

Management presentation Q3 2014 results

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7 November 2014

freenet **GROUP**

 mobilcom
debitel

freenet 

klarmobil.de

GRAVIS

TL TALKLINE

freenet
digital

 MFE
Energie

 MOTION TM

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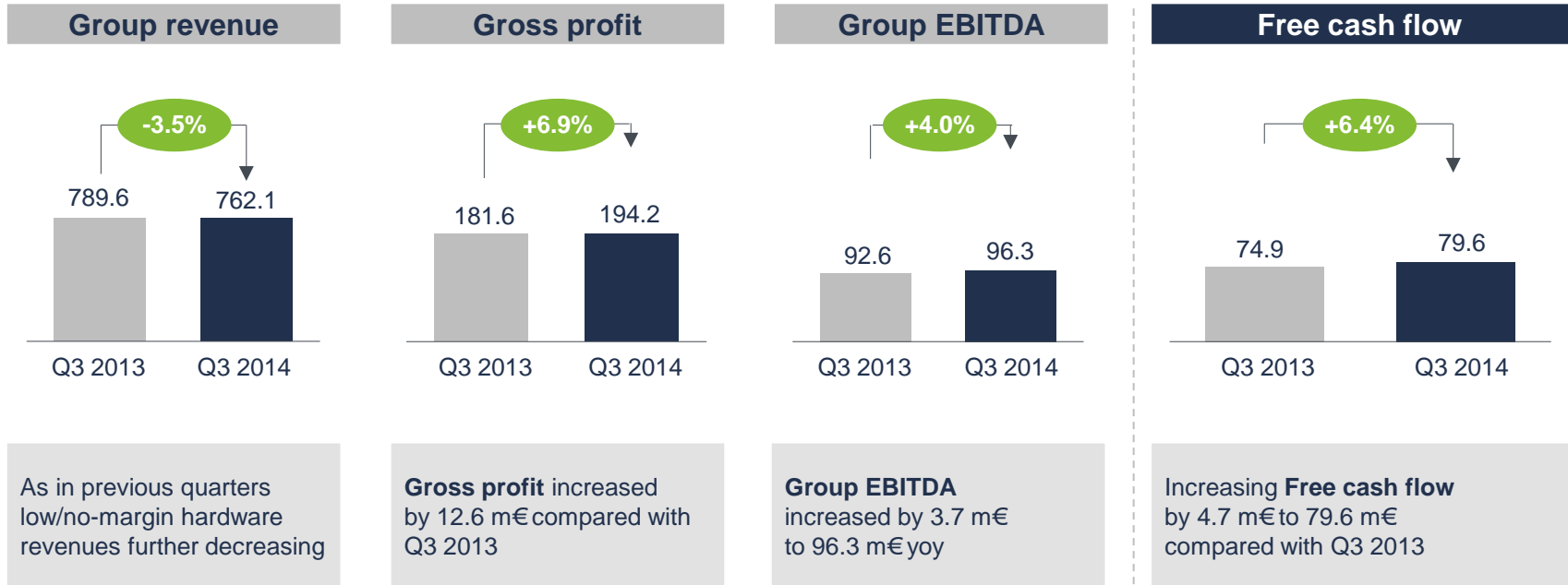
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Key achievements in Q3 2014

- Growth of **Customer Ownership** 9th quarter in a row
- Increase of **Gross profit, EBITDA, EBIT, EBT** and **Free cash flow** YOY
- Growth of **Digital Lifestyle** contribution to 1.05 euros per postpaid customer per month
- 3rd best quarter **Group result** in the history of freenet

Key figures Q3 2014 illustrate strong performance

[in EUR million]



Continuation of our successful core business in Q4 2014 and focus on Xmas season at GRAVIS

