

Management Presentation

Q1 2017 results

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freenet GROUP

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

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Q1 2017 results demonstrate successful start of the new operational set-up of freenet Group

Group

- Significant improvement of **Q1 2017 Group revenue** (+11.9 % yoy), **EBITDA** (+13.1% yoy) and **gross profit** (+18.0% yoy) based on solid Mobile Communications core business, growing contributions from TV and Media and sound EBITDA contribution from Sunrise Communications Group AG (9.7 million euros in Q1 2017)
- Increase of **digital lifestyle revenue** from 29.5 million euros in Q1 2016 to 36.3 million euros in Q1 2017

Mobile Communications

- Promising increase of **customer ownership** in Q1 2017 (+2.1 per cent or 193,000 yoy) driven by significant growth of postpaid customer base (+2.9 per cent or 182,000 yoy)
- Virtually stable development of **postpaid ARPU** – currently at 21.1 euros
- Focus on valuable customer relationships with 24-month contracts

TV and Media

- Promising number of subscribers for **freenet TV** after the start of DVB-T2 HD on 29 March 2017 and for **waipu.tv** after the soft launch in September 2016
- Relevant contribution to Group revenue and gross profit driven by **DVB-T B2B** business
- Q1 2017 EBITDA contribution still burdened by increased marketing expenses
- First revenue and profit contribution from **DVB-T2 B2C** business expected for Q3 2017, due to free of charge period for DVB-T2 HD private channels.

Overall no relevant changes expected in core business for 2017

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 cannibalised 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 and 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

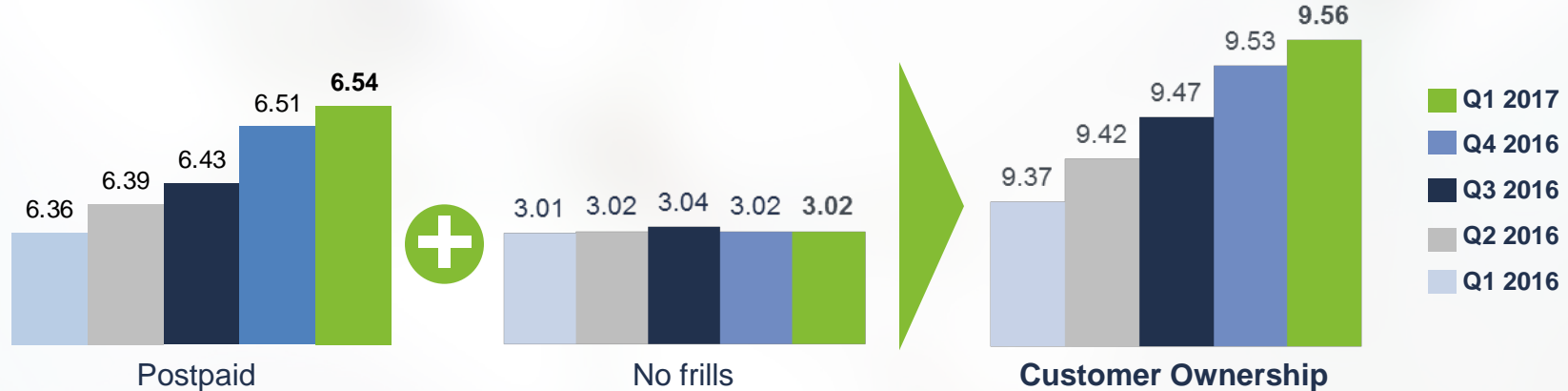
- **Continued extension of portfolio** in all relevant dimensions (smart, care, services, apps)
- **New partnership for accessory business** in retail signed in Q1 and rolled out in Q2
- Overall growth to **> 150 million euros** in revenues

