

Management Presentation Q2/2012 Results

8 August 2012

freenet **GROUP**

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Results reflect value driven approach

- Customer ownership grew by 74,000 to 8,230,000 and by 344,000 yoy basis
- Postpaid ARPU with 23.5 € on equal level as in first half 2011
- Revenue of 742.2 m€ in line with internal expectations and equal to Q1/2012
- EBITDA amounts to 85.6 m€
- Free Cash Flow totals 51.6 m€
- Group result equals 41.6 m€, doubling the Q2/2011 result
- Management confirms the full-year guidance

Q2 focus on new marketing campaign and tariff portfolio

Q2/2012

Q3 - Q4/2012

- New marketing campaign launched with promising results
- Successful flat rate portfolio now available for all 4 German networks
- New 20 € price point offered in the O2 and E-plus networks as SIM-only tariff plans
- Segmented go-to-market model across the entire brand and tariff landscape with constant subsidy model and SIM-only flats
- Launch of iPhone 5 (expected mid Sep/early Oct)
- Migration campaigns in customer base to lift mid usage customer segment to flat rate portfolio
- Broader testing of home automation product
- Testing of additional online channels e.g. consumer electronics
- Expansion of successful shop format “accessories shop”

New campaign communicates key messages well

www.md.de

GEMEINSAM GEHT MEHR!

Das mobilcom-debitel Prinzip: Mit der Kraft von 1,4 Millionen Kunden holen wir mehr für Sie raus. Zum Beispiel 10% Rabatt auf iPhone Tarife. Und günstige Tarife fürs iPad gibt's natürlich auch. Jetzt bei GRAVIS informieren!

10% Rabatt auf iPhone Tarife

Gemeinsam geht mehr. mobilcom debitel

Improvement of key qualitative KPIs

Research in May 2012 (n = 1.000) shows significantly better results on core messages since the new campaign is live

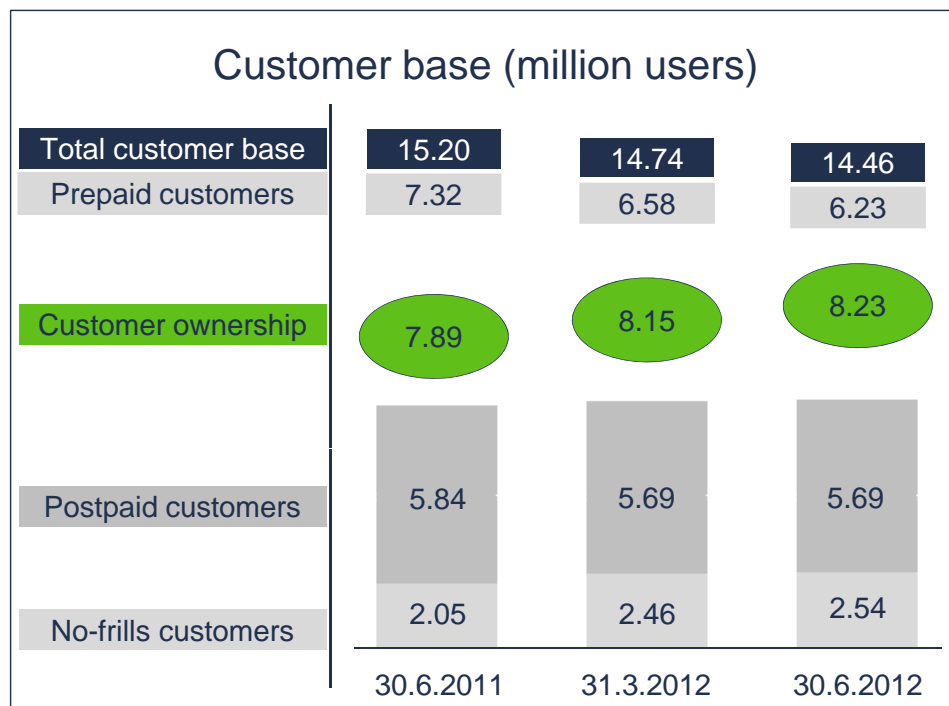
- Consumers understand that mobilcom -debitel delivers best value for money and why
- Consumers identify unique proposition of independent advice and full portfolio
- The advertising is considered to be fresh and new
- The key message „gemeinsam geht mehr“ is understood as beneficial for the mobilcom-debitel customers

Improvement of quantitative KPIs

- Unprompted brand recognition improves by 14% from February 2012 to May 2012
- Prompted brand recognition increases by 4% to 77,3%