Q1 - Q3 2014

- Growth in customer base due to strong new customer acquisition and lowering churn rate as a result of flat rates
- New Media Markt and Saturn branded tariff plans do not cannibalize postpaid but old low margin prepaid business
- Integration of 11 new locations from reStore into GRAVIS stores
- Launch of www.digital-lifestyle.de service and content portal
- Growth of DLS revenues +50% yoy

Q4 2014

- New flat rate tariff family with increasing data volume included
- Pay-as-you-go test for flat rates e.g. 3 month-plan with Vodafone
- Launch of data tariff plan branded with Media Markt and Saturn
- Improvement of self service (app and www) for options and additional tariff features
- Extension of DLS portfolio
- Key quarter for the financial result of GRAVIS with new Apple products e.g. iPhone 6, iPad, 27" iMac

New and relaunched Digital Lifestyle products

SmartHome

- Inclusion of digital plugs in SmartHome Heating



Entertainment / Services

- Cooperation with Pro7Sat1 on video flat rate
- Cooperation of GRAVIS with car2go
- Test of md-TV-Box with customized program portfolio, apps and music as well as video services



New md cloud

- Relaunch of successful cloud product with a Smart Organizer solution to add value and comfort for the user



mobilcom-debitel Top APPs

- Pre-Installation of md-APP-launcher which allows to push selected APPs within the md customer base



Further growth in the Digital Lifestyle business

md Cloud becomes a frontrunner of md Digital Lifestyle services

md Cloud Smart Organizer

Scan your documents, find them easily and set yourself alerts

- Don't ever lose another bill or miss a payment again
- Easy storage and remote access of all data in the cloud
- Share content like songs or holiday pics with your friends
- 40 GB of storage – enough for 150,000 photos or 10,000 songs
- Safe and anonymous storage – on servers located in Germany
- No phone contract required



| | Basic | Plus | Pro |
|------------------------------|--------------|----------|----------|
| Memory | 40GB | 40GB | 80GB |
| Smart Organizer (from 01/09) | not included | included | included |
| Cost | 1.99€ | 2.99€ | 3.99€ |

GRAVIS will attract customers with new product lines in Xmas season...

Elgato Avea

- Dynamic mood light, wake-up light etc. all monitored and managed by a smartphone App
- Exclusivity for September and October 2014



Elgato Eve

- Apple home kit compliant
- Window sensors, weather monitoring, water consumption, measurement, smoke detectors and digital plugs, fully integrated solution



Withings Activité

- First Swiss-made smartwatch that does not look like a smartwatch, fully equipped with latest sensor technology
- Withings also delivers new exciting “sleeping” system with again sensorial features
- GRAVIS is launch partner and exclusive retail partner in Germany



...and extends competence across relevant brands and products

Various Headsets

- World's first headset with Apple Lightning enabling high resolution Audio from Philips exclusive with GRAVIS
- New beats headset powered by Apple



Orbotix Ollie

- Sphero reloaded, extended game experience
- GRAVIS exclusive launch partner in Germany



Protonet Maya

- Collaboration at it's best with high sophisticated server and multi-user solutions



