

Management Presentation Q2/2013 Results

7 August 2013

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GRAVIS

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 MOTION TM

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Today's speakers



Christoph Vilanek, Chief Executive Officer

- Management positions in Direct Marketing and Media 1991 - 2001
- Consultant for telecommunication with McKinsey&Company since 2001
- Management positions at debitel AG since 2005
- CEO of freenet AG since 2009



Joachim Preisig, Chief Financial Officer

- CFO of O₂ since 1996
- CFO of T-Mobile/Head of Group Controlling at Deutsche Telekom AG since 2002
- CFO of debitel AG since 2006
- CFO of freenet AG since 2010

Solid second quarter 2013, guidance confirmed

Q2/2013 financial results

- **Group revenue** increases by 7.1% year-on-year to 809.6 m€, full consolidation of GRAVIS and MOTION TM in Q2/2013
- **Gross profit** rises by 3.8% year-on-year to 177.0 m€, gross profit margin 21.9%
- **Group EBITDA** of 85.2 m€ at previous year's level
- **Group result** grows by 33.2% from Q2/2012 to 55.4 m€ mainly driven by lower depreciation on intangible assets from the debitel purchase price allocation and related tax effects
- **Free cash flow** increases to 70.4 m€ (+36.4% year-on-year) due to a structural value date effect (as released in Q1/2013)

Main operational KPIs in Q2/2013

- Further year-on-year rise of **customer ownership** by around 330,000 to 8.56 million customers:
 - + 122,000 postpaid customers year-on-year
 - + 208,000 no-frills customers year-on-year
- **Postpaid ARPU** at 22.5 €, +0.1 € to Q1/2013 but 1.0 € below Q2/2012 resulting from overall price deterioration in the market
- **No-frills ARPU** of 3.6 € also +0.1 € to Q1/2013 level but 0.4 € lower compared to Q2/2012, due to continued pricing pressure also in the discount market
- **Prepaid ARPU** up at 3.0 €, against 2.8 € in Q1/2013 and 2.9 € in Q2/2012

Executive Board confirms two-year guidance for financial year 2013 and 2014

Clear agenda for 2013 on the path towards digital lifestyle

Q2/2013

Q3 - Q4/2013

- Continuous portfolio adjustments but no relevant tariff moves

Digital lifestyle

- Integration of GRAVIS' overhead functions finished, other integration steps fully in line with the according plan
- Roll out of game flat rate as a paid option for all tariff plans
- Extension of 'SmartHome' series to remotely controlled observation camera sold as a monthly service

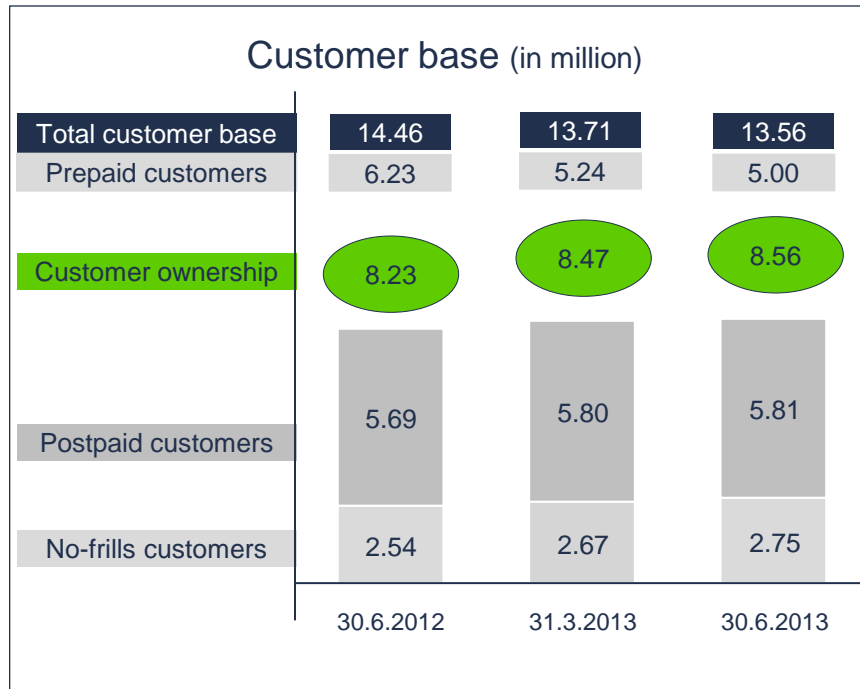
- Due to E-Plus/O2 merger discussions lower number of new tariffs and price moves expected
- Exclusive distribution contract with Media-Saturn Deutschland prolonged

