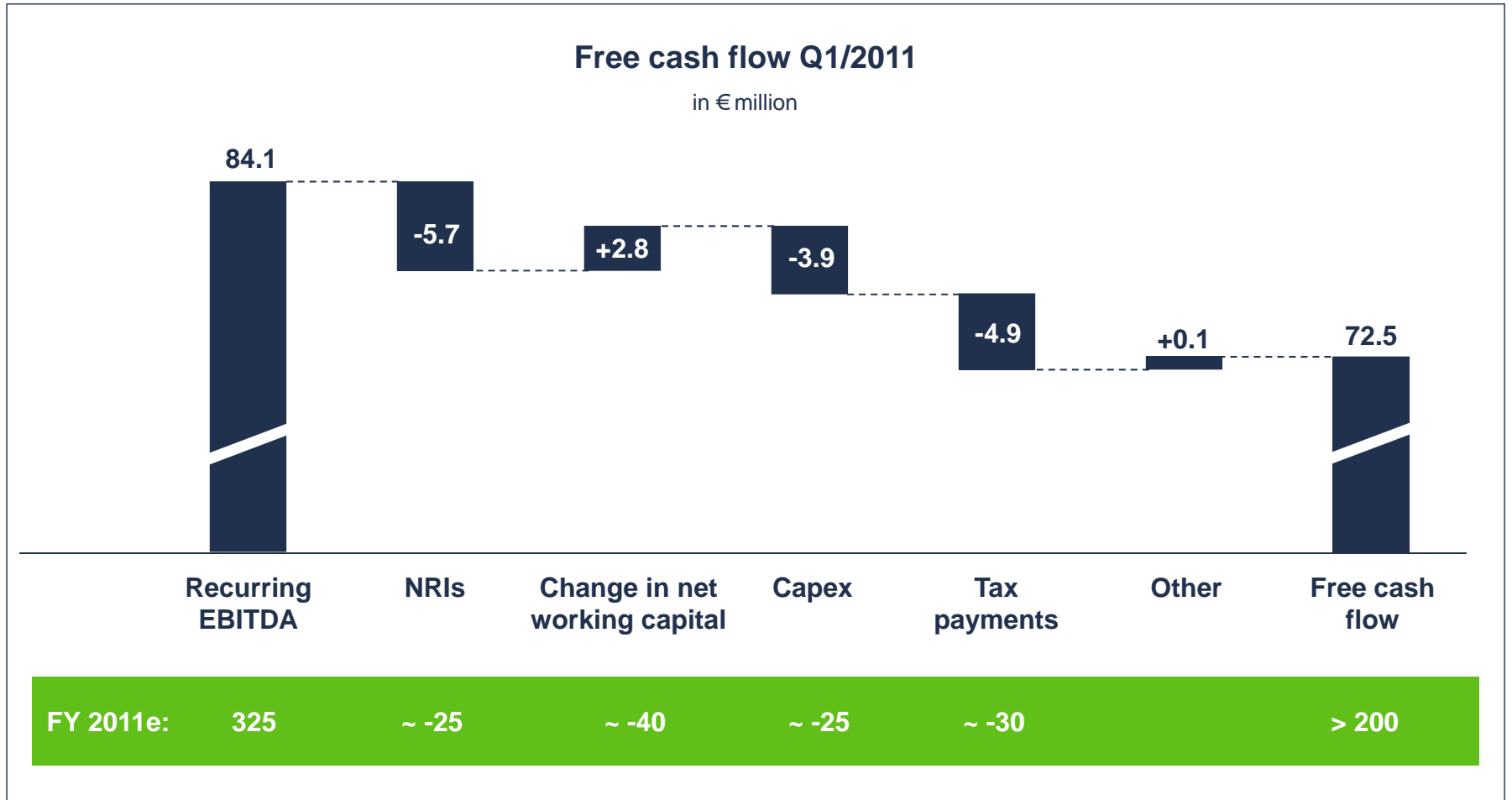
- Equity ratio improved from 44.6% (31 December 2010) to 45.7% (31 March 2011)
- Net debt of 559 m€ as of 31 March 2011 (31 December 2010: 623 m€)

Financial statements – cash flow statement

In € million	Q1/2011	Q1/2010	Δ	Δ in %
Cash flow from operating activities	76.3	91.4	-15.1	-16.5%
Cash flow from investing activities	-3.4	11.5	-14.9	-129.6%
Cash flow from financing activities	-43.3	-375.4	332.1	88.5%
Change in cash and cash equivalents	29.6	-272.5	302.1	110.9%
Free cash flow¹	72.5	86.0	-13.5	-15.7%

- 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 recurring EBITDA to free cash flow



freenet restructured its financing long term

Structure of the new financing

	Volume	Maturity
Corporate bond¹	400 m€	20 April 2016
Syndicated bank loan	240 m€	20 April 2014 (biannual downpayments)
Revolving credit facility	up to 100 m€	20 April 2015

Development of borrowings & debt repayments

	20.4.2011	2011e	2012e	2013e	2014e	2015e
Borrowings (end of period)	-740	-700	-620	-540	-500	-500
Corporate bond	-400	-400	-400	-400	-400	-400
Syndicated bank loan	-240	-200	-120	-40	0	0
Revolving credit facility (100%)	-100	-100	-100	-100	-100	-100 ²
Debt repayments		-100	-80	-80	-40	0
Old financing		-60				
New financing		-40	-80	-80	-40	0

1) Further information on the freenet bond is available at: <http://www.freenet-group.de/investor/bond>

2) To be renewed 2015 onwards

Guidance/outlook confirmed

	Guidance 2011	Outlook 2012
Rec. EBITDA	325 m€	>300 m€
Free cash flow ¹	>200 m€	>200 m€
Dividend proposal	80 cents	40% - 60% of free cash flow

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