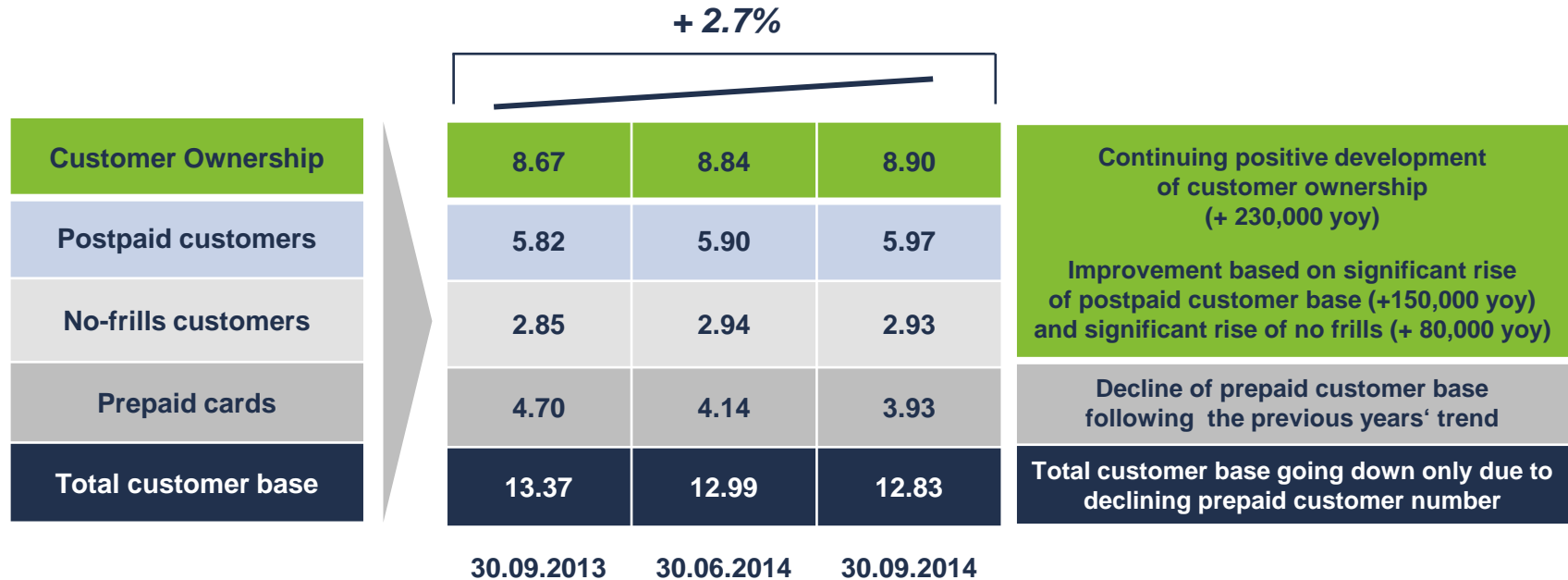
Parrot Mini Drones

- Drones with camera included
- Rolling spider and jumping Sumo

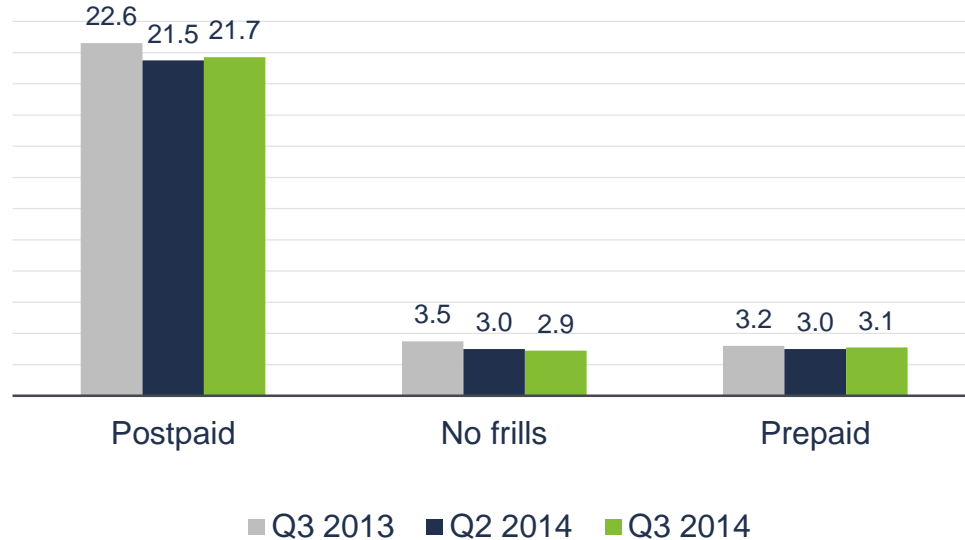


Ninth quarter in a row to rise Customer Ownership

[in million]