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

Mobile Communications: Customer Ownership growth +2.1 per cent year-on-year

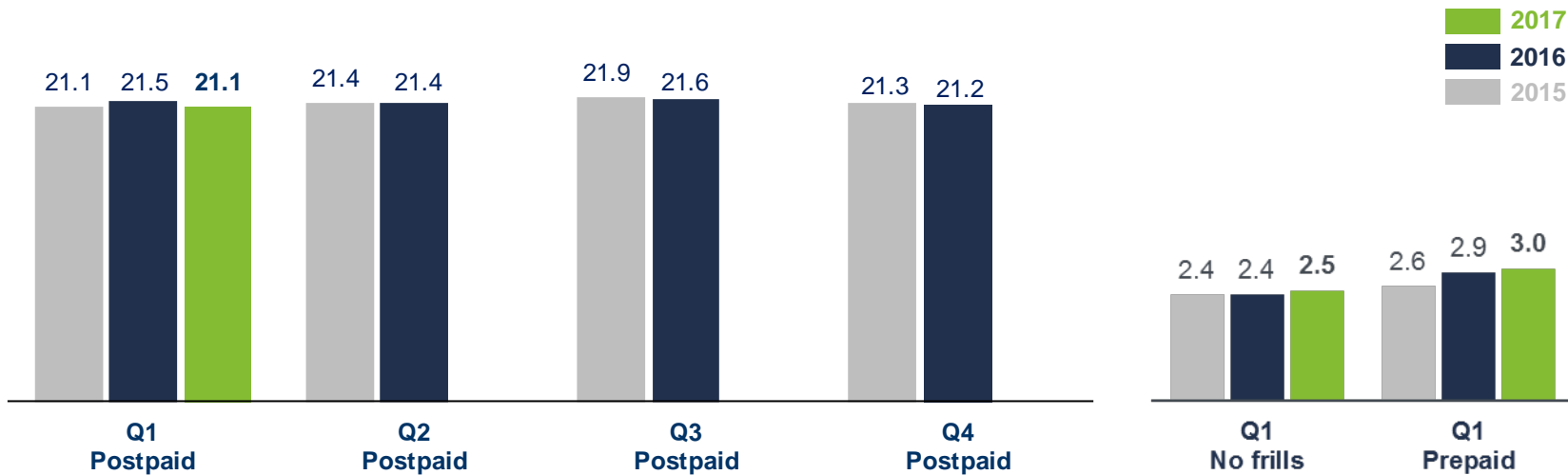
[in million]



- Improvement of customer ownership based on remarkable increase of **postpaid customers** by 2.9 per cent (+182,000 yoy)
- Stable **no frills customer base** (+11,000 yoy)
- Strong decline of **prepaid customer base** to 2.44 million (-12.3 per cent yoy)
- **Total customer base** at **12.00 million** – below previous years' figure of 12.15 million (-1.2 per cent yoy)

Mobile Communications: Postpaid ARPU develops stable

[EUR/month]



Postpaid ARPU

- **Stabilisation** at 21.1 euros comparable to previous years' levels
- **Data revenue** share at 34.9%

No frills ARPU

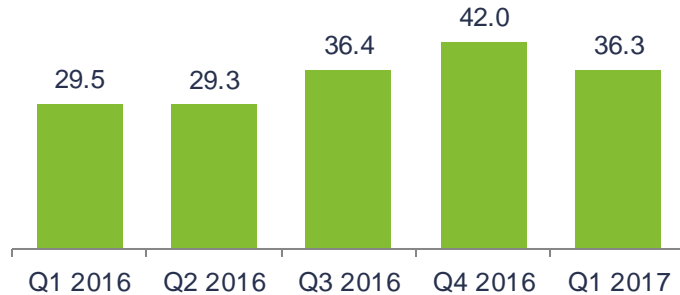
- At 2.5 euros comparable to the previous years

Prepaid ARPU

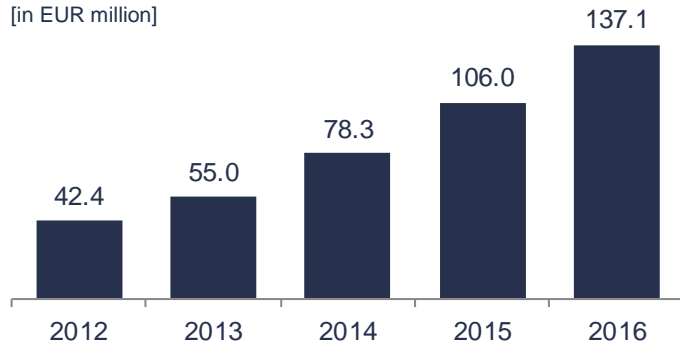
- More or less on par with previous years

