

MANAGEMENT PRESENTATION

Preliminary Results for 2019

CHRISTOPH VILANEK, CEO

INGO ARNOLD, CFO

28.02.2020 Analyst and Investor Conference Call

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.

All figures are based on preliminary calculations before final consolidation and completion of the audit. There may therefore be discrepancies to **the final financial figures to be published on 27 March 2020**.

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AGENDA

1 ACHIEVEMENTS 2019

C. VILANEK, CEO

2 FINANCIALS 2019

I. ARNOLD, CFO

3 OUTLOOK 2020

C. VILANEK/ I. ARNOLD

4 Q&A

MAJOR KPIs MET PER YEAR-END 2019

2,933^{mEUR}

REVENUES

4,238

EMPLOYEES

426.8^{mEUR}

EBITDA

8,367,000

SUBSCRIBER BASE

249.0^{mEUR}

FREE CASH FLOW

OPERATIONAL EXECUTION TO MEET GOALS SET FOR 2019

MOBILE

- Successful lobbying to re-include service provider privileges, technical generation agnostic into auction rules
- Almost 100% of postpaid base migrated into LTE
- New sustainable agreement with Telefónica Deutschland delivering very competitive conditions
- New tariff and concept including first fully app-based freenet FUNK unlimited daily data plan
- Improvements in customer journey and machine learning customer relationship & churn reduction measures

TV and MEDIA

- DVBT with stable base due to improved prevention measures (Exit from DVB-S in 2019 prepared)
- waipu.tv now available on Android and all major TV-OS
- Sales cooperation with Telefónica Deutschland started – O₂TV powered by waipu
- Testing and implementation of additional platforms e.g. Samsung, Apple TV

ACTIVE SHAREHOLDING

- Successfully avoided value-risking transaction of Sunrise and UPC
- Intensified multi-channel campaign testing with Media Markt and Saturn
- Divested from low-margin hardware business Motion TM



OPERATIONAL ACHIEVEMENTS TRANSLATE INTO DELIVERY ON PROMISE

SCENARIO

GUIDANCE

ACTUAL



SCENARIO

GUIDANCE

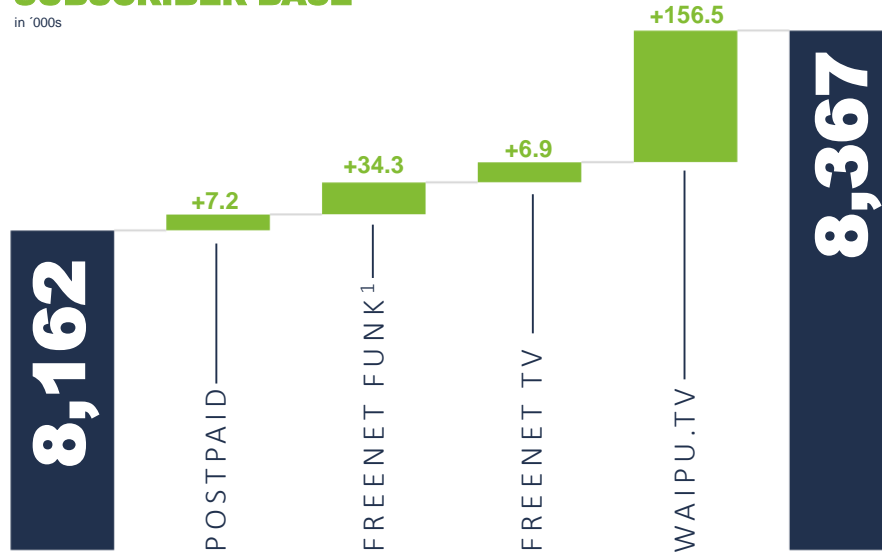
ACTUAL



GROUP SUBSCRIBER BASE GROWING BY 204,800 YEAR ON YEAR

SUBSCRIBER BASE

in '000s



6,903,000

POSTPAID CUSTOMERS

34,000

FREENET FUNK (active, not pausing)

1,021,000

FREENET TV CUSTOMERS (revenue generating)