Digital lifestyle

- Sony and Samsung to be integrated in GRAVIS shop concept in selected outlets in order to become the 'Home of Digital Lifestyle'
- Launch of a music flat rate as paid option
- Launch of one additional 'SmartHome' product in monthly subscription model

Increase of customer ownership despite slightly declining total customer base

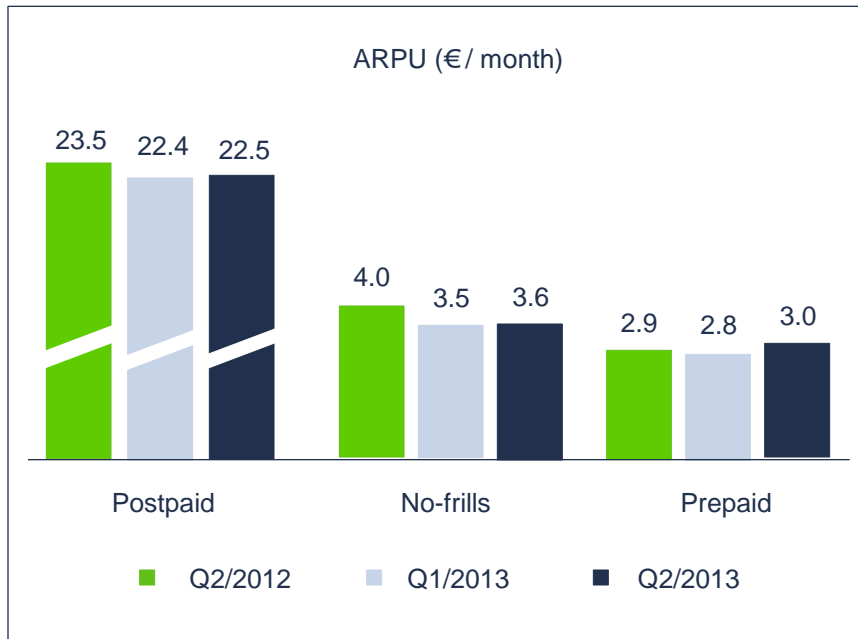
Development of the customer base



- **Customer ownership** (Postpaid + No-frills) was increased by 330,000 year-on-year and by around 88,000 during Q2
- **Postpaid customer base** went up by around 122,000 customers year-on-year and by 10,000 compared to 31 March 2013
- **No-frills** recorded a growth of 208,000 customers (+8.2%) year-on-year and a rise of around 78,000 customers compared to 31 March 2013, based on a decline in Q1/2013 of 42,000 customers due to a technical churn
- Further decline of **prepaid customer base** to 5.00 million (-1.20 million year-on-year)

ARPU development

Slight rise of ARPUs q-o-q due to seasonal effects but decline in y-o-y development

