

Management Presentation Q3/2013 Results

6 November 2013

freenet **GROUP**

 mobilcom
debitel

freenet 

TLTALKLINE

klarmobil.de

GRAVIS

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 **MOTION TM**

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Today's speakers



Christoph Vilanek, CEO

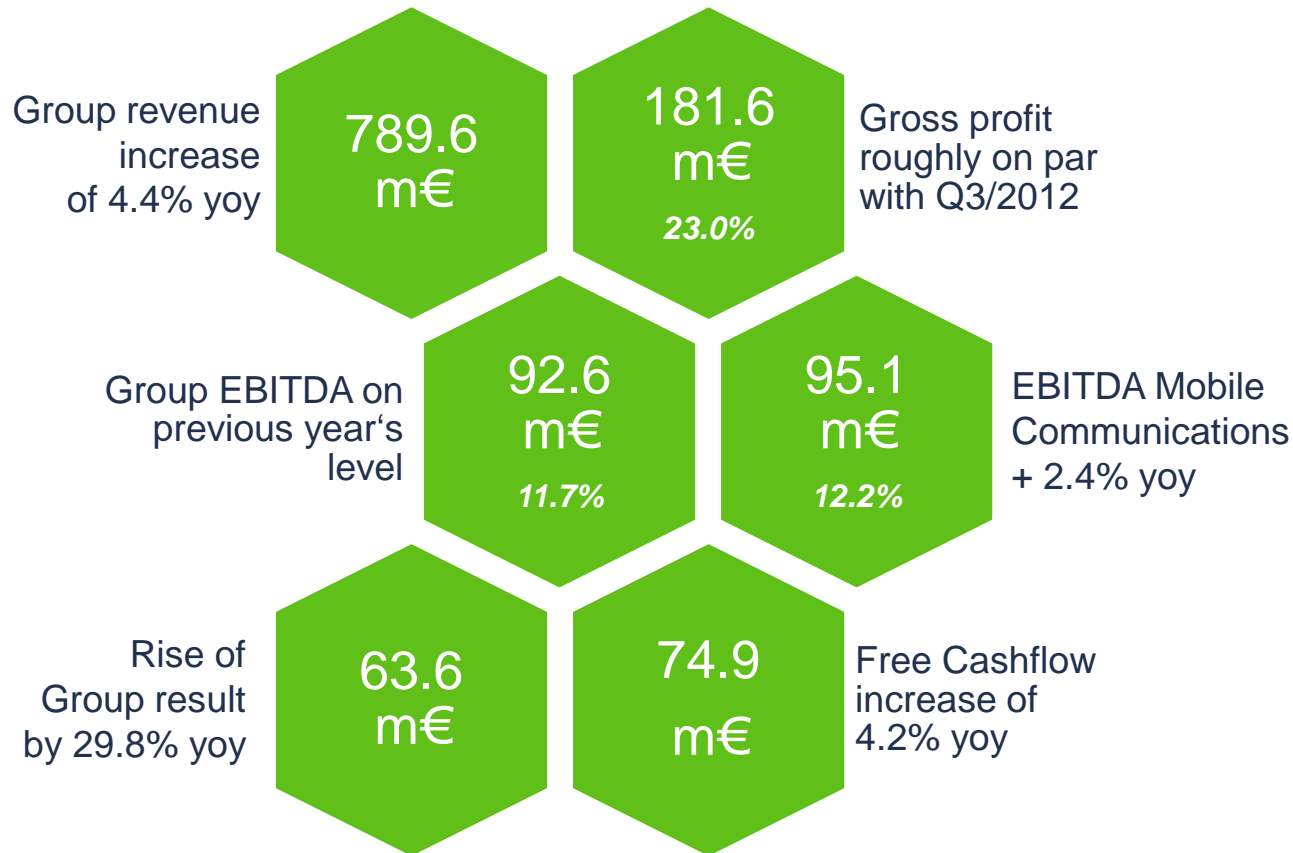
Management positions in Direct Marketing and Media 1991 - 2001
Consultant for telecommunication with McKinsey&Company since 2001
Management positions at debitel AG since 2005
CEO of freenet AG since 2009



Joachim Preisig, CFO

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

Operational performance Q3/2013



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

Focus on strong Xmas quarter for digital lifestyle products

H1/2013

- Acquisition, full consolidation and integration of GRAVIS and MOTION TM
- Roll out of 'mobilcom-debitel Cloud' and 'Gameloft GameFlat'
- Launch of 'SmartHome Camera'
- Roll out of 'Smart Home' to all mobilcom-debitel shops
- Roll out of Norton Anti Virus
- TV campaign includes digital lifestyle proposition