ARPU within internal projection and postpaid growing from Q2 [EUR/month]



- **Postpaid ARPU** down 0.9 € yoy at 21.7 € driven by legacy customers' switching into new flat tariffs
- **No-frills ARPU** in the last quarters stable around 3.0 €
- **Data revenue** share 30.3% of postpaid ARPU in Q3 2014
- **Prepaid ARPU** stable compared with previous year's quarter

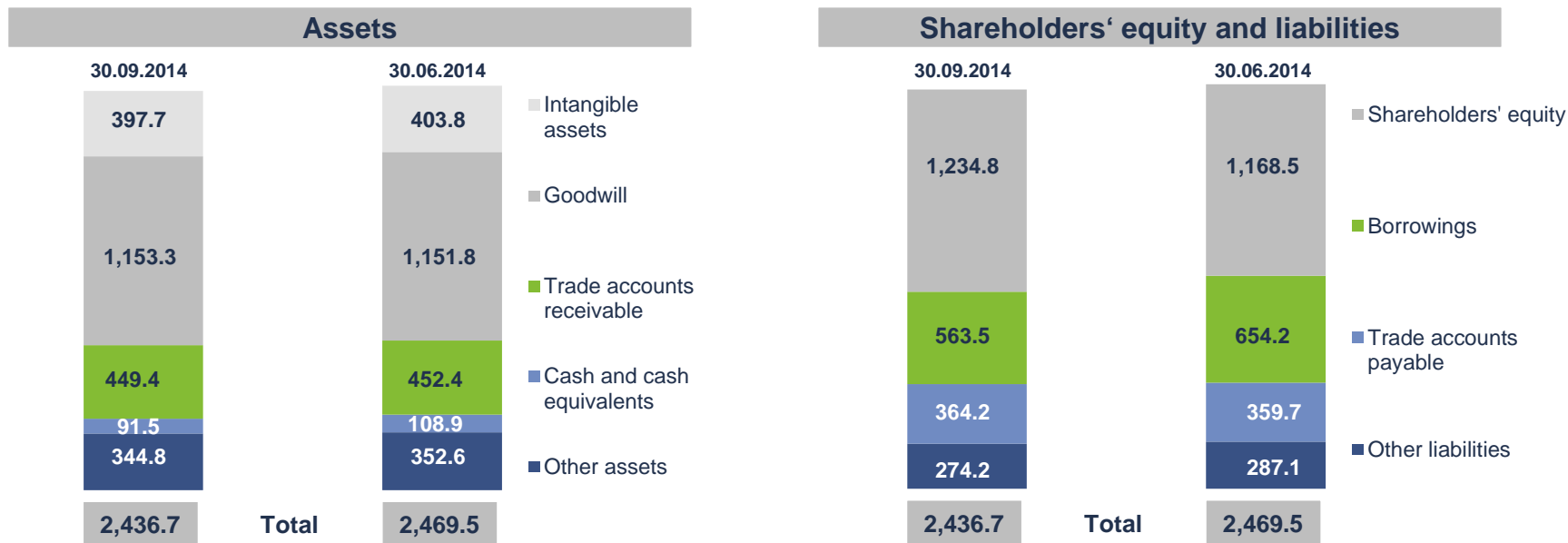
Financial statements – income statement

[in EUR million]

| | Q1 - Q3 2014 | Q1 - Q3 2013 | Q3 2014 | Q3 2013 |
|-------------------------------|--------------|--------------|---------|-------------|
| Revenue | 2,206.9 | 2,374.5 | 762.1 | 789.6 |
| Gross profit | 567.3 | 531.5 | 194.2 | 181.6 |
| EBITDA | 269.3 | 263.0 | 96.3 | 92.6 |
| Depreciation and amortisation | -47.7 | -41.7 | -15.4 | -14.0 |
| EBIT | 221.6 | 221.3 | 80.9 | 78.6 |
| Interest balance | -29.5 | -29.9 | -9.3 | -9.8 |
| EBT | 192.1 | 191.4 | 71.6 | 68.8 |
| Taxes on income | -11.4 | -12.2 | -5.4 | -5.2 |
| Group result | 180.7 | 179.2 | 66.2 | 63.6 |
| Earnings per share (€) | 1.41 | 1.40 | 0.52 | 0.50 |