408,000

WAIPU.TV SUBSCRIBERS

¹ freenet FUNK: ARPU comparable to postpaid contracts, but not yet counted within postpaid base

POSTPAID CUSTOMERS GROWING MODERATELY IN 2019 (4Q19 +36,700)

SUCCESSFUL REPOSITIONING OF MOBILCOM-DEBITEL DURING 2019



- New marketing campaign with focus on customer experience and the multi channel delivery of services replacing very promotional and price based past approach
- New retail concept of “Local Hero” successfully tested in one of three regions
- Seamless multi-channel approach across entire product and brand portfolio for captive channels
- Build trustful and reliable customer relationship to enhance consumers experience
- Increase of transactional share of captive to >60%
- Digital Lifestyle with strongest performance in company history

POSTPAID CUSTOMERS

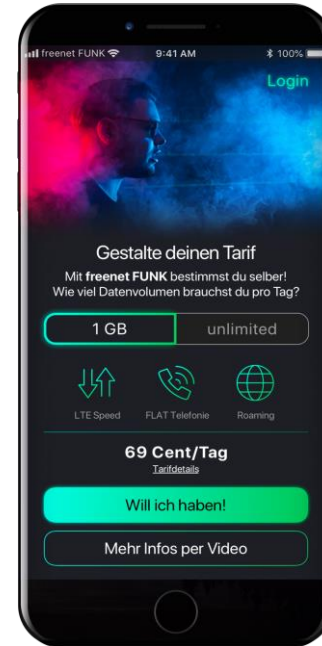
in '000s



FUNK – A REAL INNOVATION

FIRST 'APP ONLY' TARIFF WORLDWIDE

- Real unlimited tariff released on 1 May 2019
- First 'app only' tariff – available and operated fully digital
- Innovation not copied by others in the German market so far
- Successful mainly with digital natives and young data hungry generation even though roaming is missing
- Necessary product adjustments due to misuse by retail customers e.g. pause modus limited to 30 days per year, changes in terms and conditions
- Campaigns and promotions almost on with internal resources
- Modular technology and implementation platform ready to use for further products



MORE THAN 1 MILLION CUSTOMERS

FREENET TV SUBSCRIBERS (RGU)

in '000s



- Target of more than 1.0 million RGUs at the end of 2019 achieved
- Termination of freenet TV via satellite due to limited interest and with no meaningful impact on customer base
- Price increase currently under investigation – potential start in May 2020. A most of the customers are on 12 month plans significant earnings effects earliest expected within FY 2021



WAIPU.TV REMAINS LEADER FOR THE AGGREGATION OF LINEAR ENTERTAINMENT

NEW FEATURES LAUNCHED IN 4Q19

- Signed distribution of 14 regional public channels on a transmission fee basis
- Launch of new amazon voice control function for TV usage of waipu.tv
- Binge viewing feature for recorded series on amazon implemented
- Improved search functions in EPG as well as algorithm based next best program function
- Sorting and chronological recording function in VPVR

MILESTONES IN 2019

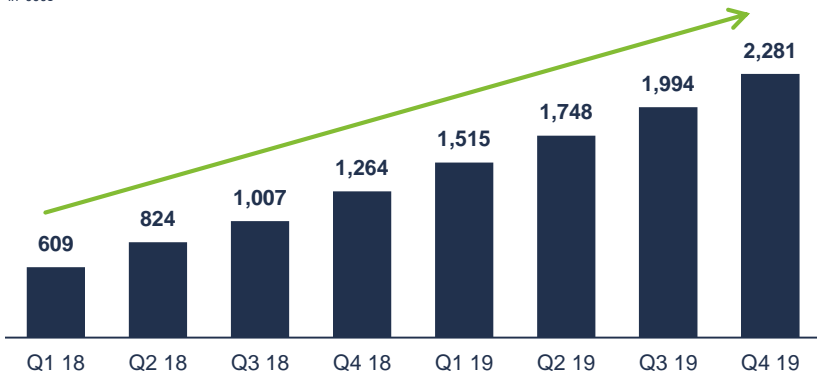
- Sales cooperation with Telefónica Deutschland from May
- Launch of Germany's largest Turkish language package with over 30 channels
- Launched several channels with high-quality customer reach – Bild, Axel Springer, ADAC, etc.



