

Management presentation Q1 2016 results

Christoph Vilanek, CEO and Joachim Preisig, CFO

4 May 2016 | **Analyst and Investor conference call**

freenet GROUP

MOBILCOM-DEBITEL / KLARMOBIL.DE / GRAVIS / FREENET.DE / FREENET DIGITAL / MEDIA BROADCAST / MFE ENERGIE / MOTION TM

Cautionary statement

This presentation contains forward-looking statements which involve risks and uncertainties. The actual performance, results and timing of the business of freenet AG could differ materially from the expectations regarding performance, results and timing expressed in this presentation.

This presentation does not constitute an offer to sell or a solicitation to purchase any securities of freenet AG. Any such decision must not be made on the basis of the information provided in this presentation.

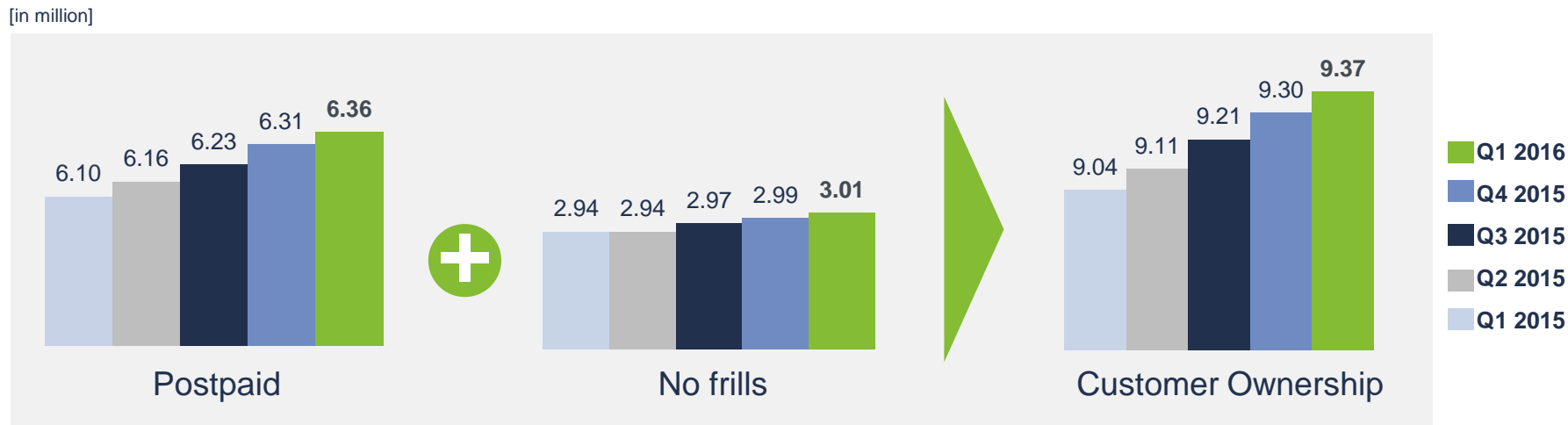
freenet AG does not undertake any obligation to publicly update or revise information provided during this presentation.

Key achievements in Q1 2016

- Significant increase of **Customer Ownership** (+331,000 yoy) mainly driven by **strong growth** of valuable postpaid customers (+260,000 yoy)
- Positive development of **postpaid ARPU** – currently at 21.5 euros, an increase of 0.2 euros compared to the previous quarter and an increase of 0.4 euros yoy
- **Revenue** at 749.2 million euros (previous year: 748.5 million euros)
- **EBITDA**-increase by 3.1 million euros yoy
- **Free cash flow** rise yoy by 4,3%

Customer Ownership continuous to grow (+3.7 per cent)

