

Capital Markets Day 2017

First results TV and guidance

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12 April 2017 | Analyst and Investor Conference and Call

freenet GROUP

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

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New freenet Group operational set-up from 2017

DIGITAL LIFESTYLE PROVIDER

Core Business

Mobile Service Providing

- mobilcom-debitel
- klarmobil

Retail and trade

- GRAVIS
- Motion TM

Adjacent

- freenet.de
- freenet digital
- freenet Energy



TV and Media Business

Business to business services

- Radio broadcasting (UKW, DAB+)
- Network services
- Transport of public and private TV
- Midterm - addressable TV advertising

Business to consumer

- freenet TV / DVB-T2 subscribers
- waipu.tv / IPTV subscribers



Continuing solid core business, slowly growing adjacent business

Mobile market

- **Price stability** with punctual increases from Vodafone and Deutsche Telekom
- Both driving convergent offers for their loyal core customer base
- Telefónica with the attempt to monetise data, but in SIM-only cannibalized by Drillisch and 1&1

Postpaid

- Focus on retail, captive, Media Markt/Saturn and subsidised handsets with 24-month contracts
- Postpaid customer base with **100,000 to 200,000** net adds
- ARPU stable around **21.0 euros**; increase in LTE share; market appropriate commission level

Discount

- Focus on online with broad brand and distribution portfolio
- freenet mobile to compete SIM-only offers on Telefónica network with Vodafone network
- 24-month contracts counted in postpaid, no frills customer base stable

Digital Lifestyle

- **Continued extension of portfolio** in all relevant dimensions (smart, care, services, apps)
- **New partnership for accessory business** in retail signed in Q1 and rolled out in Q2
- Overall growth to **> 150 million euros** in revenues

Adjacent business

- GRAVIS, distribution and online sales business with small growth in 2017
- Energy business launching contracts with full customer ownership
- Portal and internet business as well as remaining pre-selection with small contribution

Media Broadcast with relevant sustainable contribution from B2B

- Increased capex in 2016 and 2017 to build up DVB-T2 coverage network
- Transport fees from public channels as well as private channels constant in 2017, slow decrease for private channels from 2018
- Revenues and margin in radio broadcasting unchanged; sale of infrastructure not impacting revenues and margin, but mid- and long-term capex; dedication to digital audio broadcast (incl. application for 2nd national multiplex)
- Network services remain stable with low margin

- **Full year revenues > 230 million euros**
- **EBITDA around 50 million euros ongoing**

**MEDIA
BROADCAST**

freenet TV delivering significant contribution from 2018

- DVB-T2 revenues for conditional access from July 2017
- New set top boxes and CI+ modules sold with 3-month free trial period
- USB stick with 1-month free trial period
- Installed base growing until the end of 2017 to > 2.5 million units
- Complementary to IPTV
- Potential synergies of waipu.tv with freenet TV connect
- No additional capex (all covered in B2B)
- Basically only variable cost per subscriber (billing, customer service, content)

- **Revenues 12-16 million euros in 2017**
- **Gross margin re-invested in advertising and promotion**
- **EBITDA neutral in 2017**

freenet TV

Product demonstration at freenet's Points of Sale



Placement in around
300 mobilcom-debitel
and GRAVIS shops

Sales focus in 2017/Q1 with strong sales
uplift (more than 300% increase)

DVB-T2 launch with promising results and showing the potential

Growth drivers

- Replacement of first TV set in household
- Extension to 2nd and 3rd TV set, as well as summer houses, camp grounds, ...
- Non-TV devices via USB
- Conversion from analogue cable switch-off