Management confident about stable customer base in 2012

Development of the customer base



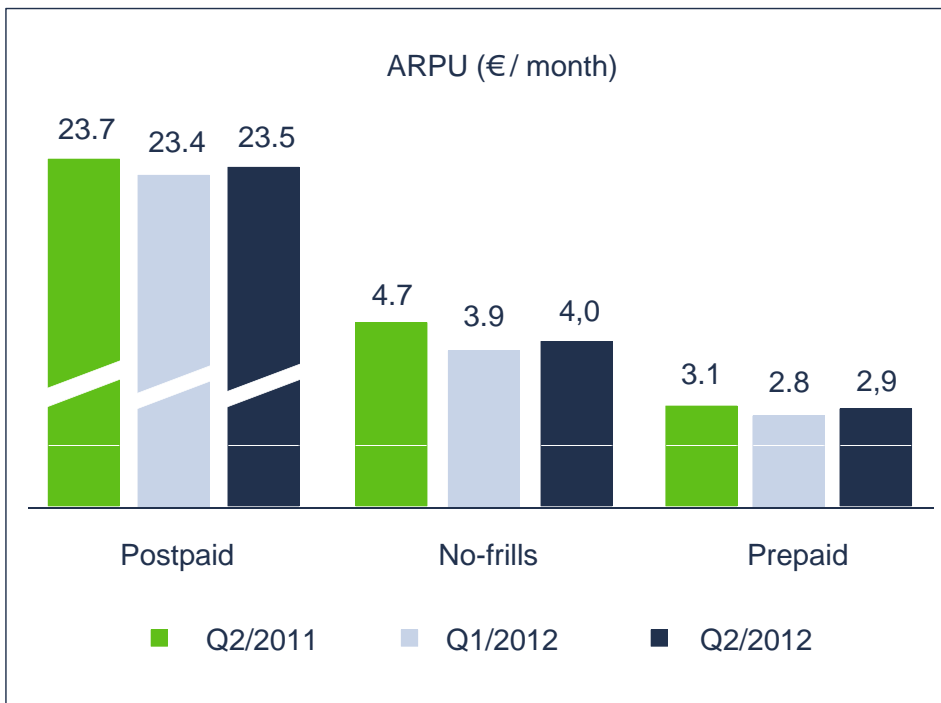
Highlights

- **Customer ownership** (postpaid and no-frills segment) grew by 344,000 year on year basis
- On quarterly basis **customer ownership** continued to grow, adding 74,000 to 8.23 million customers versus Q1/2012
 - **Postpaid customer base** stable within the quarter (-6,000)
 - 3.2 % growth in **no-frills** (+80,000) versus Q1/2012
- Further decline in the **prepaid segment**

Overall customer ownership base growing in Q2/2012
Stable postpaid customer base expected for full year 2012

Seasonal comparison shows strong postpaid ARPU

Segment specific ARPU



- Postpaid ARPU stabilises at 23.5 Euro
- Data revenue share still growing to 18.9% of postpaid ARPU
- Klarmobil 24-month-commitment-plans not counted in no-frills ARPU explaining negative development vs. 2011
- Prepaid ARPU shows weakness in the product proposition, but decrease is within freenet expectation

Stable Postpaid ARPU expected for full year 2012

Financial statements – income statement (1/2)

In € thousands	Q1 – Q2/2012	Q1 – Q2/2011	Q2/2012	Q2/2011
Revenue	1,486,389	1,546,261	742,196	757,450
Gross profit	337,403	335,718	170,551	171,009
EBITDA	170,732	162,328 ¹	85,640	83,887 ²
Depreciation and amortisation	-74,076	-91,479	-37,006	-45,664
EBIT	96,656	70,849	48,634	38,223
Interest receivable and similar income	1,483	2,915	698	1,607
Interest payable and similar expenses	-21,896	-30,998	-10,655	-20,404
EBT	76,243	42,766	38,677	19,426

1) Recurring EBITDA: Q1-Q2/11: 173.9 m€

2) Recurring EBITDA: Q2/11: 89.7 m€

Financial statements – income statement (2/2)

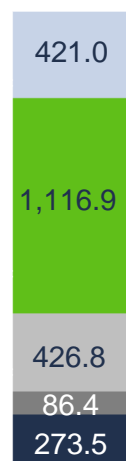
In € thousands	Q1 – Q2/2012	Q1 – Q2/2011	Q2/2012	Q2/2011
EBT	76,243	42,766	38,677	19,426
Taxes on income	5,973	3,957	2,904	1,393
Group result from continued operations	82,216	46,723	41,581	20,819
Group result from discontinued operations	0	140	0	0
Group result	82,216	46,863	41,581	20,819
Group result attributable to shareholders of freenet AG	82,174	46,744	41,570	20,778
Group result attributable to non-controlling interest	42	119	11	41
Earnings per share (€)	0.64	0.37	0.32	0.17