Q3/2013

- GRAVIS as 'Home of Digital Lifestyle': Sony & Samsung shop-in-shop systems
- Launch of 'mobilcom-debitel MusicFlat'
- Market entry of several new devices (Huawei Ascend P6, iPhone 5S, iPad 3, iPad mini)
- Renewal of exclusivity agreement with Media-Saturn Deutschland GmbH
- Implementation of new Allnet Flat tariff world

Q4/2013

- GRAVIS – Xmas focus
 - Roll-out Sony SiS
 - iPhone 5s, new iPad air
 - Additional gadgets
- Roll-out new customer care call direction logic „Balance“
- Test of Smart Home heating control with money back guarantee (insurance linked)
- Redesign of social media sites
- Further penetration of customer base and new customers flat tariffs with latest phones

GRAVIS well prepared for most attractive period of the year

Quinta

- Laserkeyboard for smartphone and tablets connected via bluetooth
- High-tech gadget only available in minor quantities



Quinta Epic*

Sony lenses

- Excellent quality lense attachable on the smartphone
- Up to 20 megapixel and 10 x optical zoom
- IOS and Android compatible



Wearable items

- Samsung GALAXY Gear smartwatch
- Sony SmartWatch 2
- Misfit shine activity monitor



Hue Philips

- Light automation via Smartphones
- So far exclusive to Apple stores and Amazon.de
- Comprehensive cooperation discussed



Overall service and product portfolio continuously optimised

SmartHome heating with money-back-guarantee



- Guaranteed saving of 20% on total heating expenses
- In case 20% cannot be saved the monthly fee is paid back
- Covered through a re-insurance package included in the sub-fee

GameFlat Plus



- Line-extension of successful GameFlat product
- Additional premium games and credits for ingame expenses
- Monthly subscription fee 3.99 €

LTE portfolio Telekom

LTE

- LTE tariff portfolio to differentiate from original tariffs, but also among the networks

