

Management presentation Q2 2015 results

Christoph Vilanek, CEO and Joachim Preisig, CFO

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freenet **GROUP**

 mobilcom
debitel

freenet 

klarmobil.de

GRAVIS

TALKLINE

freenet
digital

 MFE
Energie

 MOTION TM

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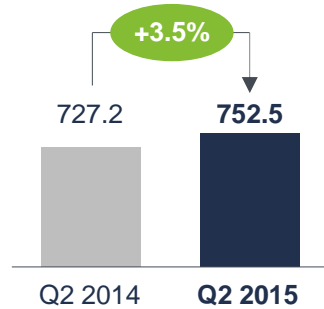
Customer base and ARPU underline strong first half 2015

- Second quarter with equally strong performance as Q1
- 1st half year 2015 KPIs driving sustainable profits and long-term performance
 - ⇒ Postpaid customer base grows 12th quarter in a row
 - ⇒ Postpaid ARPU stable second quarter in a row
 - ⇒ EBITDA and free cash flow according to full year plan despite of strong new customer acquisition
 - ⇒ Digital Lifestyle monthly revenue growing to 1.3 euros per postpaid customer
- Refinancing of 100.0 million euros with investment grade conditions
- Reconfirmation of organic guidance for full year 2015 and for 2016

Strong performance at a glance

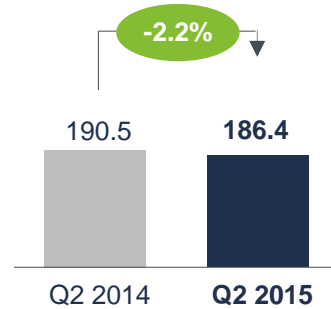
[in EUR million]

Group revenue



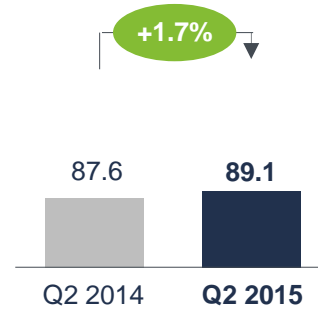
Group revenue increases by 25.3 m€ to 752.5 m€ yoy

Gross profit



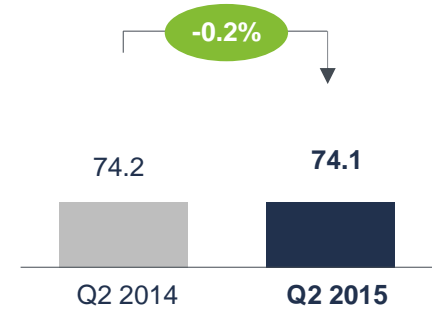
Gross profit slightly decreases by 4.2 m€ compared to Q2 2014

Group EBITDA



Group EBITDA above previous years' quarter

Free cash flow



Free cash flow on previous years' level, strong increase of 11.8 m€ compared to Q1 2015