Digital lifestyle remains a source of growth and relevant margin

[in EUR million]



[in EUR million]



- Q1 2017 confirms growth potential for full year 2017
- Growth results from 3 dimensions:
 - Widening portfolio
 - Increasing share of wallet
 - Improving targeting and BI



**Digital Lifestyle revenues
are steadily increasing**

During first month after launch of B2C DVB-T2 potential confirmed

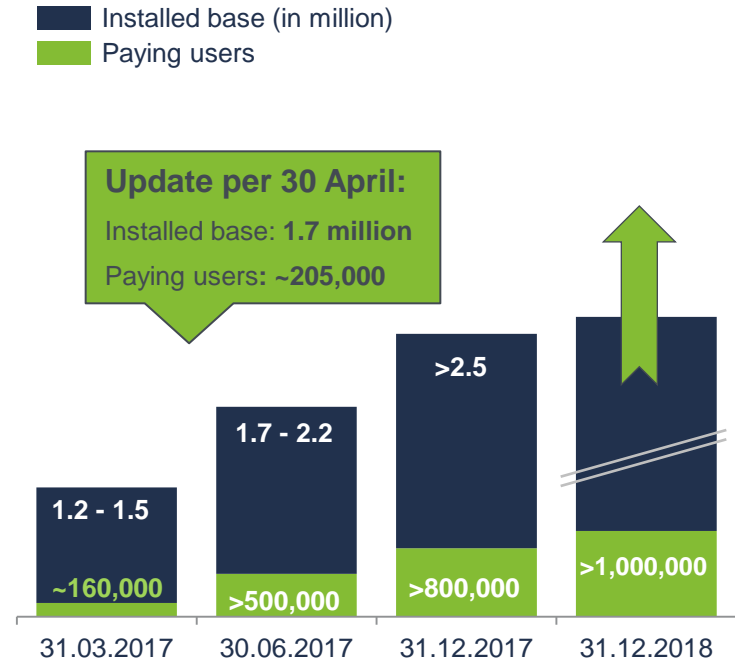
freenet TV

Expectation for 2017

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

Early estimates for 2018

- Average pay period 10 months
- Total revenues: 35-50 million euros
- EBITDA contribution: 2.0 euros per subscriber and month



Clearly staged approach for second quarter and the rest of 2017

freenet TV

April to July 2017

Conquer second screen

- Second TV set in-house
- Summerhouse, caravan, camping, ...
- PC / Mac / Laptop via USB

August 2017 onwards

Conquer new households

- With local switch off of analogue cable
- Exploiting positive user experience and word of mouth

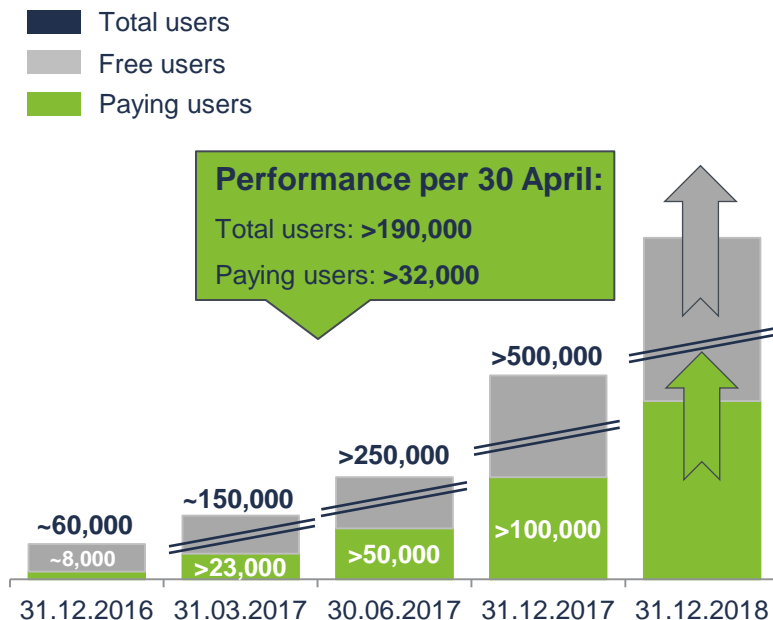
The advertisement features a man in a green suit giving a thumbs up. The text reads: 'Tschüss Kabel-TV! Hallo Antenne!' and 'Jetzt wechseln!'. A red circle contains the text 'Analoges Kabel-TV wird abgeschaltet.'. Below the receiver, it says 'Günstiger und schärfer fernsehen mit DVB-T2 HD und freenet TV Receiver.' and 'Im Handel und auf www.freenet.tv'.