Price optimisation in flat portfolio



- All flat rates with a **.99 €** price

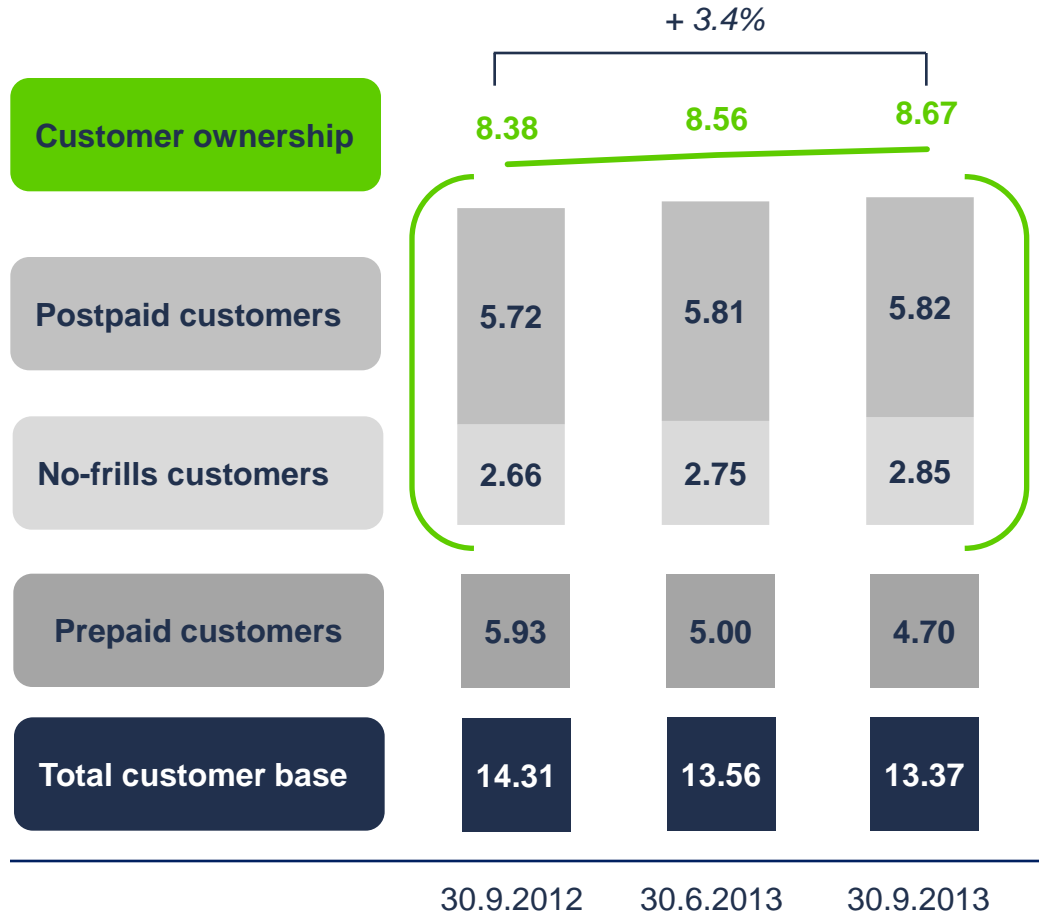
Vodafone network operator tariff Red XS



- Extension of the Vodafone tariff offering with new flat rate for 29.99 € – national voice and SMS flat rate incl. 200 MB data volume

Customer base: Further rise of customer ownership

[in million]



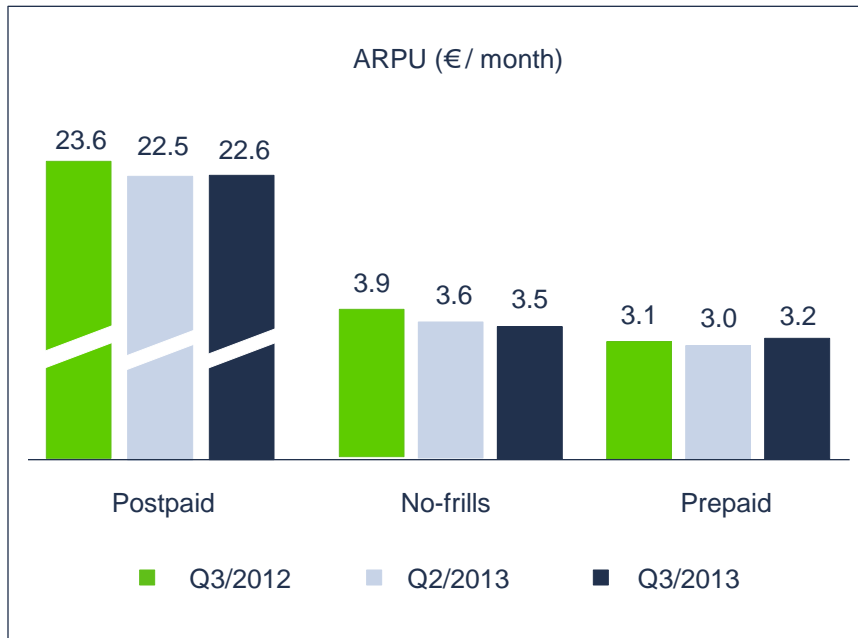
Continuing positive development of customer ownership:
Improvement based on significant rise of no-frills (+184,000 yoy) and ongoing rise of postpaid customer base (+104,000 yoy)