Mainly driven by disproportionate growth of the postpaid customer base

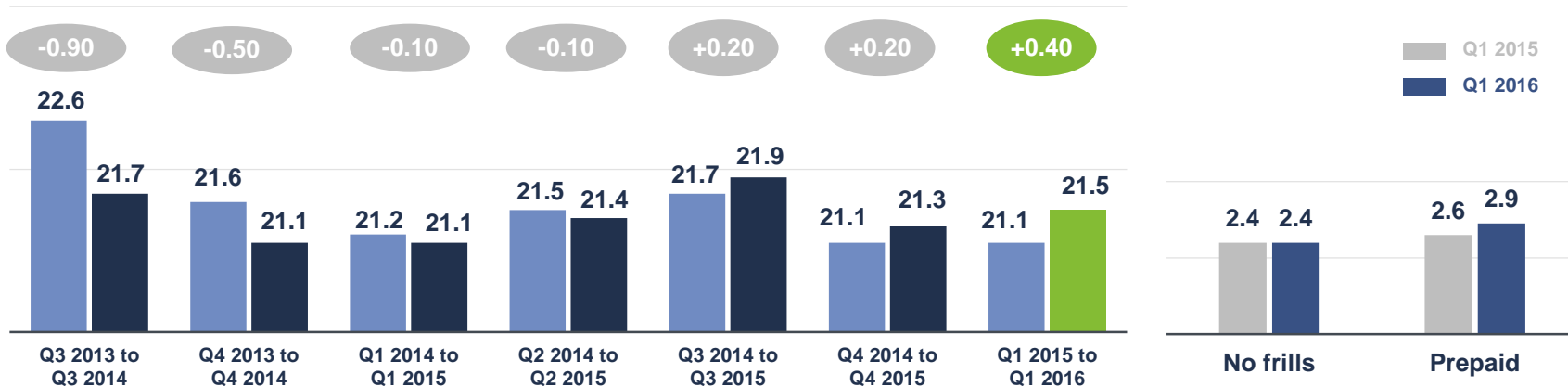


- Improvement of customer ownership based on disproportionate increase of **postpaid customers** by 4.3 per cent (+260,000 yoy) and an increase of the **no-frills customer base** by 2.4 per cent (+71,000 yoy)
- Decline of **prepaid customer base** to 2.79 million as a result of further deactivation of inactive SIM-Cards
- **Total customer base at 12.15 million** – below previous years' figure of 12.54 million

ARPU stabilisation confirms focus on valuable customer relations

Postpaid ARPU continues stabilisation

[EUR/month]



Postpaid ARPU

- Ongoing stabilisation at 21.5 euros
- **Data revenue** share at 32.90%

No frills ARPU

- At 2.4 euros on par with Q4 2015 and Q1 2015

Prepaid ARPU

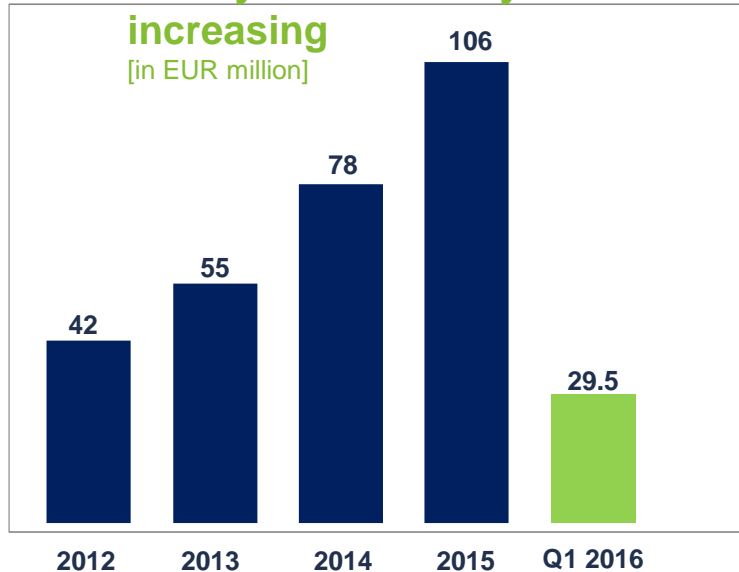
- Outperforms the previous years' figure by 0.3 euros. Compared to previous quarter slight decline by 0.2 euros

In Q1 2016 freenet lays fundament for future growth in DLS



Revenues in Digital Lifestyle are steadily

increasing
[in EUR million]



Digital lifestyle service revenue growing

- Q1 confirms growth potential for full year 2016

freenet goes TV

- Acquisition of all shares of Media Broadcast Group as well as 24.99 per cent of the shares of EXARING AG
- Addressing expanding need for best quality picture and of streaming and video-on-demand

Product launches in Smart Care

- New product family “SmartCare”, for preventing illness as well as for physical and mental well-being

Marketing Campaign focusing on digital lifestyle

- Spring campaign “Costa Fast Gar Nix” with attractive digital lifestyle and mobile offers boosting brand awareness and perception of mobilcom-debitel

freenet entering the fast growing market of moving pictures

MEDIA BROADCAST

- Sole commercial provider of the **DVB-T2-HD** standard offering second generation terrestrial broadcasting starting in the first quarter of 2017
- New B2C offering will provide the entire range of channels in full HD quality – with the added attraction of access to on-demand services such as the media libraries of the various stations

EXARING AG

- EXARING owns usage rights for a fiber optic network which, in technical terms, reaches approximately 23 million German households with a transmission bandwidth of up to 8K.
- freenet's investment secures the distribution rights to this **closed IP platform** – and thus also the implementation of future moving image innovations such as virtual reality or holography/3D.