Development of the business is on track

Q2 2015

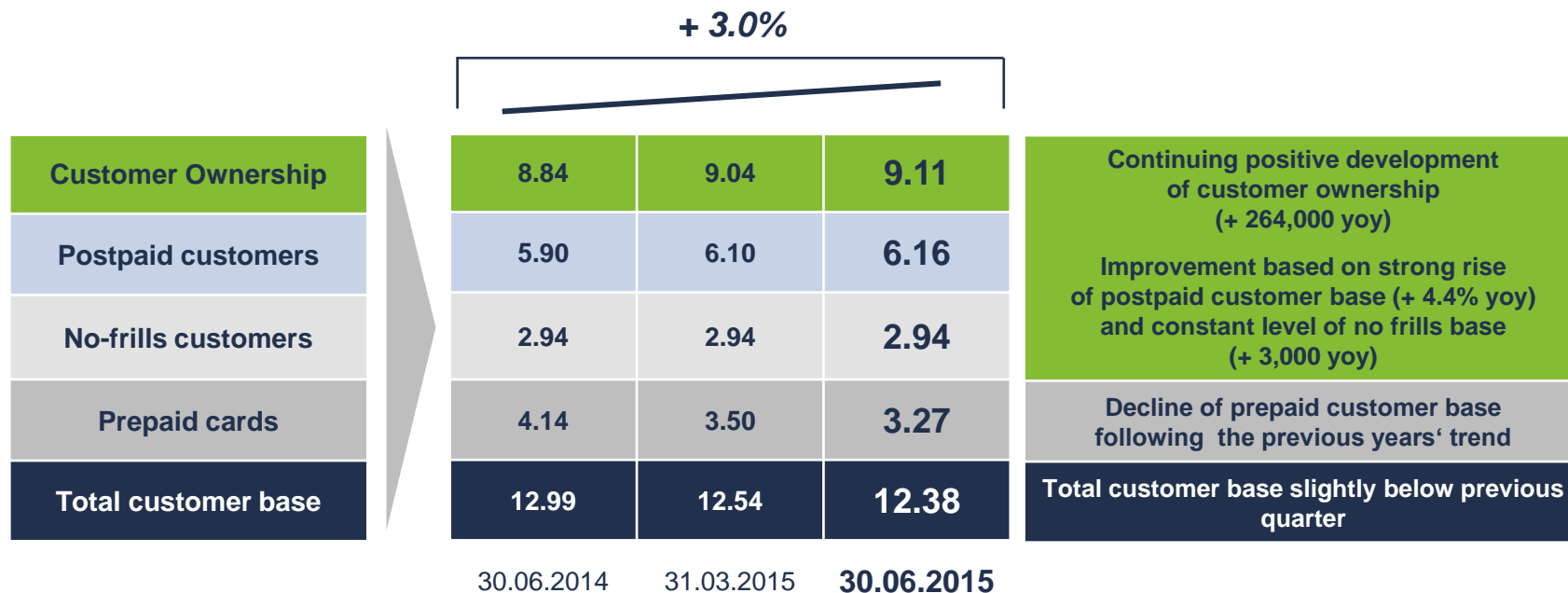
- With start of Apple Watch all relevant freenet apps on the watch
- Start of DOM (digital lifestyle without mobile contract) with maxdome and juke; widening portfolio with audiobooks and reading library
- New marketing campaigns for mobilcom-debitel as well as for klarmobil
- Relaunch of freenet.de portal
- Redesign of sales organisation

Q3 – Q4 2015

- Refurbishment of shops with a reach of 25% by the end of the year
- Start of implementation project for new integrated retail-IT platform including features like app-based sales process
- Test of wearable shop concept in close cooperation with key hardware suppliers
- Outsourcing of call centre location Kaiserslautern

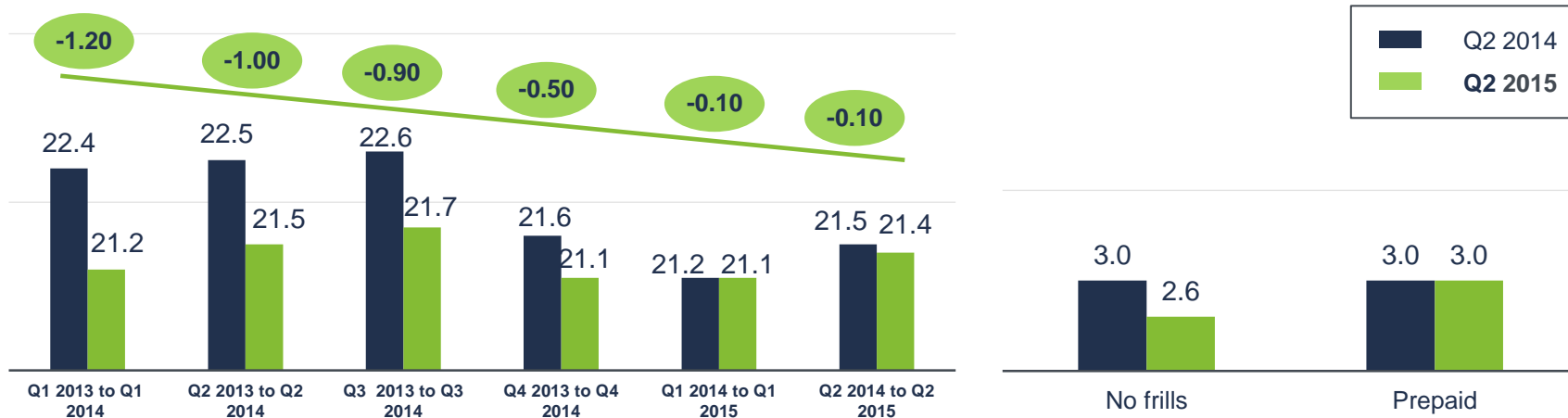
Again a strong increase in postpaid customer base