Decline of prepaid customer base following the previous years' trend

Total customer base going down due to declining prepaid customer number

ARPU development

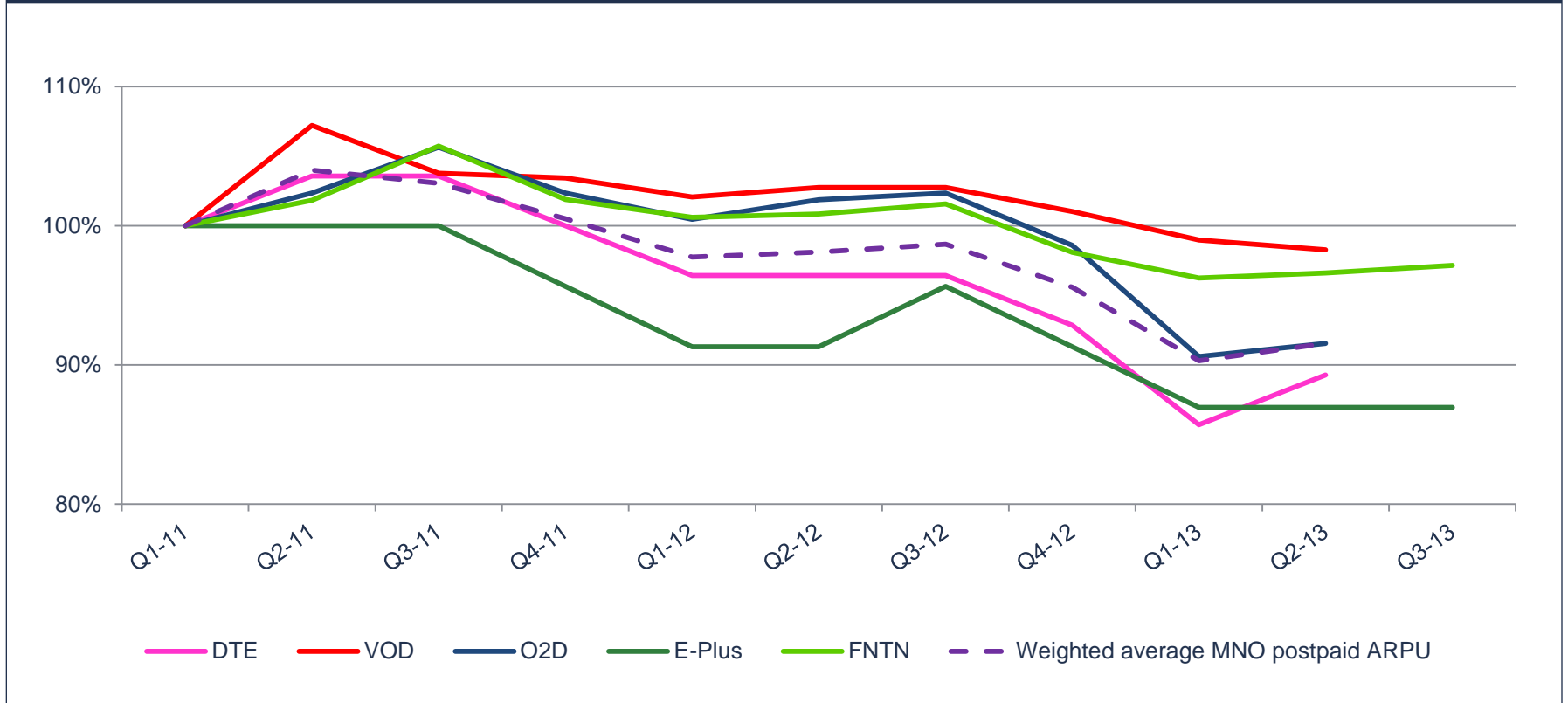
Continued pricing pressure with negative impact on postpaid ARPU; freenet still outperforming competitors



- **Postpaid ARPU** at 22.6 € rather stable in relation to the overall market
- **No-frills ARPU** 0.4 € lower compared to Q3/2012 but at the same level as in the previous quarter
- **Data revenue** share 25.4% of postpaid ARPU in Q3/2013
- **Prepaid ARPU** roughly on par with the prior quarters

Indexed development of postpaid ARPUs (as reported)

freenet better positioned in an overall downward market trend



Financial statements – income statement

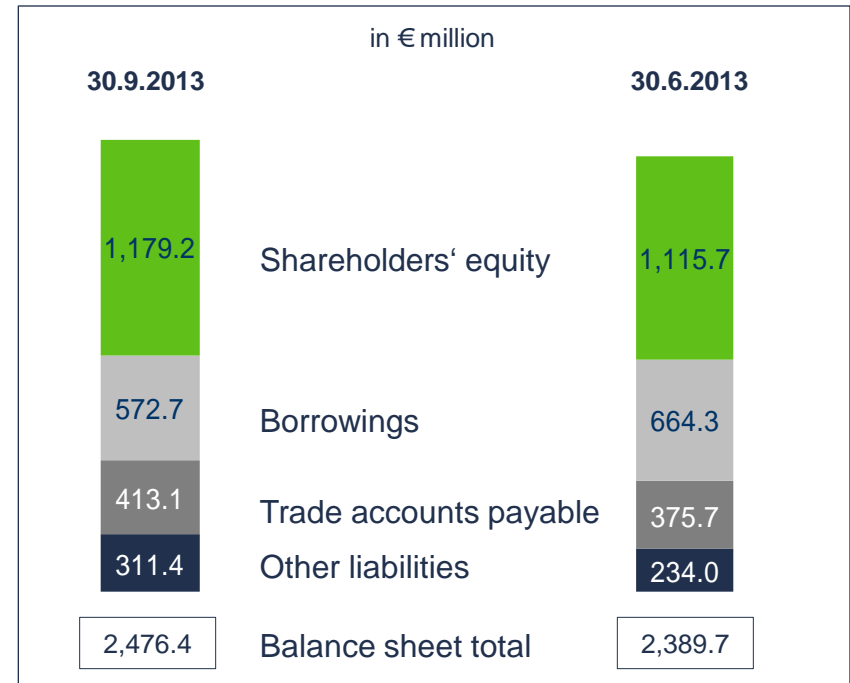
In € million	Q1 – Q3/2013	Q1 – Q3/2012	Q3/2013	Q3/2012
Revenue	2,374.5	2,269.6	789.6	756.5
Gross profit	531.5	519.7	181.6	182.3
EBITDA	263.0	263.2	92.6	92.5
Depreciation and amortisation	-41.7	-111.1	-14.0	-37.0
EBIT	221.3	152.1	78.6	55.5
Interest receivable and similar income	1.2	2.2	0.4	0.7
Interest payable and similar expenses	-31.1	-32.3	-10.2	-10.4
EBT	191.4	122.0	68.8	45.8
Taxes on income	-12.2	9.2	-5.2	3.2
Group result	179.2	131.2	63.6	49.0
Earnings per share (€)	1.40	1.02	0.50	0.38