CONTINUED SOLID GROWTH IN WAIPU.TV SUBSCRIBERS THROUGHOUT 2019

REGISTERED CUSTOMERS

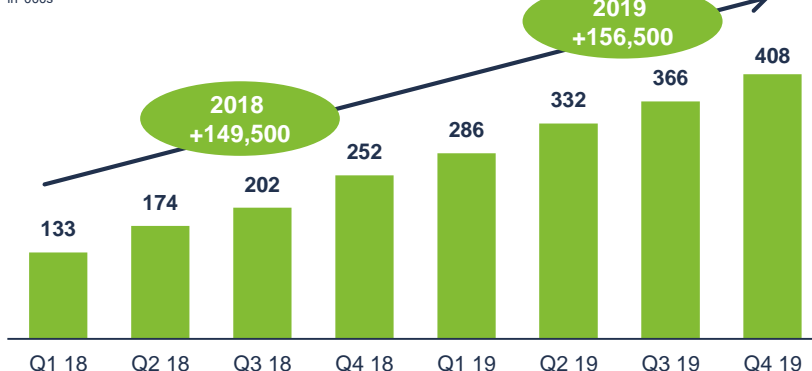
in '000s



More than 1.0 million registered customers added in 2019

WAIPU.TV SUBSCRIBERS

in '000s



Contained subscribers far above target 2019 (+156,500 or +62.2%)

17 new channels, some of which are **proprietary** and **unique** to the waipu.tv platform

Regular **usage** of proprietary **waiputhek**® feature has **doubled** since Q3 from 31% to over 60% of all users

waipu.tv is the **leading TV platform** in German **app stores**

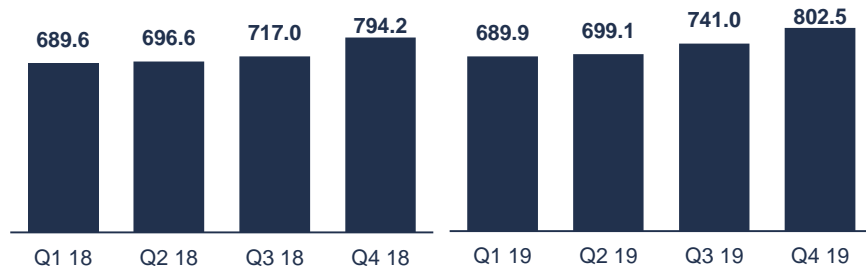


Compared to other waipu.tv subscribers, on average **waiputhek**® users are younger and more often female users – attracting a further target group