[in million]



ARPU reflects acquisition of high-value customers

[EUR/month]



Postpaid ARPU

- Increased by 0.3 € to 21.4 € compared to the previous quarter
- Almost stabilised yoy
- Data revenue** share at 33.20%

No-frills ARPU

- 0.4 € lower compared to previous year

Prepaid ARPU

- Remains stable yoy

Digital transformation changes the business significantly

Digital KPIs	1 st half year 2010	1 st half year 2015
Average data consumption	< 100 MB per month	> 400 MB per month
Share of data in ARPU	9.8%	33.2% of postpaid ARPU
Data revenue	94 million euros	244 million euros
DLS option portfolio	no options available	> 10 options available
DLS option customer base	no DLS customer base	> 1 million users
DLS revenue	< 10 million euros	approx. 45 million euros
Number of self service app user	no self service via app	> 300.000 users per month
Share of electronic monthly bill	56%	79%



ENTERTAINMENT
GAMES, MUSIC AND
MORE



Financial statements – income statement

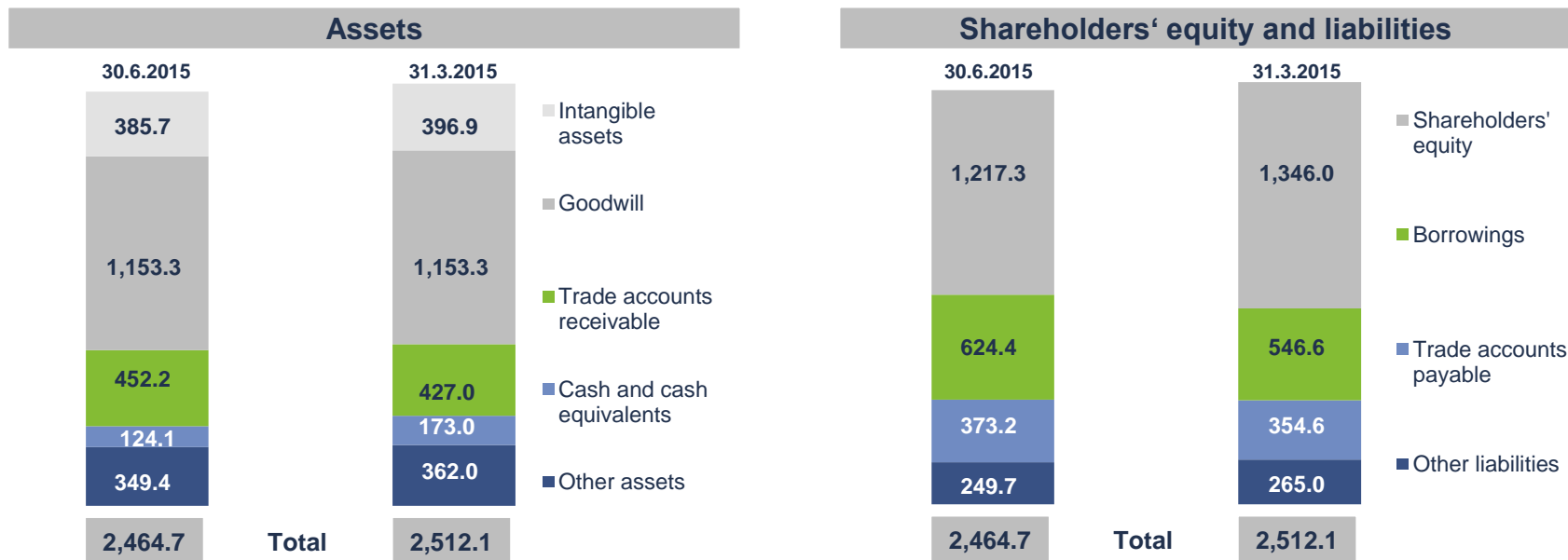
[in EUR million]