waipu.tv results in April also reconfirm guidance and estimates



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



Marketing campaign and retail will accelerate growth of user base

waipu  .tv



Financial statements – Income statement information

[in EUR million]	Q1 2017	Q1 2016 ¹	Q4 2016
Revenue	838.0	749.2	938.3
Gross profit	227.0	192.3	253.0
EBITDA	100.9	89.2	127.1
Depreciation and amortisation	-35.0	-21.8	-35.0
Subsequent recognition from Sunrise PPA	-5.2	-0.2	-5.1
EBIT	60.7	67.2	87.1
Interest result	-12.4	-12.0	-13.4
EBT	48.4	55.2	73.7
Taxes on income	-6.7	-4.1	-19.4
Group result	41.7	51.1	54.4
Earnings per share (EUR)	0.35	0.40	0.48

1) Retrospective adjustment due to finalised purchase price allocation of Media Broadcast Group.

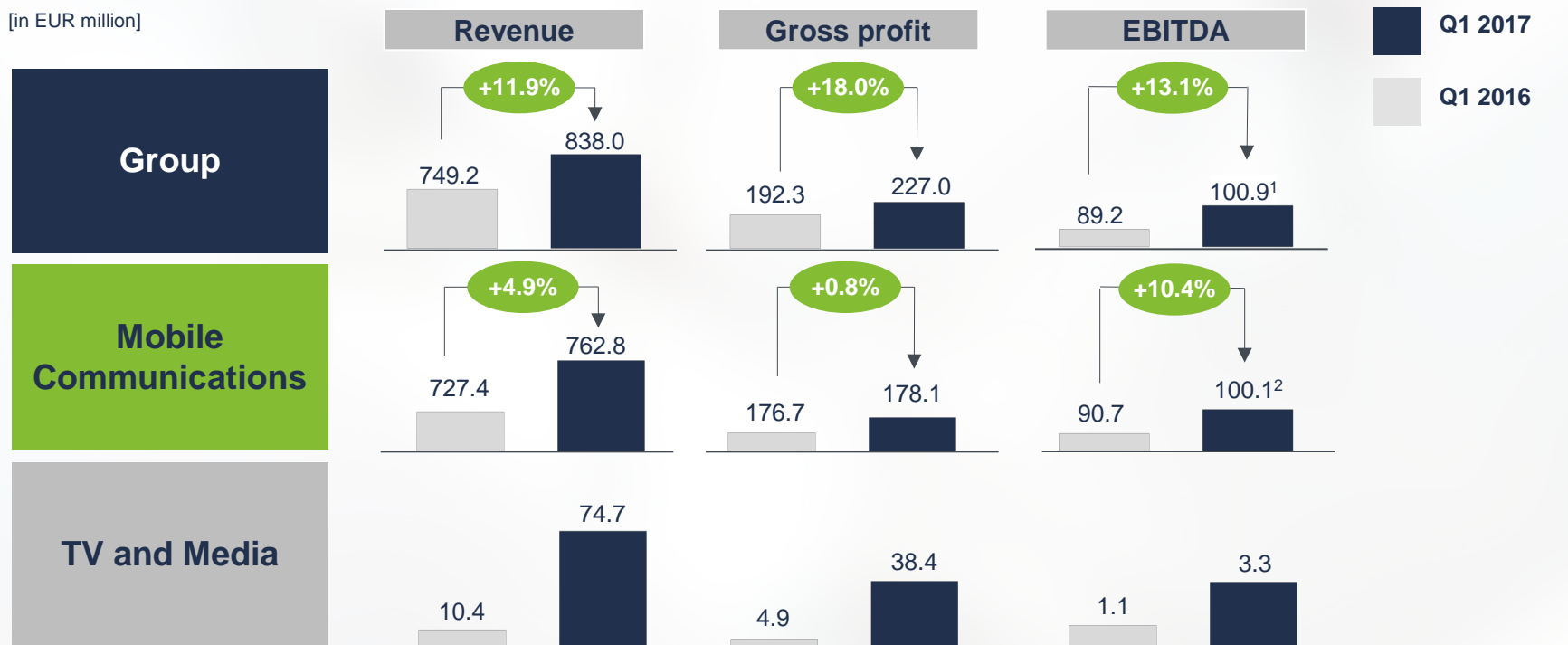
Group revenue increase of 11.9 per cent yoy and +18.0 per cent yoy of **gross profit** both mainly resulting from TV and Media segment contribution.