Financial statements – balance sheet

Assets

in € million

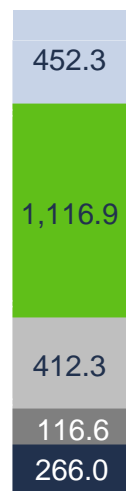
30.6.2012



2,324.6

Balance sheet total

31.3.2012



2,364.1

Shareholders' equity and liabilities

in € million

30.6.2012



2,324.6

Balance sheet total

31.3.2012



2,364.1

Comment

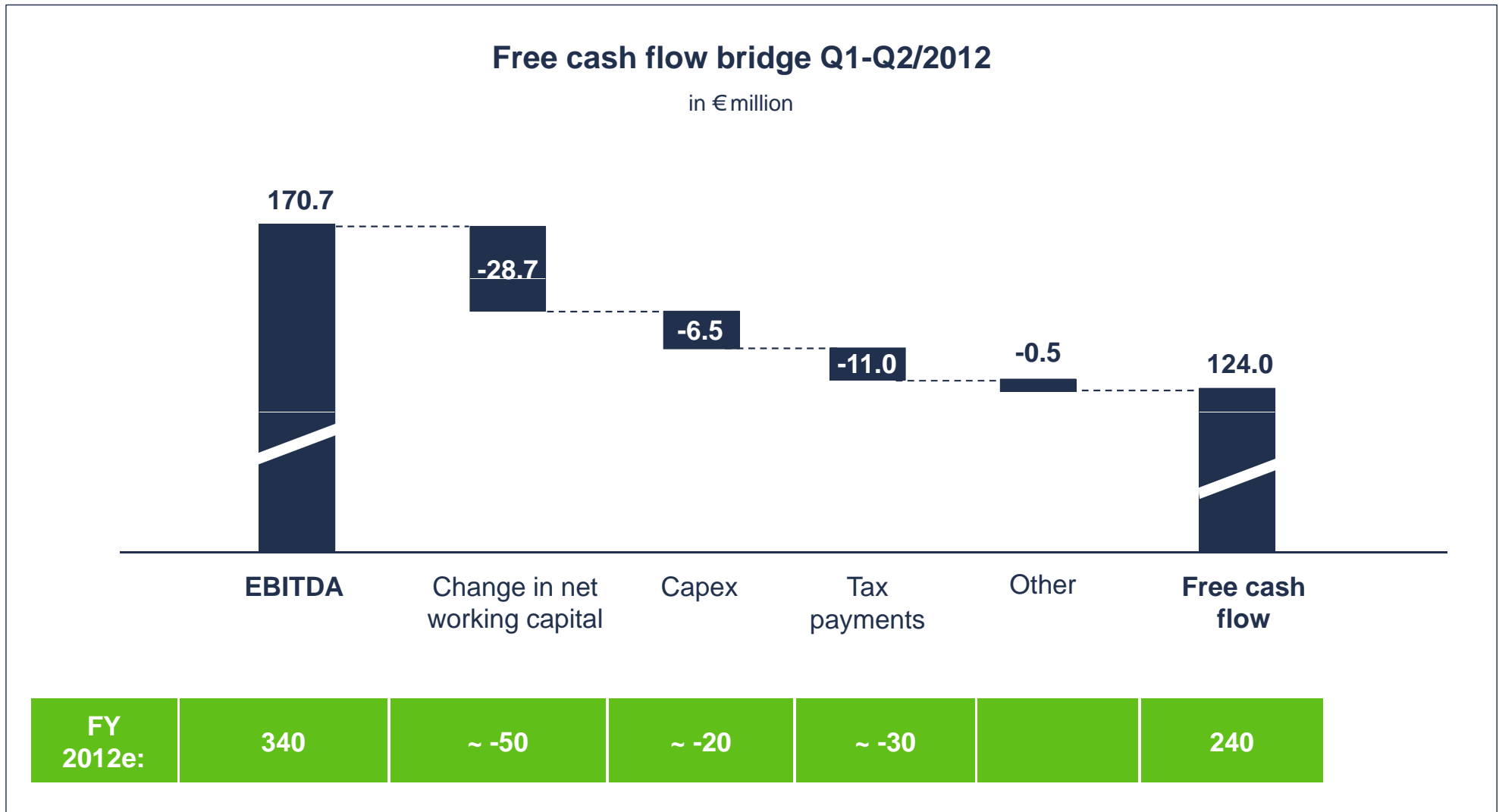
- Equity ratio decreased from 51.3% (31 March 2012) to 47.3% (30 June 2012)
- Net debt of 575.7 m€ as of 30 June 2012 (31 March 2012: 466.2 m€)

Financial statements – cash flow statement







In € million	Q1 – Q2/2012	Q1 – Q2/2011	Q2/2012	Q2/2011
Cash flow from operating activities	130.5	133.8	55.8	57.4
Cash flow from investing activities	-4.2	-6.0	-2.6	-2.6
Cash flow from financing activities	-225.6	-41.1	-183.4	2.2
Change in cash and cash equivalents	-99.3	86.6	-130.1	57.0
Free cash flow¹	124.0	124.2	51.6	51.7

- 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 EBITDA to free cash flow



Guidance 2012 and outlook 2013 – Continuation of the current strategy

	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) ¹	241.0 m€	240 m€	240 m€
Dividend	1.20 €	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.

Summary

- The second quarter of 2012 underlines freenet's strong competitive position in the German market
- Main value drivers such as customer base and ARPU develop positively
- New marketing campaign improves brand perception and awareness
- New price points introduced with focus on keeping absolute margin at average level of the customer base

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