	1 st half 2015	1 st half 2014	Q2 2015	Q2 2014
Revenue	1,501.0	1,444.7	752.5	727.2
Gross profit	377.8	373.0	186.4	190.5
EBITDA	175.1	173.1	89.1	87.6
Depreciation and amortisation	-34.2	-32.4	-18.8	-16.4
EBIT	140.9	140.7	70.3	71.2
Interest balance	-19.3	-20.2	-9.7	-10.7
EBT	121.6	120.5	60.6	60.5
Taxes on income	-10.5	-6.0	-5.7	-3.4
Group result	111.1	114.5	54.9	57.1
Earnings per share (€)	0.86	0.89	0.42	0.44

- **Group revenue** increased by 25.3 m€ to 752.5 m€ yoy (+3.5 %); result of significant growth in customer ownership base, almost constant postpaid ARPU and higher revenue in digital lifestyle field
- **Gross profit** at 186.4 m€ and 4.2 m€ lower yoy (190.5 m€) – mainly due to higher activation numbers resulting in an increase of subscriber acquisition costs
- **Depreciation and amortisation** increased by 2.3 m€ to 18.8 m€ yoy primarily due to distribution rights, intangible assets in relation to purchase price allocations from corporate acquisitions, and internally generated software
- **Interest result** improved by 1.0 m€ to -9.7 m€ yoy – interest expenses largely comprised the corporate bond

Financial statements – balance sheet

[in EUR million]



- Equity ratio at 49.4 per cent as of 30 June 2015 (53.6 per cent as of 31 March 2015)
- Net debt of 500.3 million euros as of 30 June 2015 compared to 373.6 million euros as of 31 March 2015

Financial statements – cash flow statement

[in EUR million]

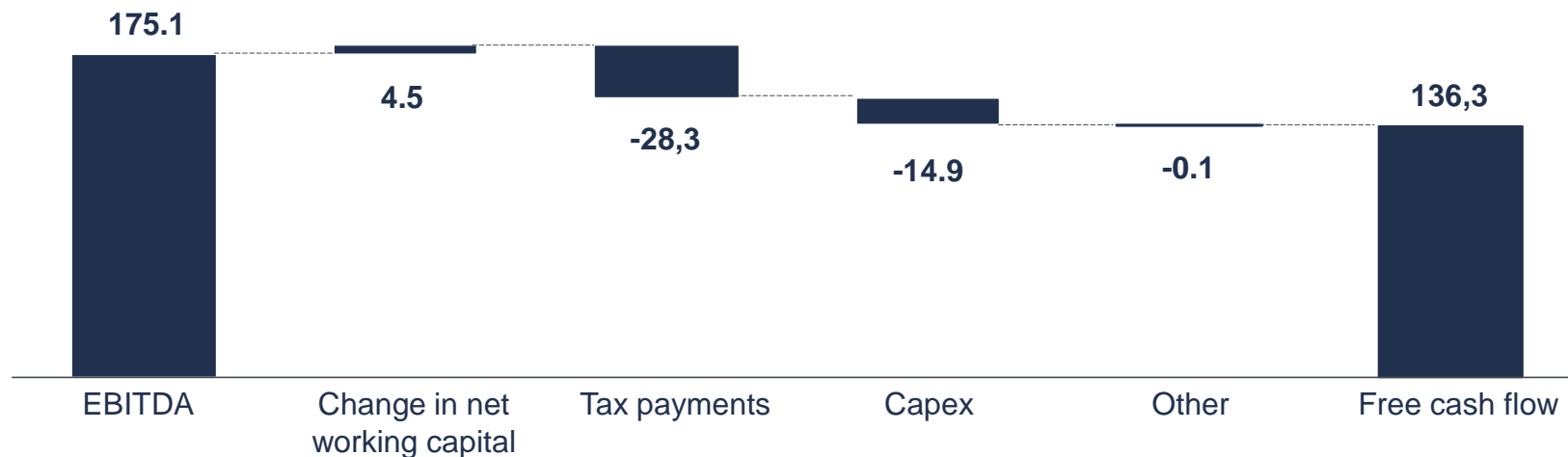
	1 st half 2015	1st half 2014	Q2 2015	Q2 2014
Cash flow from operating activities	151.2	141.7	80.7	78.8
Cash flow from investing activities	-14.4	-56.2	-6.5	-4.3
thereof net capex	-14.9	-10.5	-6.6	-4.7
Cash flow from financing activities	-124.6	-216.4	-123.1	-215.9
Change in cash and cash equivalents	12.1	-130.9	-48.9	-141.4
Free cash flow¹	136.3	131.3	74.1	74.2