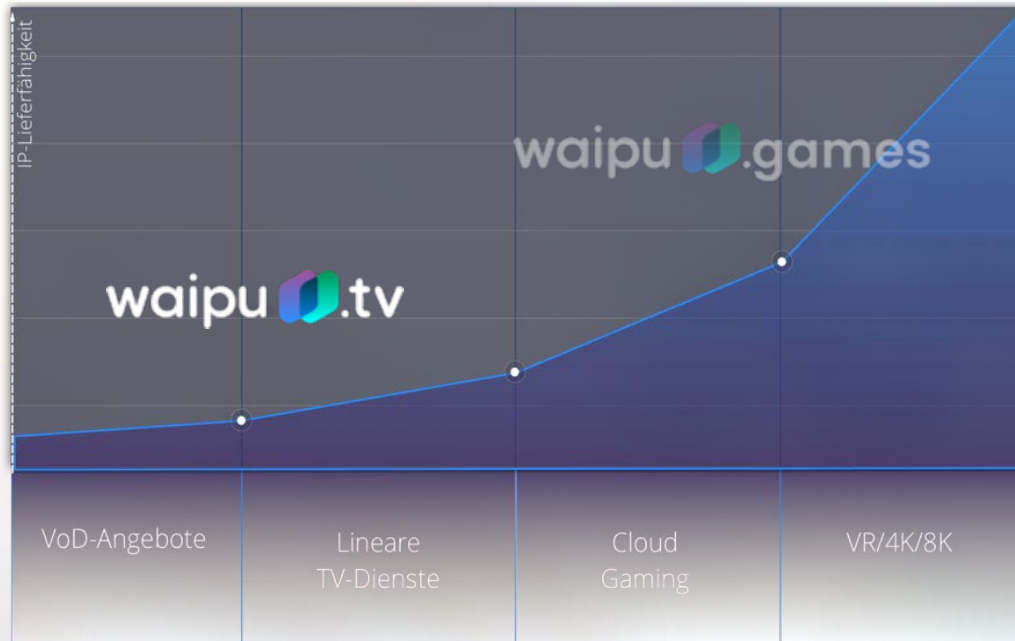
2017 financials

- Average pay period 5 months
- Total revenues of 12-16 million euros

2018 early estimates

- Average pay period 10 months
- Total revenues of 35-50 million euros
- EBITDA per subscriber at 2.0 euros per month