Group EBITDA +13.1 per cent yoy mainly due to EBITDA contribution of Sunrise Communications Group AG (+9.7 million euros). Contribution of TV and Media segment comparably low due to increased marketing spending in Q1 2017.

Increase in **depreciation and amortisation**, primarily from higher holdings of property, plant and equipment and intangible assets in connection with the purchase price allocation of the Media Broadcast carried out in 2016.

Group and segment overview Q1 2017

[in EUR million]

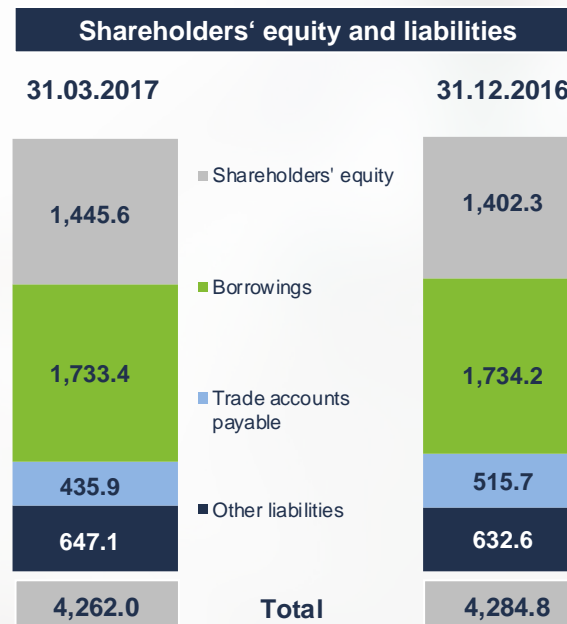
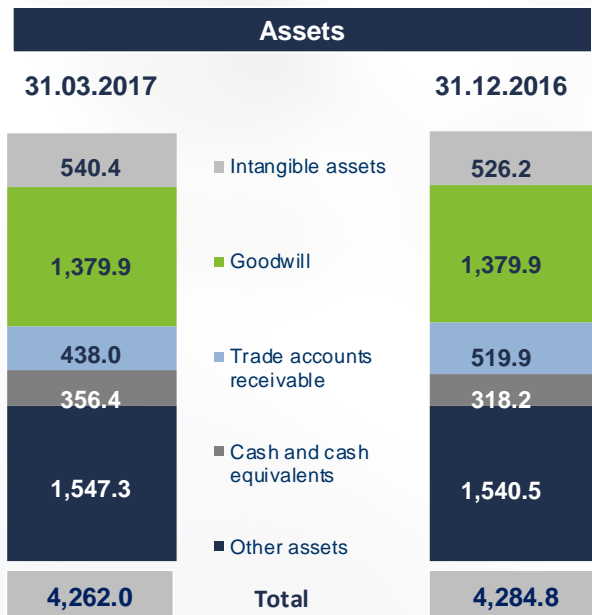


1) Excluding the profit share of our holding in Sunrise we generated a Group EBITDA of 91.1 million euros.

2) Excluding the profit share of our holding in Sunrise we generated a Mobile Communications Segment EBITDA of 90.4 million euros.