GROUP PERFORMANCE TOTALLY IN LINE WITH EXPECTATIONS

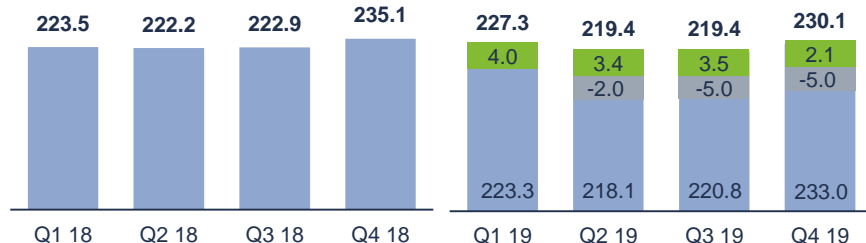
REVENUE

in mEUR



GROSS PROFIT

in mEUR

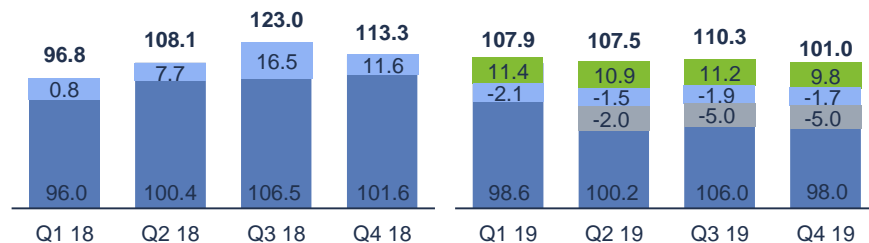


FY19 VS. FY18

- Revenue up 35.1 mEUR to 2,932.5 mEUR vs 2,897.5 mEUR in 2018 driven by Mobile segment
- Gross profit and EBITDA impacted by effects from inevitable regulatory changes: IFRS 16, international calls/roaming and analogue radio divestment.
- Adjusted by regulatory effects, EBITDA developed stable as expected. Reported EBITDA with 426.8 mEUR (2018: 441.2 mEUR) was fully within guidance range. Gross profit reported stable at 896.2 mEUR (2018: 903.7 mEUR).

EBITDA

in mEUR



REGULATORY EFFECTS IMPACTED 2019

ANALOGUE RADIO (TV AND MEDIA)

- Missing operational results and follow-up costs from divestment
- However, H2 19 was not impacted anymore
- EBITDA effects (yoy) in 2019 w/o gains on disposal (mEUR):

Q 1 19	Q 2 19	Q 3 19	Q 4 19	FY 19
-3	-2	+/-0	+/-0	-5

INTERNATIONAL CALLS/ROAMING (MOBILE)

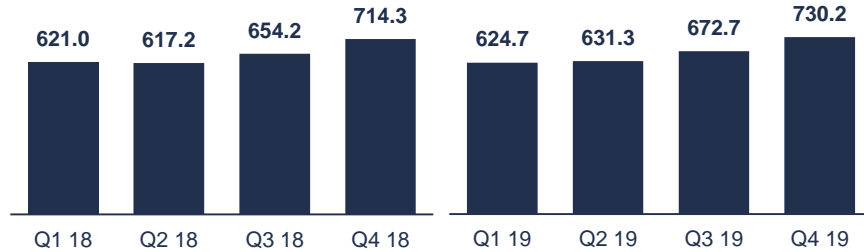
- EU international calls/ roaming regulation
- International call regulation effective since 15 May 2019
- EBITDA effects occurred as expected (yoy) in 2019 (mEUR); lagging effects assumed for Q1/Q2 2020:

Q 1 19	Q 2 19	Q 3 19	Q 4 19	FY 19	Q 1 20e	Q 2 20e
+/-0	-2	-5	-5	-12	-5	-3

MOBILE SEGMENT PERFORMED STABLE

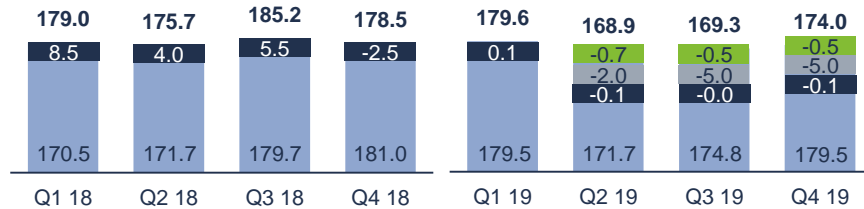
REVENUE

in mEUR



GROSS PROFIT

in mEUR

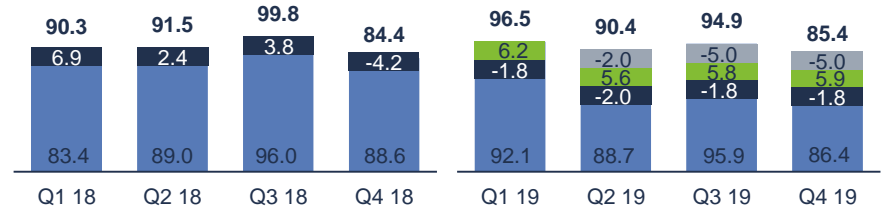


FY19 VS. FY18

- Revenue up by 52.3 mEUR to 2,658.9 mEUR vs. 2,606.7 mEUR in 2018; mainly due to low-margin hardware revenue
- Gross profit impacted by regulatory effects from international calls. Without regulatory effects stable at 705.5 mEUR (2018: 702.9 mEUR)
- EBITDA similarly impacted by effects from regulatory changes including IFRS 16. EBITDA for the full year came in at 367.3 mEUR vs 366.0 mEUR in 2018. Adjusted for all effects, EBITDA with 363.1 mEUR above previous year (2018: 357.0 mEUR)