Financial statements – balance sheet

Assets



Shareholders' equity and liabilities



- Equity ratio at 47.6% (30 June 2013: 46.7%)
- Net debt of 471.9 m€ compared to 537.2 m€ as of 30 June 2013

Financial statements – cash flow statement

In € million	Q1 – Q3/2013	Q1 – Q3/2012	Q3/2013	Q3/2012
Cash flow from operating activities	214.7	208.1	81.9	77.6
Cash flow from investing activities	-27.4	-9.2	-7.6	-5.0
Cash flow from financing activities	-293.9	-267.0	-40.7	-41.5
Change in cash and cash equivalents	-106.6	-68.1	33.6	31.1
Free cash flow¹	201.6	195.9	74.9	71.9

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

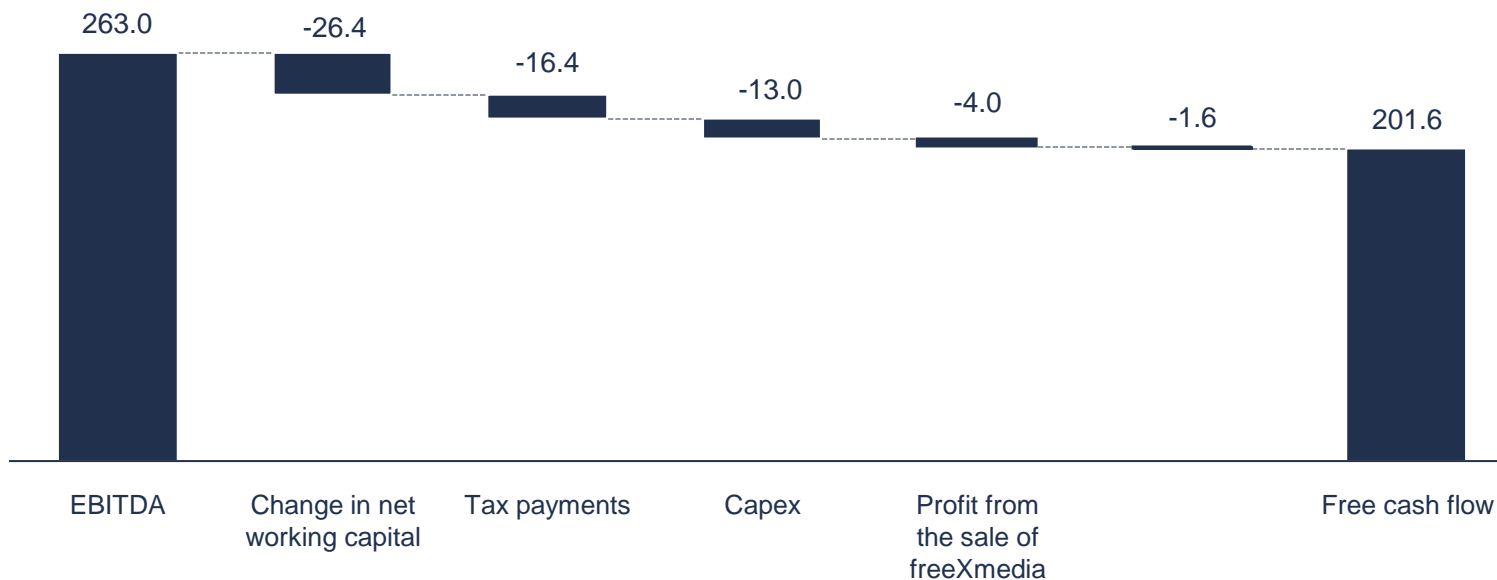
	Results 2012	Guidance 2013	Guidance 2014	Comments
Contract customer base	+41,000 customers			Slight increase in contract customer base expected for 2013/14
Postpaid ARPU				Postpaid ARPU stabilisation in the region of 23 € in 2013 and 2014
Group revenue	3,089 m€			Revenue increase anticipated for 2013 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