Acquisitions to complement strategic direction

...and becomes a major partner of TV broadcasters and content providers in Germany

MEDIA
BROADCAST



EXARING AG



- Combined with the EXARING app, all services including add-on functions, such as **video-on-demand**, **film recordings**, **online games**, **streaming** and PC services are to be moved to the cloud in future.
- This will be an uncomplicated way to use them at home or as a mobile function via an app on a smartphone or tablet in the resolutions HD, 4K and 8K. Set-top boxes, hard discs, remote controls and unsightly cables will thus disappear from our living rooms.
- The entry into the new field of **linear and internet-based TV** is providing the Company with the opportunity of achieving further diversification in the digital lifestyle business and of developing new growth potential and sources of revenue

Operational and financial timetable of new ventures

Media Broadcast

- Launch of DVB-T2 devices in May 2016
- Coverage increase to 80% of population till 2019
- Switch off old technology in April 2017
- Subscriber acquisition
 - Registration from June 2016
 - Enforced conversion of existing customer base from October 2016
 - Full fetched campaign from December 2016
- Conditional access fully priced from July 2017
- Product and price planning details Q4 2016
- First revenues from customers in Q3 2017

- Consolidation since 18 March 2016
- Detailed information with specific KPIs from Q2 2017
- Expectation for FY impact published ~ 35 m€ (EBITDA)
- Q1 Impact: Revenue 10 m€, EBITDA 2 m€

EXARING

- Beta test start in May (300 subscribers)
- Increase of testers till end of August
- Review and redesign Q3, pre-launch/launch Q4
- Product and pricing details in Q4 2016
- First revenues Q1 2017

- Consolidation since January 2016
- Detailed information with specific KPIs from Q2 2017
- Expectation for FY impact amounts to ~ -10 m€ (EBITDA)
- Q1 Impact: Revenue 0 m€, EBITDA -1 m€

Acquisition of shares in Sunrise Communications Group AG

Transaction details

- With the closing on 14 April 2016 freenet acquired a further share of 0.73 per cent and owns finally a stake of 24.56 per cent in the Sunrise share capital
- The shares were purchased at a price of 72.95 CHF and are entitled to dividends immediately
- On 21 April 2016 freenet received a dividend payment in the amount of 30.1 million euros after the resolution of the Sunrise General Meeting to distribute a dividend of 3.00 CHF per share
- Interest payments for this investment during the calendar year will amount to approx. 14.0 million euros

Rationale

- Sunrise is an investment opportunity in a field of similar competences, where freenet has a deep understanding of business mechanics and market and got a stake that will allow to really contribute to future performance
- Strong parallels: similar business models and financial profile, cash and dividend orientation

Impact on 2016 results

- Positive contribution to Group EBITDA (+ ~10 million euros) and Free cash flow (+ ~ 30 million euros) expected

Financial statements

Income statement

[in EUR million]

	Q1 2016	Q1 2015	Q4 2015
Revenue	749.2	748.5	826.8
Gross profit	192.2	191.4	215.6
EBITDA	89.1	86.0	97.8
Depreciation and amortisation	-21.7	-15.5	-18.8
EBIT	67.3	70.6	78.9
Interest result	-11.7	-9.5	-14.9
EBT	55.5	61.0	64.0
Taxes on income	-4.2	-4.8	-15.6
Group result	51.3	56.2	48.4
Earnings per share (€)	0.41	0.44	0.38

Revenue on par with Q1 2015 but below Q4 2015 due to seasonal effects.

Depreciation and amortisation increased by 6.2 m€ yoy mainly as a result of the increased inventories of software, licenses and similar rights in connection with the purchase price allocations from the acquisitions.