EXARING platform extremely scalable, adapting new trends fast, very lean



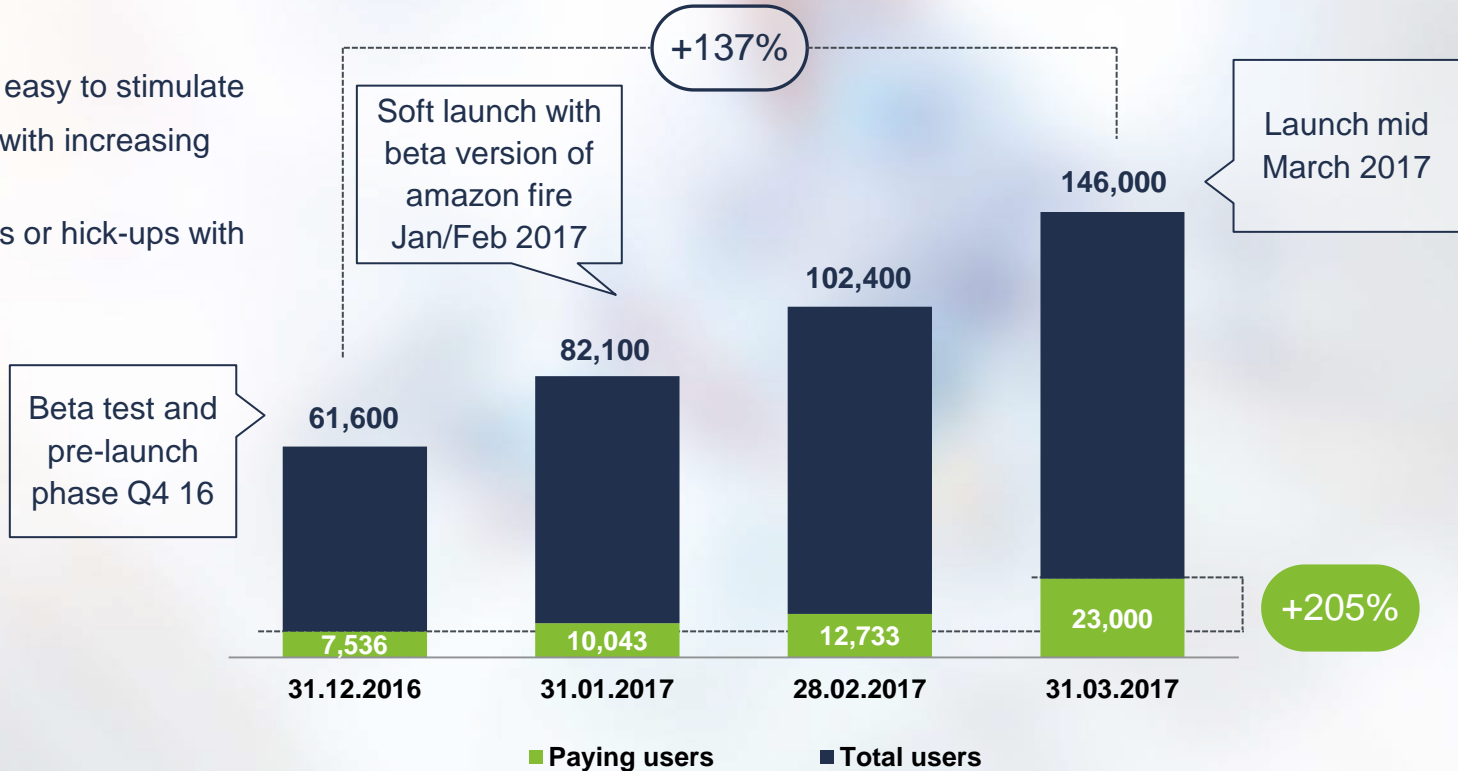
Evolution – use of technical platform

- waipu.tv today delivers linear TV in SD and HD
- Both SVoD and TVoD can be handled by the platform in terms of DRM and billing
- Overall capacity of IP fibre network as well as encoding in data centre allows 4K/8K/VR and holography
- Integration of new devices e.g. apple TV or nvidia shield does not require significant time or investment
- Interactive formats and/or double screen overlays already exist
- Unicast technology and low latency will also allow cloud gaming, regional as well as demographic and other targeting

Q1 subscriber growth proves effectiveness of marketing initiatives

Key findings

- Free user generation easy to stimulate
- Conversion into paid with increasing success
- No technical problems or hick-ups with scaling



Integrated OOH March campaign with waipu.tv claim

Coincided with German DVB-T shut down



Early indicators drive our ambition with waipu.tv

Key believes

- Growing acceptance of IPTV
- Volume also driven by special content
- Integration of SVoD and TVoD will cannibalise proprietary apps etc.
- Growth in technical reach
- Advantage of EXARING infrastructure exponentially increasing with new content formats e.g. 4K, 8K, VR



Typical start-up set-up

- Relevant subscriber revenues only from 2018 ff
- Minimum fixed cost
- High investment in growth

EXARING's assets will drive revolutionary opportunities

Wiretap addressable TV

- Platform allows regional, socio demographic and usage based playout
- Synchronised smartphone and big screen deliver complete new formats of advertising and interaction

Exploit the infrastructure

- Exceptional low latency enables e.g. gaming, VR
- Capacity big enough to service third party players in moving picture industry
- B2B services such as instore TV or special content delivery

Monetise big data

- In depth data from users to optimise programming, content, playout
- Discovery of NPVR data
- User patterns to be matched with online and e-commerce data

Non of those capabilities and opportunities are reflected in our projection yet

New financial guidance

	Group revenue	Group EBITDA	Free cash flow (FCF) ¹	Dividend payout
Perspective 2018				50-75% of FCF incl. Sunrise
Guidance 2017		> 410.0 m€ (+ Sunrise)	~310.0 m€ (+Sunrise)	50-75% of FCF incl. Sunrise
Results 2016	3,362.4 m€	402.3 m€ (incl. Sunrise 438.8 m€)	311.4 m€ (incl. Sunrise 341.5 m€)	1.60 €share⁴
Guidance 2016		> 400.0 m€	~300.0 m€	50-75% of FCF

- 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) The expected EBITDA contribution of Sunrise Communications Group AG is not included in our guidance.
- 3) Dividend payment from Sunrise is not included in our guidance.
- 4) Dividend of 1.60 euros per dividend-bearing share for the financial year 2016 to be proposed to the Annual General Meeting.