EBITDA

in mEUR

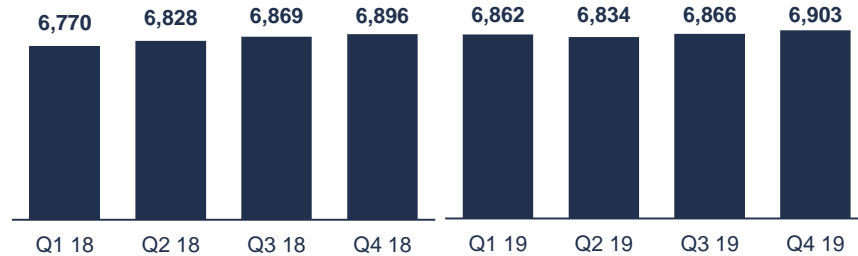


- EBITDA w/o regulatory effects
- IFRS 16
- Inter-segment allocation
- Gross Profit w/o regulatory effects
- International calls/roaming

DIGITAL LIFESTYLE AS GROWTH DRIVER ALL ELSE AS EXPECTED

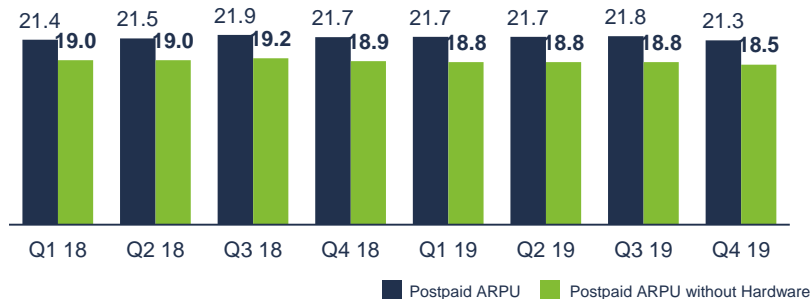
POSTPAID CUSTOMERS

in '000s:



ARPU POSTPAID

in €



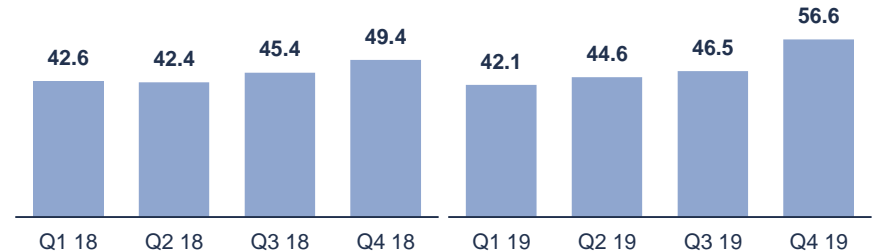
■ Postpaid ARPU ■ Postpaid ARPU without Hardware

FY19 VS. FY18

- Decline of postpaid customers in 1H19 overcompensated in 2H19, bringing postpaid customers back to guided moderate growth
- ARPU, likewise, impacted from regulatory effects developed stable. Full-year ARPU without hardware reported at 18.7 Euro (vs. 19.0 EUR in 2018)
- Revenues from Digital Lifestyle Products could be increased by 5.6% yoy to 189.9 mEUR in 2019. 4Q19 with 56.6 mEUR strongest quarter in company history