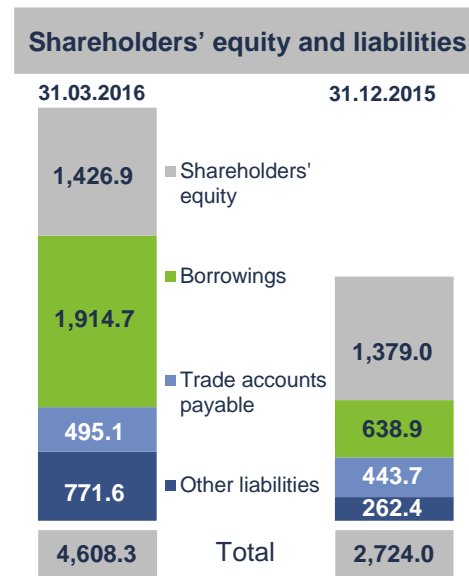
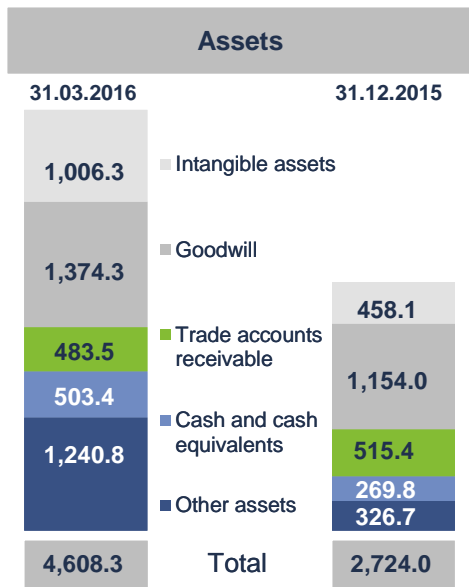
Increase of **interest expenses** mainly attributable to refinancing in connection with the recent acquisitions

Group result decrease by 4.9 m€ mainly due to increased depreciation, other operating expenses as well as interest expenses.

Financial statements

Balance sheet

[in EUR million]

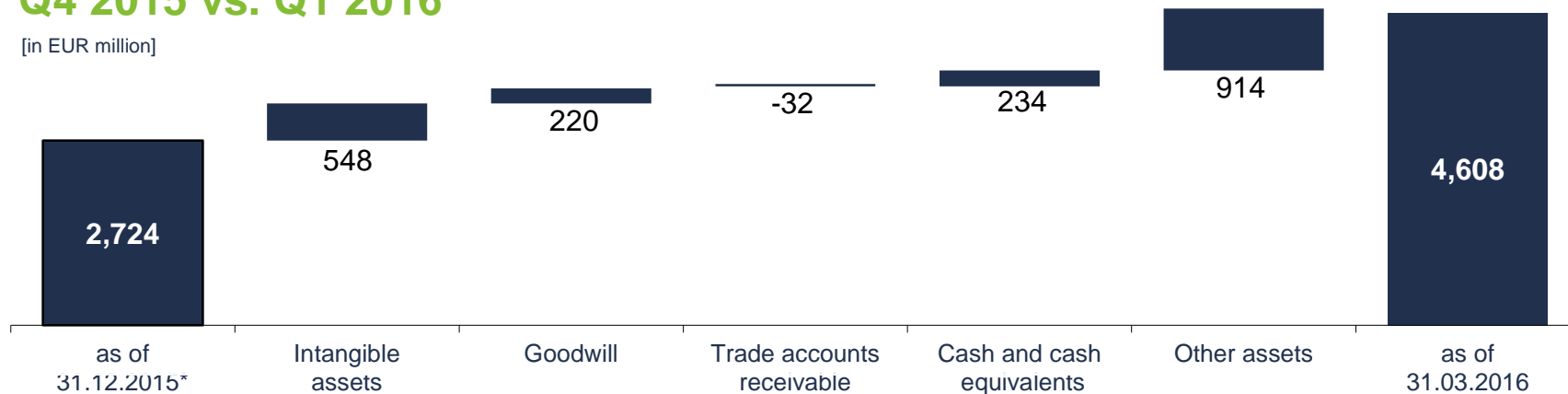


- Equity ratio at 31.0 per cent as of 31 March 2016 (50.6 per cent as of 31 December 2015)
- Net debt of 1,411.3 million euros as of 31 March 2016 compared to 369.2 million euros as of 31 December 2015

Development assets

Q4 2015 vs. Q1 2016

[in EUR million]