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Detailed bridge from EBITDA to free cash flow

Free cash flow bridge first nine months of 2013

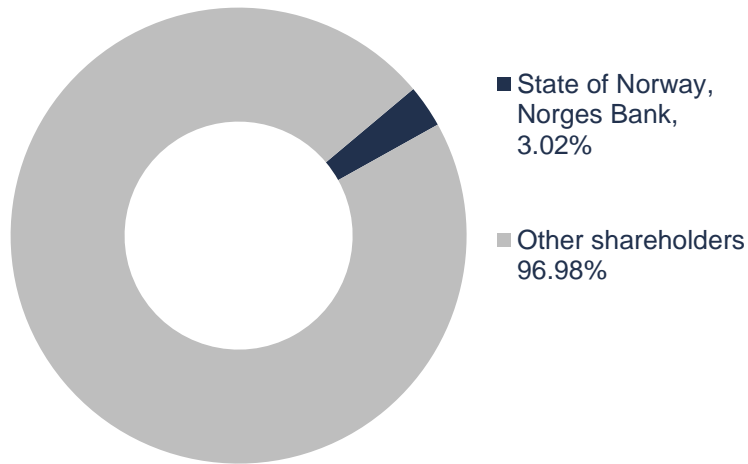
in € million



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

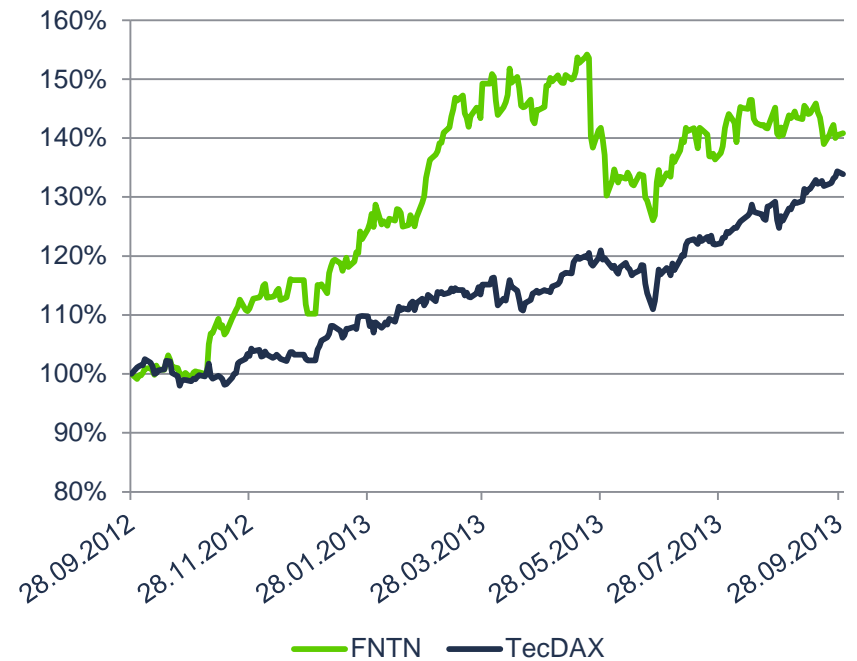
Shareholder structure and share performance

Current shareholder structure



The last voting rights notification was received in October 2013.

Indexed share performance against TecDAX



Summary

- All KPIs YTD Q3 well inline with management expectation
- Important pre-Xmas season started with a number of new products from Apple
- Digital lifestyle portfolio under constant extension and optimisation
- Despite slightly declining postpaid ARPU moderate growth of Mobile Communications EBITDA
- Price deterioration effect overcompensated by high-margin customer relationships including digital lifestyle value-added products and services
- Confirmation of sustainable two-year guidance

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