Financial statements – balance sheet

[in EUR million]



- Equity ratio at 50.7% in Q3 2014 (Q2 2014: 47.3%)
- Net debt of 472.0 m€ in Q3 2014 compared to 545.3 m€ as of 30 June 2014

Financial statements – cash flow statement

[in EUR million]

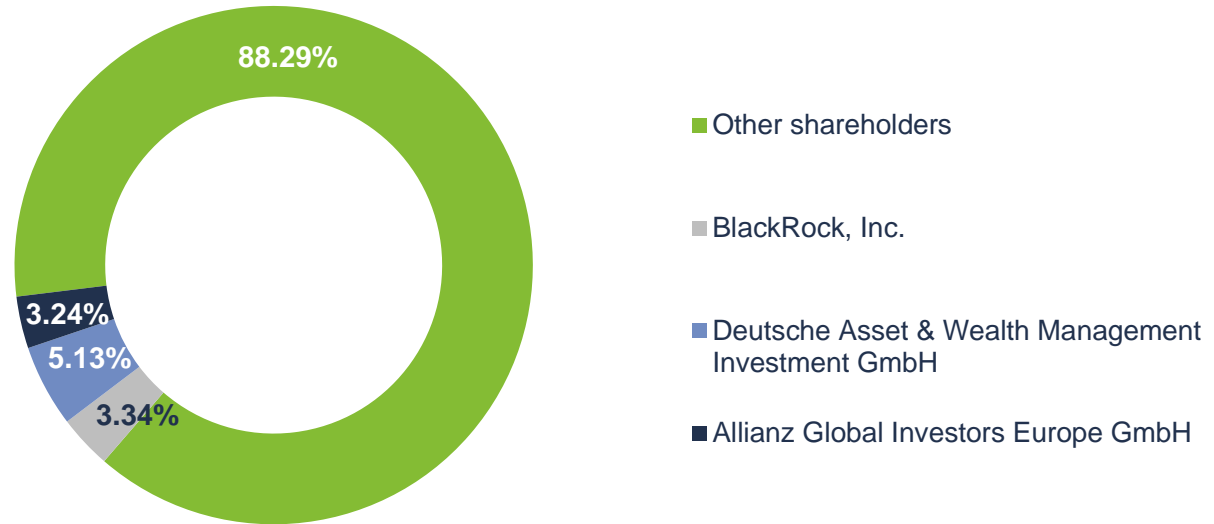
| | Q1 - Q3 2014 | Q1 - Q3 2013 | Q3 2014 | Q3 2013 |
|--|--------------|---------------|-------------|-------------|
| Cash flow from operating activities | 229.7 | 214.7 | 87.9 | 81.9 |
| Cash flow from investing activities | -61.6 | -27.4 | -5.3 | -7.6 |
| thereof net capex | -18.7 | -13.1 | -8.3 | -7.0 |
| Cash flow from financing activities | -217.3 | -293.9 | -0.9 | -40.7 |
| Change in cash and cash equivalents | -49.2 | -106.6 | 81.7 | 33.6 |
| Free cash flow¹ | 210.9 | 201.6 | 79.6 | 74.9 |

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.