Media Broadcast	561.3 ¹	220.3	16.2	-73.5	190.7
Sunrise				-716.1	718.0
Financing (cash inflow from new loans)				1,266.4	
Financing (repayment debt Media Broadcast)				-297.2	
Others	-13.1	0.0	-48.1	54.1	5.4

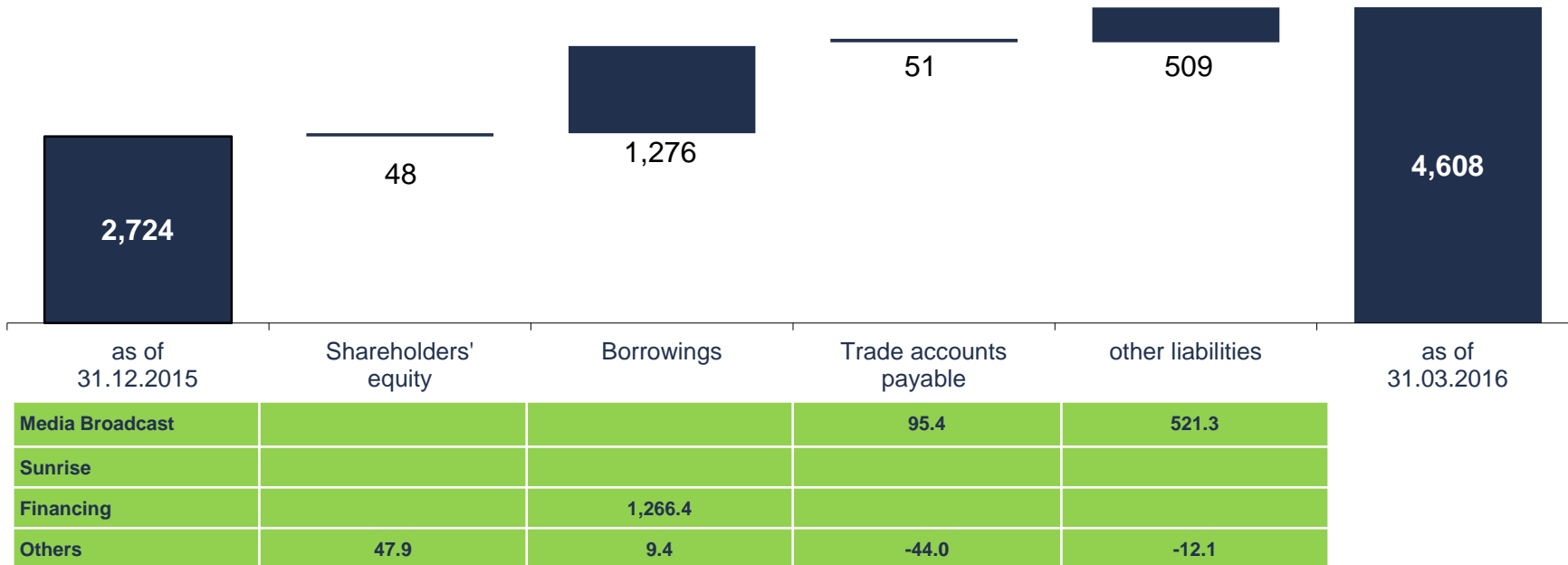
¹ Thereof usage right for DFMG technical locations 459.2, customer relationship 89.7, trademark rights 10.0

* Please note, that EXARING was already included in the figures as of 31.12.2015

Development Shareholders' equity and liabilities

Q4 2015 vs. Q1 2016

[in EUR million]



* Please note, that EXARING was already included in the figures as of 31.12.2015

Financial statements

Cash flow

[in EUR million]

	Q1 2016	Q1 2015	Q4 2015
Cash flow from operating activities	71.9	70.5	77.8
Cash flow from investing activities	-799.3	-8.0	-8.3
thereof net capex	7.0	8.3	-10.7
Cash flow from financing activities	961.1	-1.5	-3.4
Change in cash and cash equivalents	233.7	61.0	66.1
Free cash flow¹	64.9	62.2	67.1

Cash flow from investing activities – mainly reflects the outflows for the acquisition of shares in Sunrise and Media Broadcast.

Cash flow from financing activities – mainly declined due to the inflows of 1,266.4 m€ from refinancing in Q1 2016 as well as the repayment of 297.2 m€ in connection to shareholder and bank loans of the Media Broadcast Group.