- **Cash flow from operating activities** with yoy increase of 1.8 m€ which results from a slight increase in EBITDA and a decrease of 10.0 m€ in net working capital (Q2 2014: increase of 2.7 m€). Contrary effect to the amount of 12.3 m€ yoy from increased tax payments (Q2 2015: 18.3 m€)
- Decrease in net working capital mainly results from higher mobile phone option factoring and higher trade accounts payable yoy
- **Cash flow from investing activities** at -6.5 m€ (Q2 2014: -4.3 m€) due to investments in internally developed software and office equipment
- **Cash flow from financing activities increased** by 92.8 m€ yoy. Dividend payout increased by 6.4 m€ from 185.6 m€ to 192.0 m€ yoy. In contrast freenet received 99.4 m€ from the taking up of a promissory note loan in Q2 2015
- **Free cash flow** on previous years' level

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 for H1 2015

[in EUR million]



	EBITDA	Change in net working capital	Tax payments	Capex	Other	Free cash flow
FY 2014	365.6	- 29.0	- 40.4	- 27.9	- 1.7	266.6
FY 2015e	370	- 25	- 40	- 25	0	280
FY 2016e	375	- 30	- 35	- 25	0	285

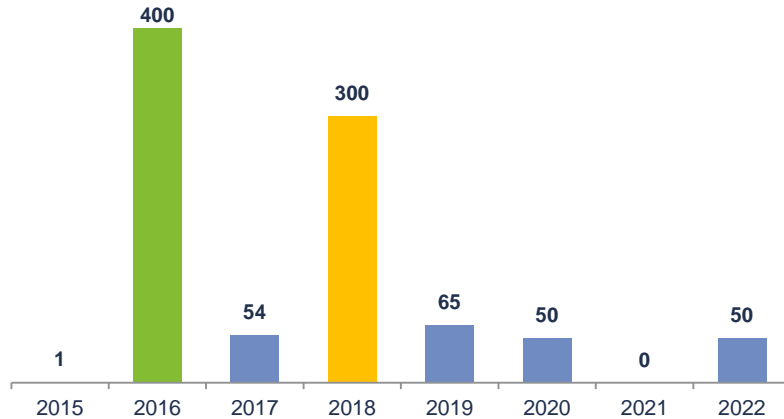
Guidance confirmed

	Customer ownership	Postpaid ARPU	Group revenue	Group EBITDA	Free cash flow (FCF) ¹	Dividend payout
Guidance 2016				375 m€	285 m€	50-75% of FCF
Guidance 2015				370 m€	280 m€	50-75% of FCF
Results 2014	+ 162,000	21.4 €	3,040.6 m€	365.6 m€	266.6 m€	1.50 €/share

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Optimising the financing profile to further reduce refinancing risks

Instruments and maturity profile (EUR million)



- Unrated Bond: EUR 400 million
- Promissory Notes: EUR 220 million
- Revolving Credit Facility: EUR 300 million

New Issuance of Promissory Notes in May 2015

- Taking up of promissory note loan in May 2015
- Investment Grade Structure and Pricing
- Amount: EUR 100 million, due in 2020 and 2022
 - ⇒ EUR 50 million due in May 2022, fixed interest rate at 1.79%
 - ⇒ EUR 25 million due in May 2020, fixed interest rate at 1.325%
 - ⇒ EUR 25 million due in May 2020, floating interest rate (first 6 months at 1.05% exp.)
- For general corporate purposes
- Lead Arrangers:
 - ⇒ BayernLB, Commerzbank AG, HSH Nordbank and LBBW

Key achievements in Q2 2015

- Further increase of **Customer Ownership** mainly driven by strong growth of valuable postpaid customers with 24 month contracts
- **Postpaid ARPU** 0.3 euros higher than in previous quarter and stable yoy
- Increasing revenue due to postpaid business and digital lifestyle
- **EBITDA** slightly improved yoy despite the substantial investments in customer growth in recent months
- **Free cash flow** at the previous years' level
- Confirmation of **guidance** for 2015 and 2016