Shareholder structure

Major shareholders of freenet AG

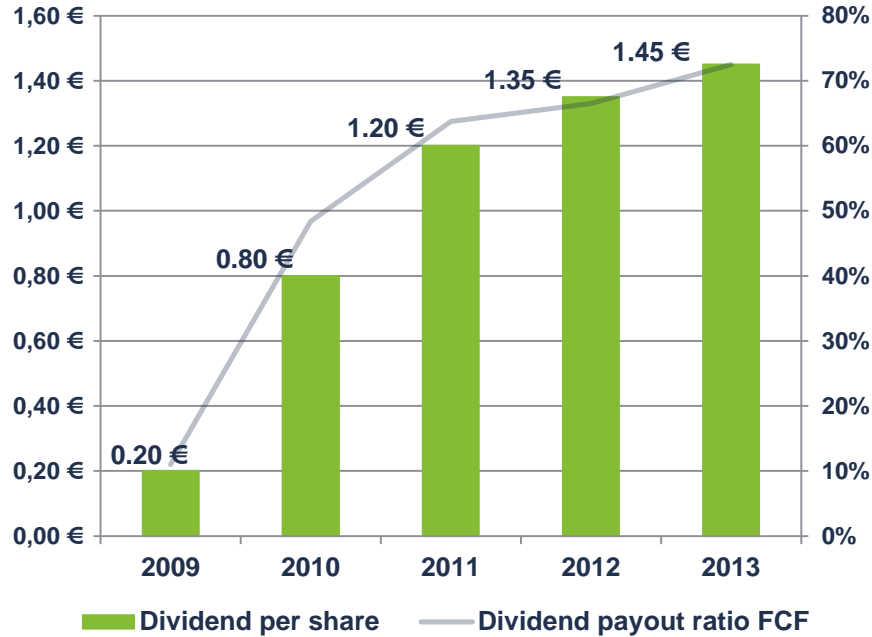
As of 30 September 2014



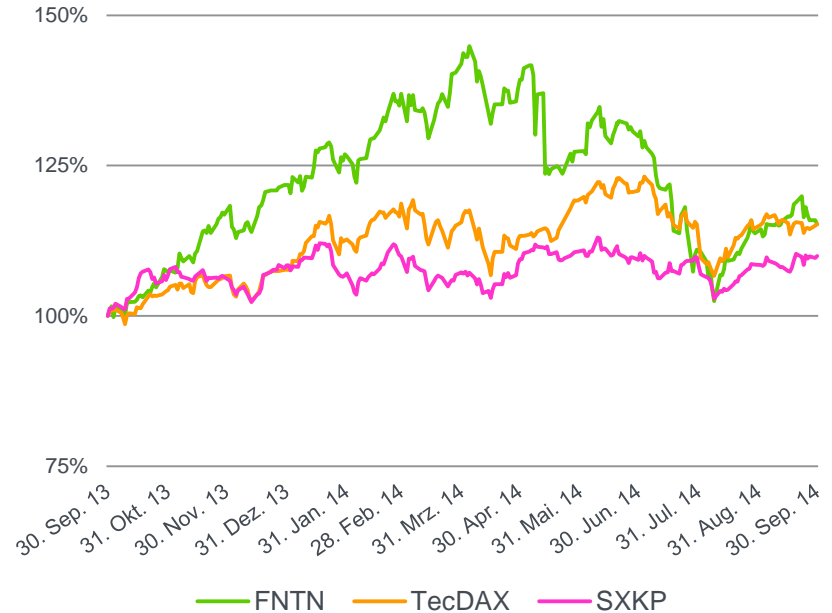
100 % free float according to Deutsche Börse AG