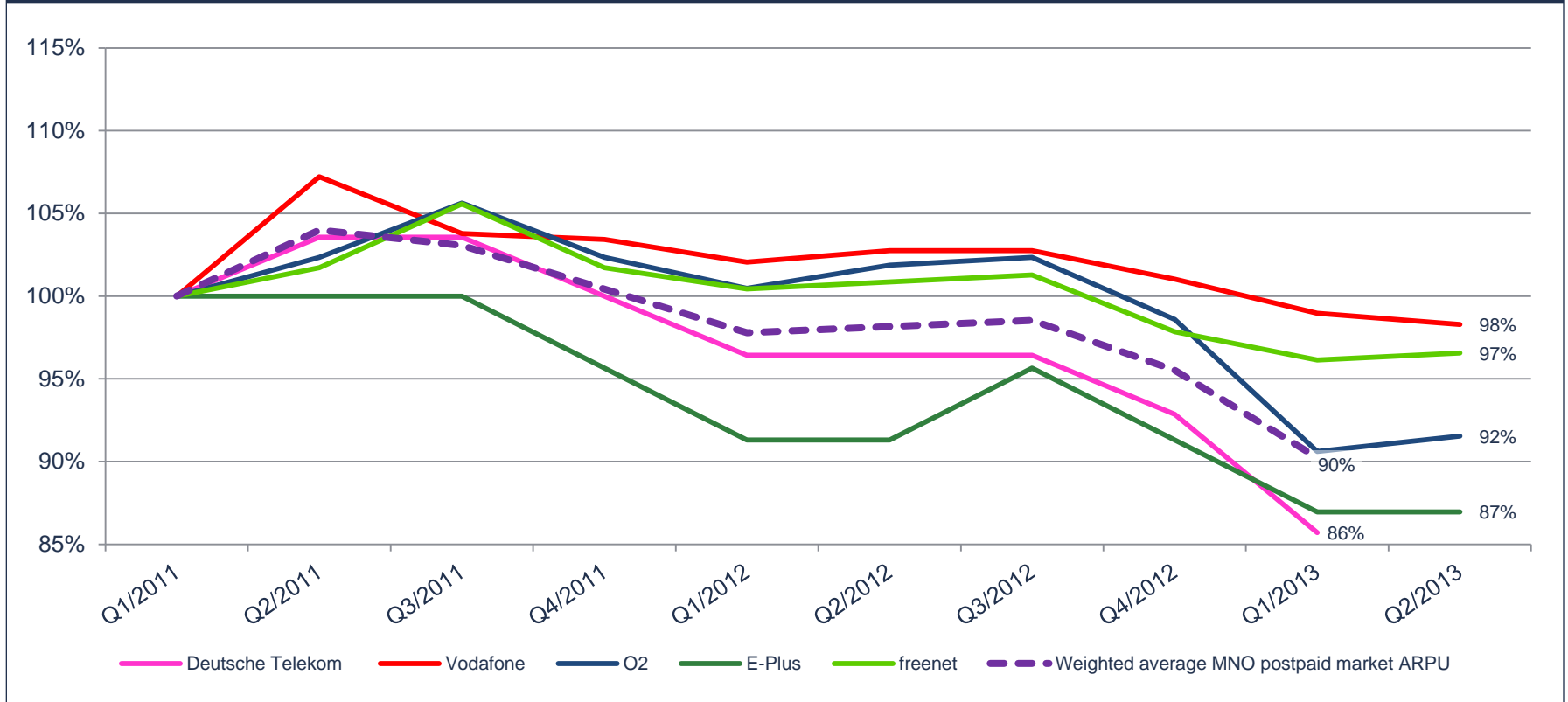


- **Postpaid ARPU** at 22.5 € (Q2/2012: 23.5 €), slight increase compared to Q1/2013
- **No-frills ARPU** at 3.6 €, thus 0.4 € lower compared to Q2/2012 but 0.1 € higher than in the previous quarter
- **Data revenue** share still growing to 23.8% of postpaid ARPU in Q2/2013
- **Prepaid ARPU** of 3.0 € slightly above Q2/2012 and Q1/2013 level

Continued pricing pressure with negative impact on postpaid ARPUs; freenet still exceeding competition

Indexed development of postpaid ARPUs (as reported)

freenet better positioned in an overall downward market trend



Financial statements – income statement

In € million	Q1 – Q2/2013	Q1 – Q2/2012 adjusted ¹	Q2/2013	Q2/2012 adjusted ¹
Revenue	1,584.9	1,513.1	809.6	755.9
Gross profit	349.8	337.4	177.0	170.6
EBITDA	170.4	170.7	85.2	85.6
Depreciation and amortisation	-27.7	-74.1	-13.5	-37.0
EBIT	142.7	96.7	71.7	48.6
Interest receivable and similar income	0.8	1.5	0.3	0.7
Interest payable and similar expenses	-20.9	-21.9	-10.5	-10.7
EBT	122.6	76.2	61.5	38.7
Taxes on income	-7.0	6.0	-6.1	2.9
Group result	115.6	82.2	55.4	41.6
Earnings per share (€)	0.90	0.64	0.43	0.32

1) Adjusted due to the change of an accounting method

Financial statements – balance sheet

Assets

in € million

30.6.2013

31.3.2013

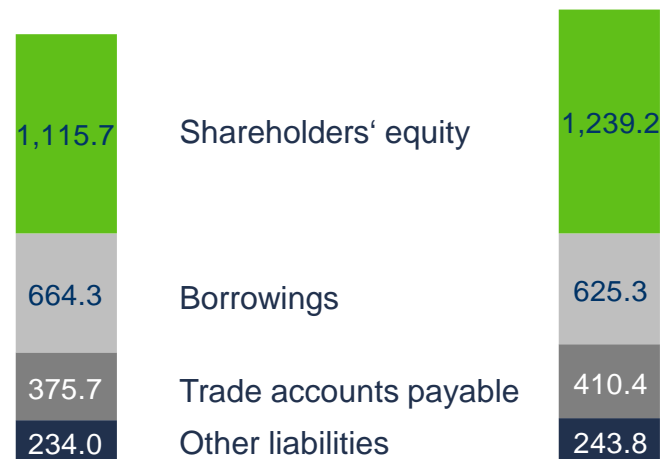


Shareholders' equity and liabilities

in € million

30.6.2013

31.3.2013



- Equity ratio at 46.7% (31 March 2013: 49.2%)
- Net debt of 537.2 m€ compared to 421.4 m€ as of 31 March 2013