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



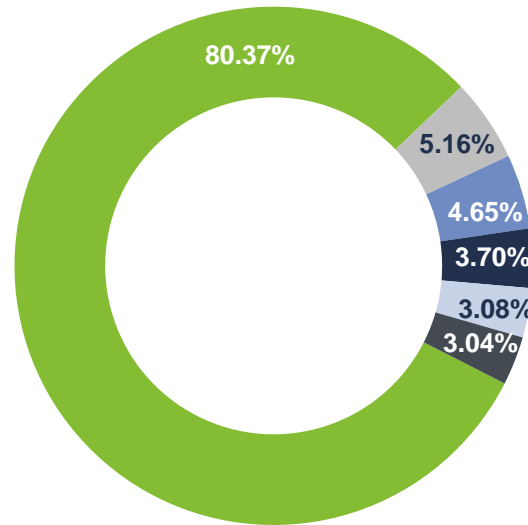
Joachim Preisig, CFO

- **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

Shareholder structure

Major shareholders of freenet AG

As of 30 June 2015



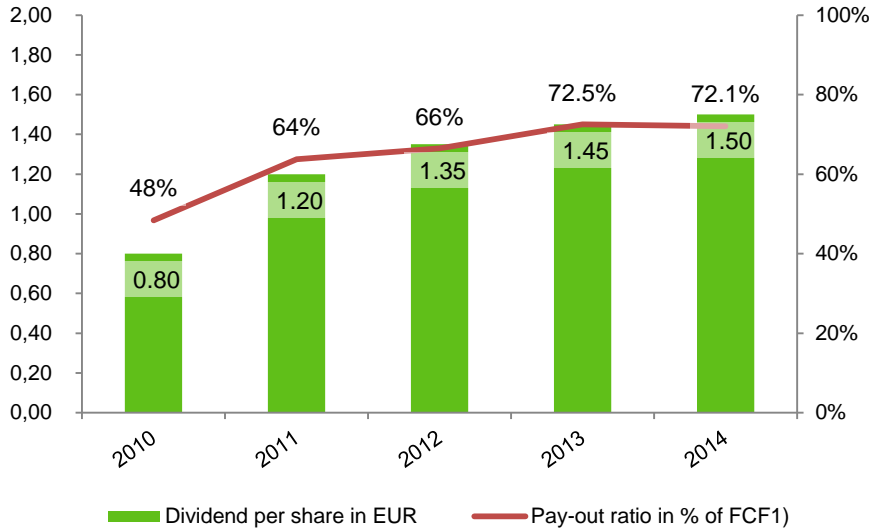
- Other shareholders/freefloat**
- Allianz Global Investors Europe GmbH*
- Deutsche Asset & Wealth Management Investment GmbH*
- The Capital Group Companies, Inc.*
- BlackRock, Inc.*
- Flossbach von Storch AG*

* Including attributions according to German Securities Trading Act

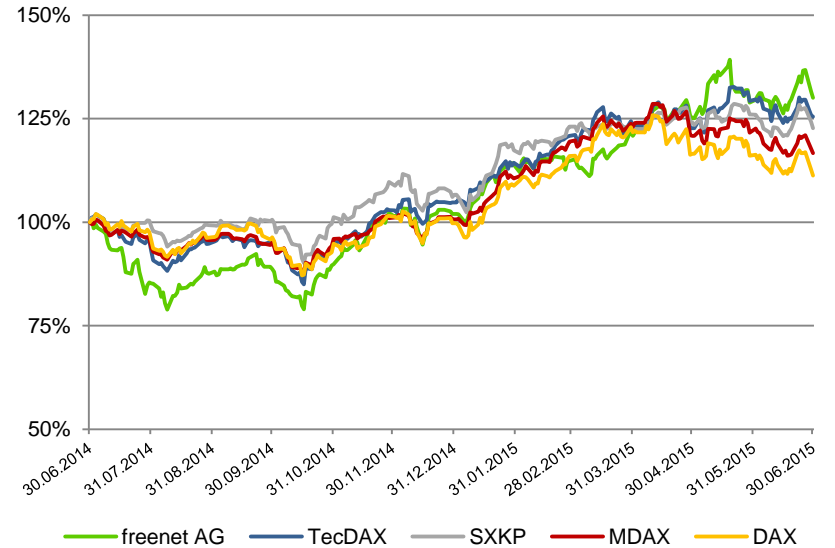
** The free float according to Deutsche Börse AG amounts to 94.84%

freenet AG share

Dividend performance



Indexed share performance (12 months)



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.

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