freenet AG share

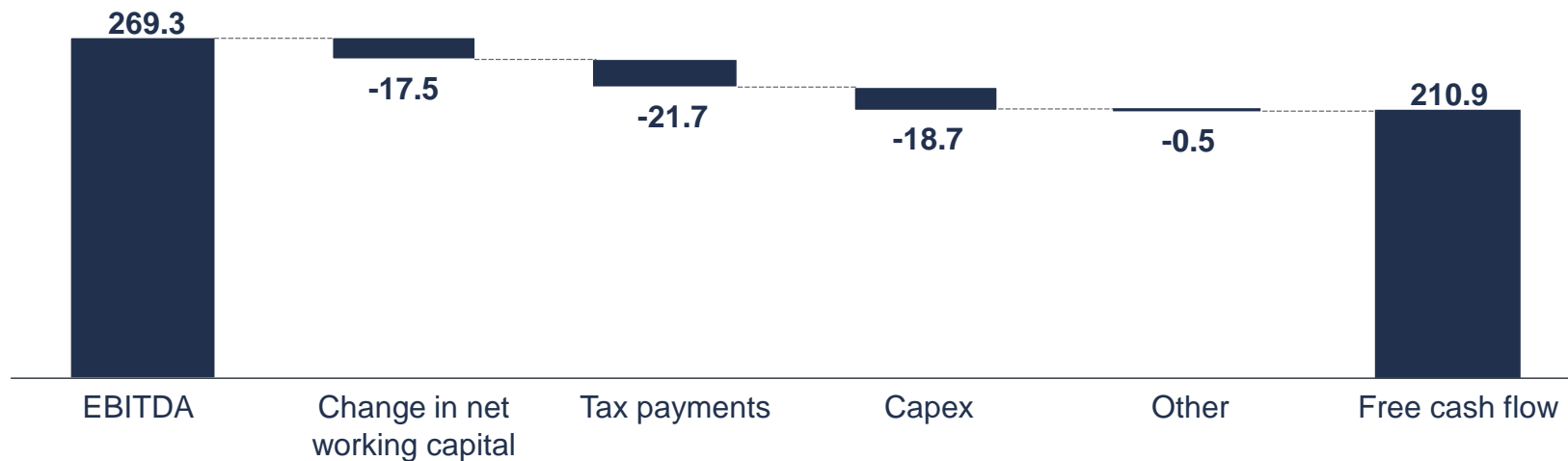
Dividend performance



Indexed share performance (12 months)



Detailed bridge from EBITDA to free cash flow for Q1-Q3 2014 [in EUR million]



| | | | | | | |
|----------|-----|------|------|------|-----|-----|
| FY 2014e | 365 | - 35 | - 45 | - 20 | ~ 0 | 265 |
| FY 2015e | 370 | - 35 | - 35 | - 20 | ~ 0 | 280 |

Two-year guidance confirmed

| | Contract customers | Postpaid ARPU | Group revenue | Group EBITDA | Free cash flow (FCF) ¹ | Dividend pay-out |
|---------------|--|--|--|---|--|---|
| Results 2013 | + 80,000 | 22.3 € | 3,193.3 m€ | 357.4 m€ | 256.2 m€ | 1.45 €/share ² |
| Guidance 2014 | ➔ | ➔ | ➔ | 365 m€ | 265 m€ | 50-75% of FCF |
| Guidance 2015 | ➔ | ➔ | ➔ | 370 m€ | 280 m€ | 50-75% of FCF |
| | Slight increase in Customer Ownership expected for 2014/2015 | Postpaid ARPU expected to slightly decline in 2014 and stabilize in 2015 | Revenue decreasing in 2014, but stable in 2015 | Further increase of Group EBITDA in 2014/15 | Further rise of free cash flow anticipated for 2014/15 | Corridor for dividend pay-out ratio remains unchanged |

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.

2) Dividend of 1.45 euros per dividend-bearing share (72.5% of FCF) resolved by the AGM on 13 May 2014.

Summary for 2014 as of end of October

- Strong Q3 with all relevant KPIs up yoy and in line with internal expectation
- Postpaid customer base growing 9 quarters in a row
- EBITDA, free cash flow growing corresponding with full-year guidance
- ARPU in line with management expectation and with guidance; price deterioration effect again overcompensated by high-margin customer relationships including Digital Lifestyle value-added products and services
- Strategic growth of Digital Lifestyle revenues achieved
- Guidance confirmed

We take time for your questions



Christoph Vilanek, CEO

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



Joachim Preisig, CFO

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

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