Financial statements – Balance sheet information

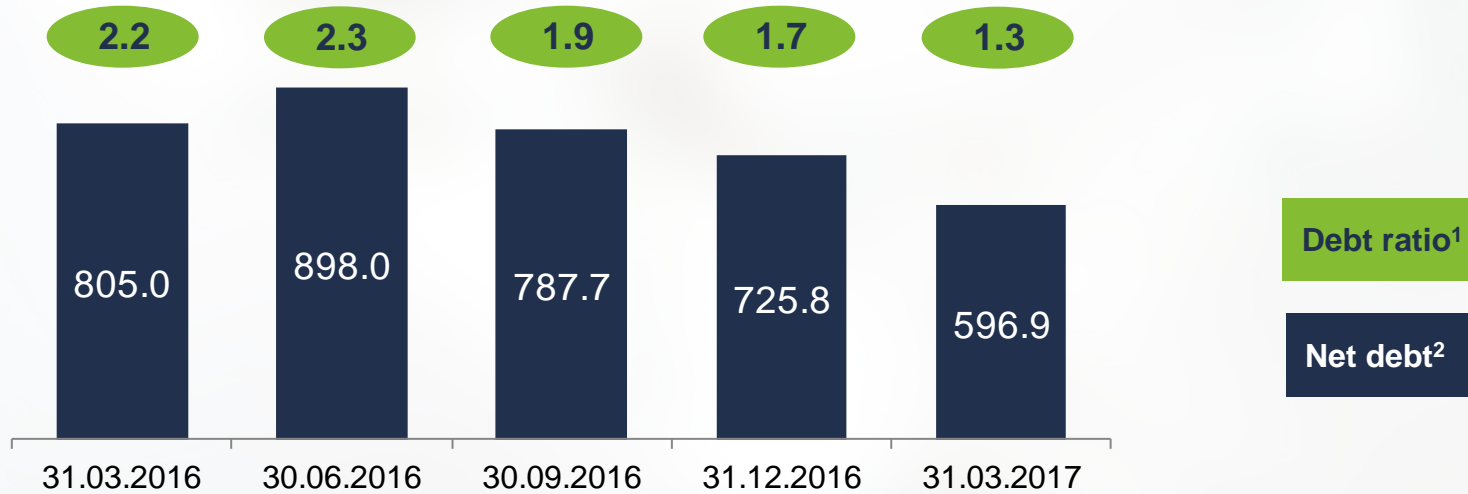
[in EUR million]



1) Retrospective adjustment due to finalised purchase price allocation (PPA) of Media Broadcast Group.

Debt ratio within target range of 1.0 - 2.5

[in EUR million]



1) Debt ratio is defined as net debt² divided by the EBITDA of the past twelve months.

2) Financial debt minus cash and cash equivalents minus market value of freenet's share in Sunrise Communication Group AG on the reference date
(Closing price of the Sunrise share at the Swiss stock exchange on reporting date, converted from CHF to EUR by Bloomberg at the officially fixed exchange rate)

Financial statements – Cash flow information

[in EUR million]	Q1 2017	Q1 2016 ¹	Q4 2016
Cash flow from operating activities	78.3	73.4	92.7
Cash flow from investing activities	-21.5	-799.3	-14.5
thereof net capex	-21.9	-7.0	-13.9
Cash flow from financing activities	-18.7	959.6	-20.5
Change in cash and cash equivalents	38.2	233.7	57.7
Free cash flow²	56.4	66.4	78.8

1) Retrospective adjustment due to finalised purchase price allocation of Media Broadcast Group.

2) 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.