Financial statements – cash flow statement

In € million	Q1 – Q2/2013	Q1 – Q2/2012	Q2/2013	Q2/2012
Cash flow from operating activities	132.8	130.5	73.8	55.8
Cash flow from investing activities	-19.9	-4.2	-2.8	-2.6
Cash flow from financing activities	-253.2	-225.6	-207.7	-183.4
Change in cash and cash equivalents	-140.3	-99.3	-136.7	-130.1
Free cash flow¹	126.8	124.0	70.4	51.6

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.

Confirmation of sustainable two-year guidance

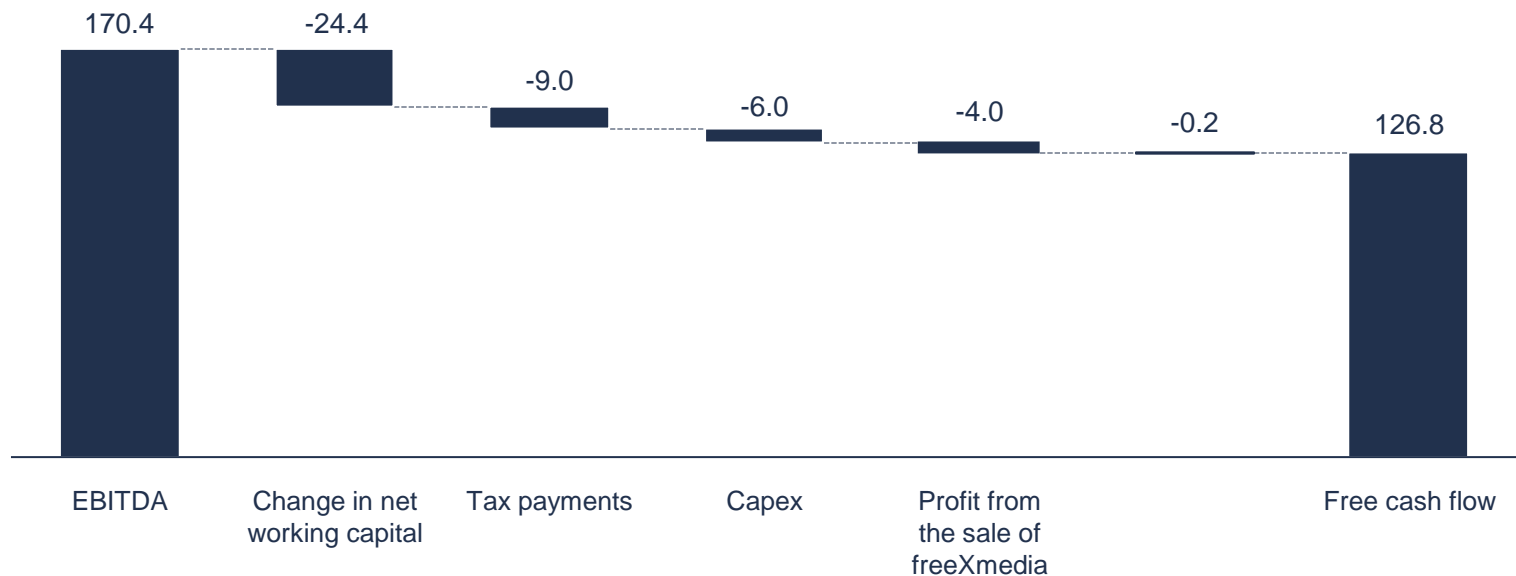
	Results 2012	Guidance 2013	Guidance 2014	Comments
Contract customer base	+41,000 customers			Slight increase in contract customer base expected for 2013/14
Postpaid ARPU				Postpaid ARPU stabilisation in the region of 23 € in 2013 and 2014
Group revenue	3,089 m€			Revenue increase anticipated for 2013 and slight rise for 2014
Group EBITDA	358 m€	355 m€	360 m€	Stabilisation of Group EBITDA in 2013 and 2014
Free cash flow (FCF) ¹	260 m€	255 m€	260 m€	Stabilisation of free cash flow in 2013 and in 2014
Dividend	40-60% of FCF	50-75% of FCF	50-75% of FCF	Corridor for dividend pay-out ratio increased for 2013/14