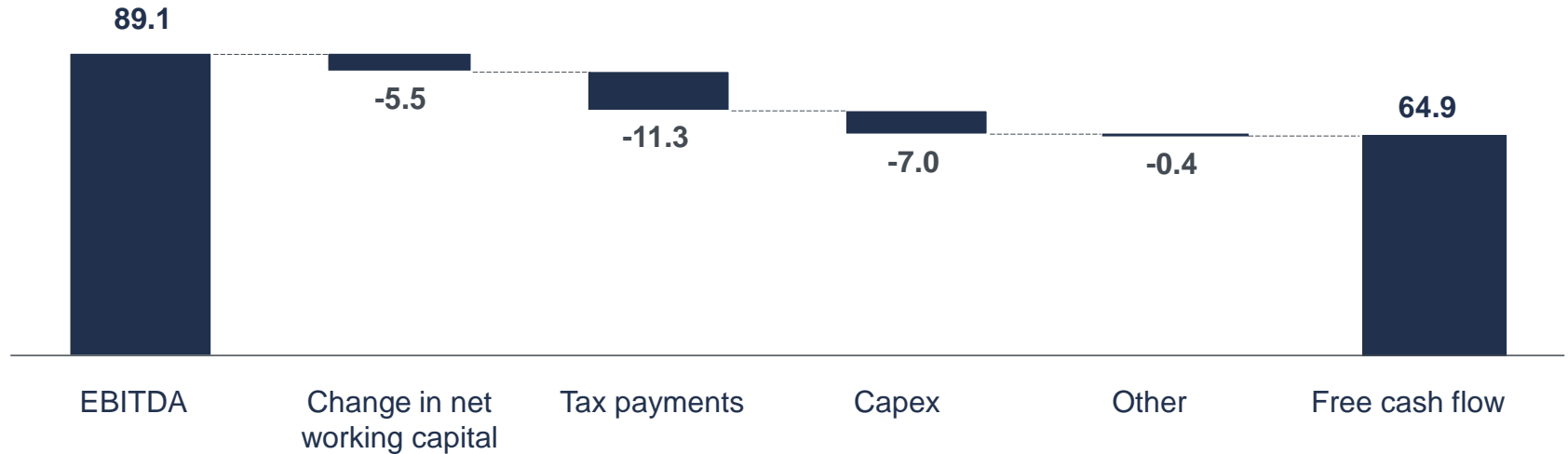
As a result **free cash flow** increased by 2.6 m€ yoy

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

Q1 2016

[in EUR million]



Guidance for 2016 confirmed

	Customer ownership	Postpaid ARPU	Group revenue	Group EBITDA	Free cash flow (FCF) ¹	Dividend payout
Guidance 2016				> 400.0 m€ ²	~300.0 m€ ²	1.60 €/share ³
Results 2015	+ 376,000	21.4 €	3,117.9 m€	370.2 m€	284.5 m€	1.55 €/share ⁴
Guidance 2015				370 m€	280 m€	50-75% of FCF

- 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.
- The consolidation of the Sunrise-shares will lead proportionally in the financial year 2016 to **additional EBITDA** of around 10 million euros, as a result of which the forecast is being increased to **slightly over 410 million euros**. At the same time **free cash flow** will **increase to approximately 330 million euros**.

- Dividend of 1.60 euros per dividend-bearing share for the financial year 2016 to be proposed by the Executive Board
- Dividend of 1.55 euros per dividend-bearing share for the financial year 2015 to be proposed to the Annual General Meeting on 12 May 2016

freenet Group management

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

Thank you.

Hollerstrasse 126
24782 Büdelsdorf
www.freenet-group.de

Investor Relations
+49 (0) 40 513 06 778
investor.relations@freenet.ag

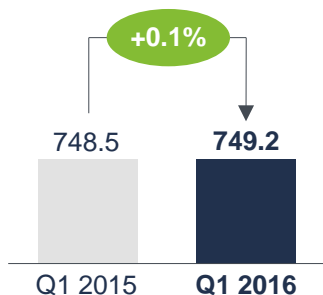
freenet GROUP

MOBILCOM-DEBITEL / KLARMOBIL.DE / GRAVIS / FRENET.DE / FRENET DIGITAL / MEDIA BROADCAST / MFE ENERGIE / MOTION TM

Key performance indicators of core business well performing

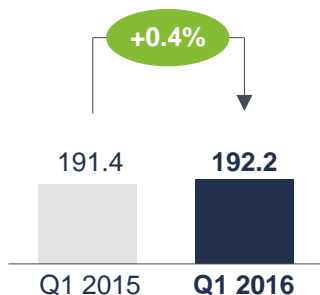
[in EUR million]