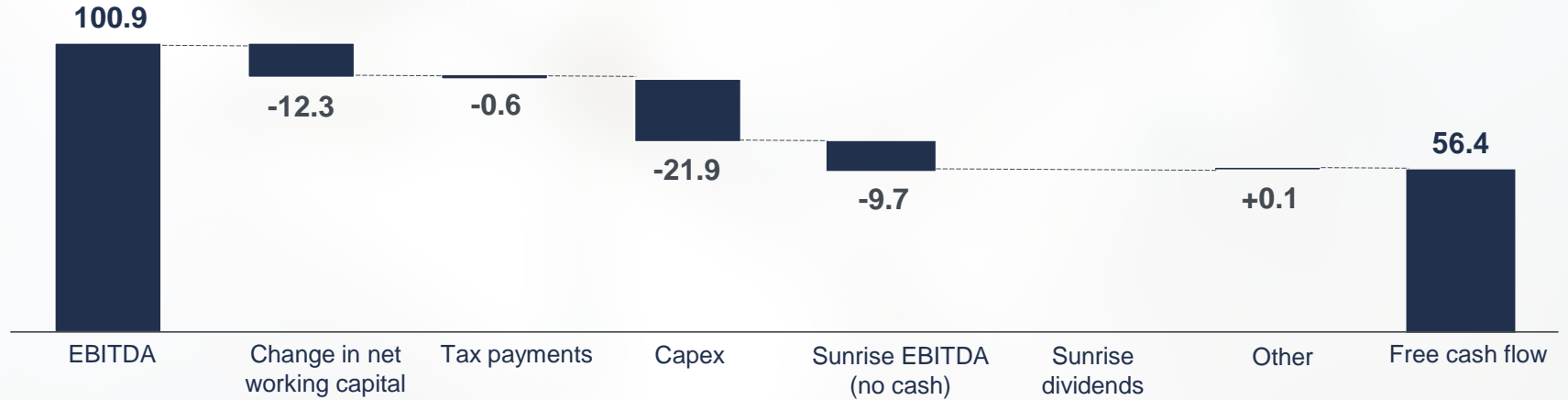
Cash flow from operating activities increased by 5.0 m€ to 78.3 m€ yoy, primarily due to improved Group EBITDA (excl. EBITDA contribution from Sunrise Communications Group AG) and lower tax payments compared to previous year.

Cash flow from investing activities extraordinary high in Q1 2016 because of payments for the acquisition of Media Broadcast and the shares in Sunrise Communications Group AG in Q1 2016. CAPEX in Q1 17 increased based on investments in DVB-T2.

Change in **cash flow from financing activities** mainly attributable to the inflows recorded in the previous-year quarter for the refinancing and repayment of shareholder and bank loans of the Media Broadcast Group.

Detailed Bridge from EBITDA to free cash flow – Q1 2017

[in EUR million]



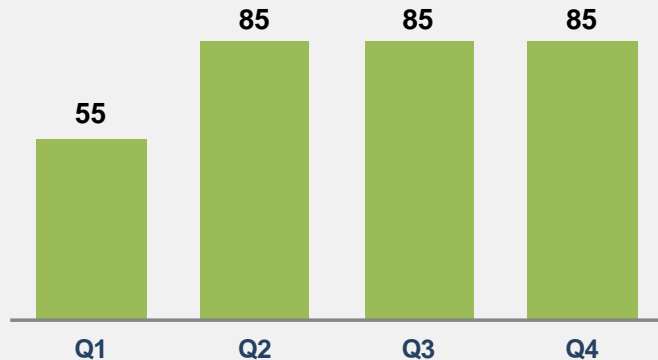
FY 2016	438.8	-3.8	-40.0	-48.1	-36.5	+30.1	+ 1.0	341.5
FY 2017e	>410	-10	- 40	- 50				~310

DVB-T2 rollout with strong impact on Q1 free cash flow figure

Quarterly breakdown

FY2017e

[in EUR million]



- Results of the 1st quarter 2017 were effected by the rollout of DVB-T2 due to high capital expenditures as well as high marketing spending.
- High level of investments in TV infrastructure expected in Q2. Significant capex shortfall in the 2nd half of 2017.
- From Q3 additional EBITDA contribution from DVB-T2 B2C customers.
- Further optimisation of working capital due to utilisation of existing factoring potential.
- Stable and well projectable tax payment (tax rate 12% due to tax loss carry forwards; ceteris paribus lasting minimum for the next 10 years).

freenet AG financial guidance confirmed

	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.

freenet AG KPI guidance confirmed

	Mobile Communications		waipu.tv			freenet TV		
	Customer ownership	Postpaid ARPU	Total Users	Paying Users	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 waipu.tv paying users.

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

Thank you.

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