New KPI guidance

	Mobile Communications		waipu.tv			freenet TV		
	Customer ownership	Postpaid ARPU	Total Users	Paying User	ARPU ¹	Installed base/ Hardware	Paying Users	ARPU ²
Perspective 2018								
Guidance 2017			> 500,000	> 100,000	~ 6.0 €	> 2,500,000	> 800,000	~ 4.5 €
Results 2016	+ 232,000	21.4 €	n/a	n/a	n/a	n/a	n/a	n/a
Guidance 2016			n/a	n/a	n/a	n/a	n/a	n/a

1) waipu.tv ARPU refers to number of total waipu.tv users

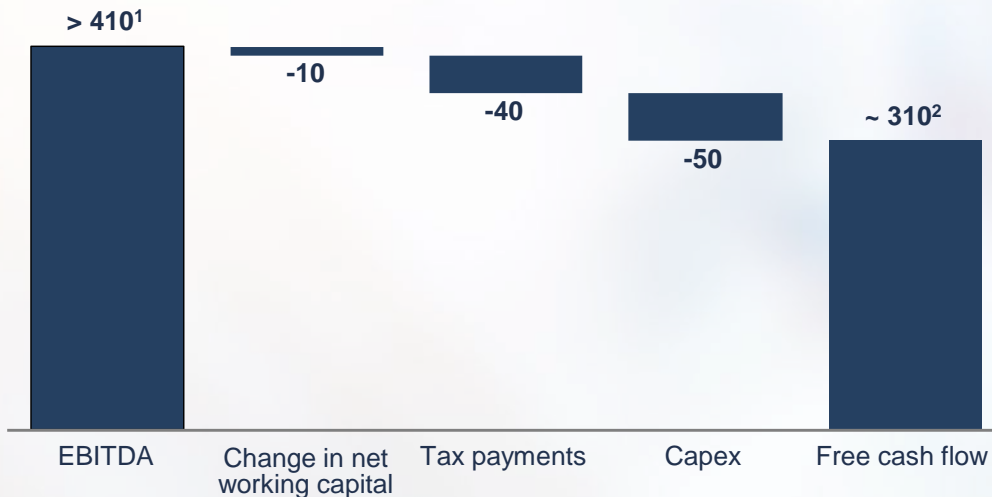
2) freenet TV ARPU refers to number of freenet TV paying users

Free cash flow bridge

Detailed bridge from EBITDA to free cash flow

FY2017e

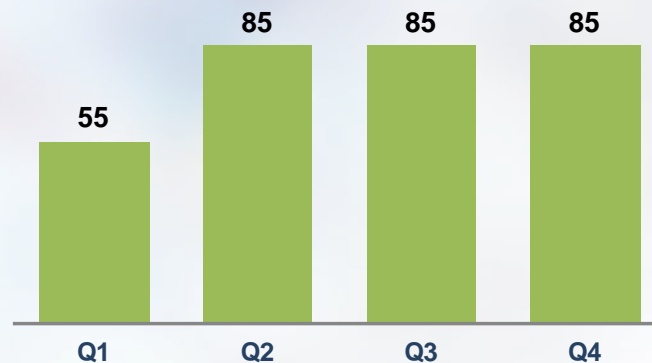
[in million euros]



Quarterly breakdown of free cash flow²

FY2017e

[in million euros]



- 1) EBITDA contribution of Sunrise Communications Group AG is not included
- 2) Potential dividend payment from Sunrise Communications Group AG is not included

Thank you.

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