Group revenue



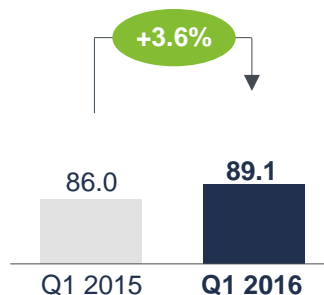
Group revenue on previous years' level, again dominated by mobile communications segment revenue

Gross profit



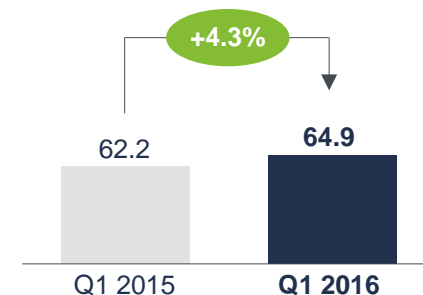
Gross profit at the same level as in the prior year; Gross profit margin at 25.7 per cent

Group EBITDA



Group EBITDA 3.1 m€ higher compared to previous years' quarter

Free cash flow

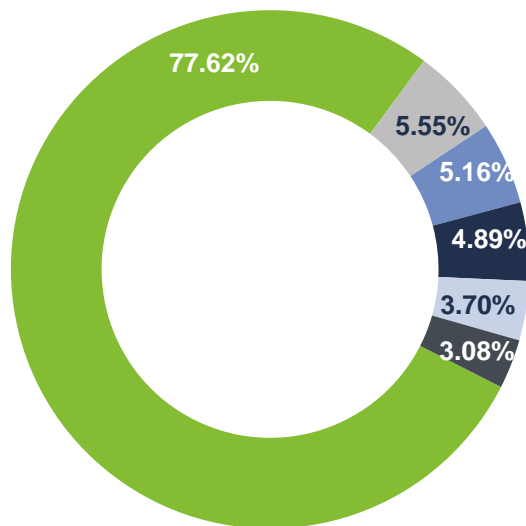


Free cash flow increase by 2.6 m€ yoy (+ 4,3%)

Shareholder structure

Major shareholders of freenet AG

As of 31 March 2016



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

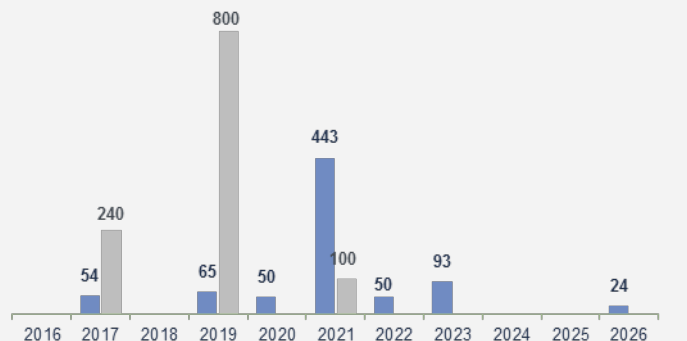
* Including attributions according to German Securities Trading Act

** The free float according to Deutsche Börse AG amounts to 89.29%

Optimising the financing profile

[in EUR million]

Instruments and maturity profile



■ Promissory Notes: EUR 779 million
■ Bank Loan (Facilities Agreement): up to EUR 1,140 million

Note: To avoid double-counting, in this chart the Bond-Repayment as of 20.04.2016 is already anticipated

New Issuance of Promissory Notes in February 2016

- Signing on 23 February 2016
- Payout with its value as at 3 March 2016
- Investment Grade Structure and Pricing
- Amount: EUR 560 million, due in 2021, 2023 and 2026
- Lead Arrangers: BayernLB, Commerzbank, LBBW, UniCredit

New Bank Loan (Facilities Agreement) in March 2016

- Signing on 3 March 2016
- Pay-out in several Tranches (depending on requirements)
- Investment Grade Structure and Pricing
- Amount: up to EUR 1,140 million, due in 2017, 2019 and 2021
- Lead Arrangers: Commerzbank, LBBW, UniCredit