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

Free cash flow bridge 1st half of 2013

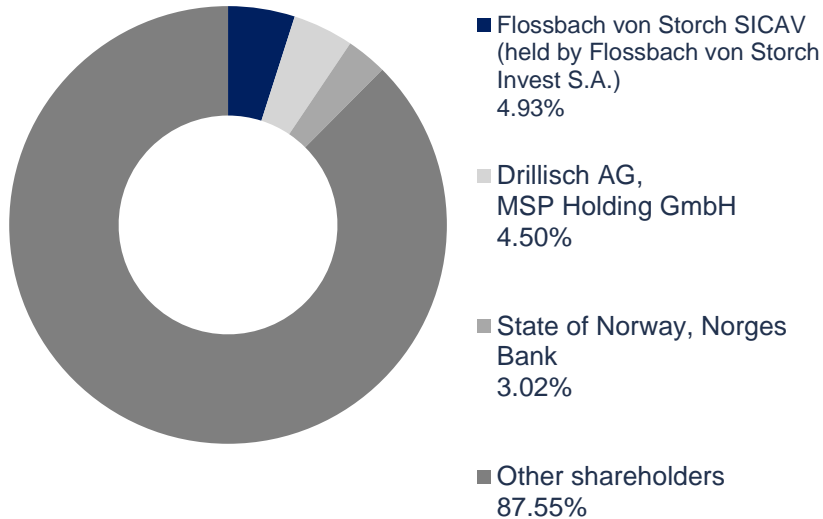
in € million



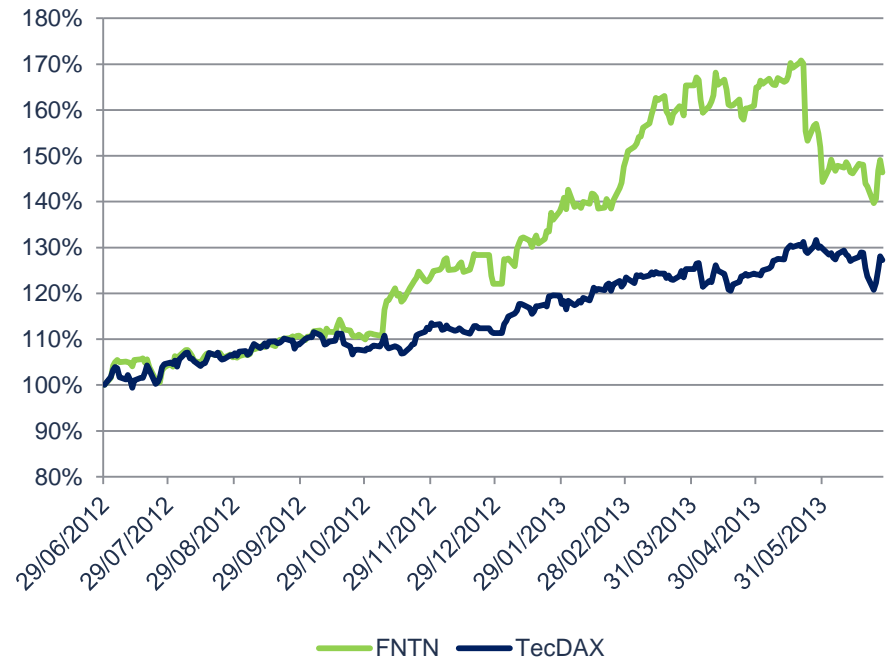
	EBITDA	Change in net working capital	Tax payments	Capex	Profit from the sale of freeXmedia	Final adjustment	Free cash flow
Financial year 2013e	355	~ - 45	~ - 31	~ - 20	- 4	~ 0	255
Financial year 2014e	360	~ - 45	~ - 35	~ - 20	-	~ 0	260

Shareholder structure and share performance

Shareholder structure as of 30 June 2013



Indexed share performance against TecDAX



Summary

- GRAVIS and MOTION TM integration well on track
- Further roll out of tested digital lifestyle products and services
- Second quarter 2013 results underline freenet's achievement in becoming more independent from the dynamic and competitive market environment
- Management confirms sustainable two-year guidance for financial years 2013 and 2014

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