DIGITAL LIFESTYLE REVENUES

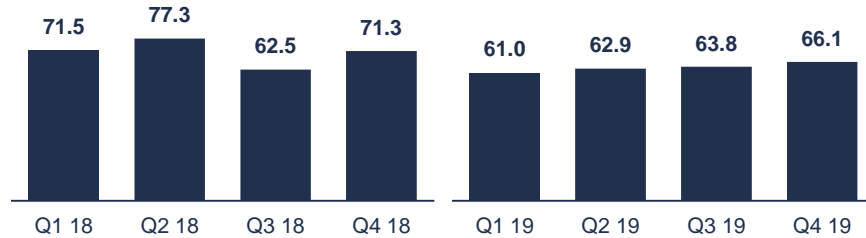
in mEUR



TV & MEDIA STABILISED FURTHER IN 2019

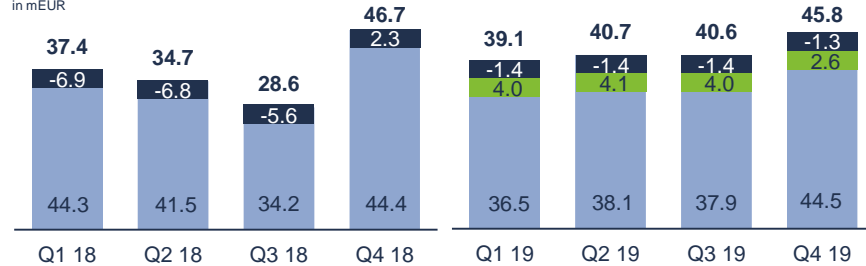
REVENUE

in mEUR



GROSS PROFIT

in mEUR

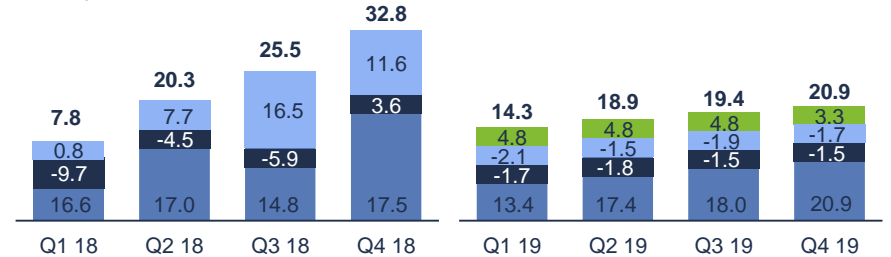


FY19 VS. FY18

- Revenue declined after divestment of analogue radio to 253.9 mEUR, compared to 282.6 mEUR last year; effect now completely processed.
- Gross profit increased to 166.2 mEUR after 147.4 mEUR in 2018. Main reason: visible reduction of inter-segment allocation [no changes in 2020 to expect]. Without inter-segment allocations and IFRS 16 effects slight decrease from 164.5 mEUR to 157.0 mEUR.
- Adjusted for all regulatory effects: EBITDA stabilised at 69.7 mEUR (2018: 66.0 mEUR) in 2019.

EBITDA

in mEUR

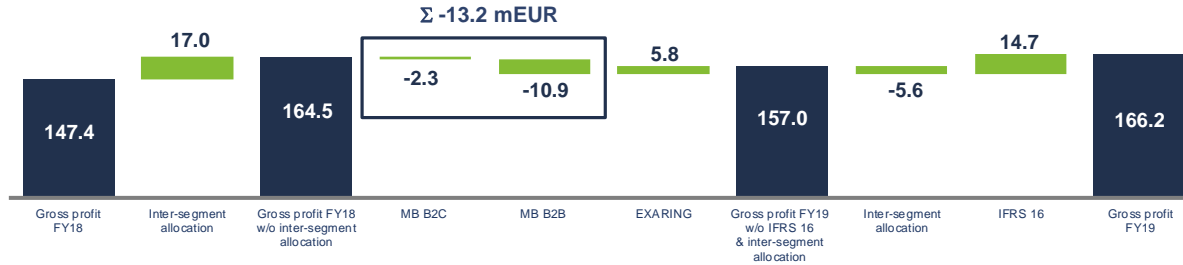


- EBITDA w/o regulatory effects
- Gross Profit w/o regulatory effects
- Analogue radio divestment
- Inter-segment allocation
- IFRS 16

TV & MEDIA – MB STABLE WHILE EXARING ON ITS CUSTOMER GROWTH PATH

GROSS PROFIT FY18 VS. FY19

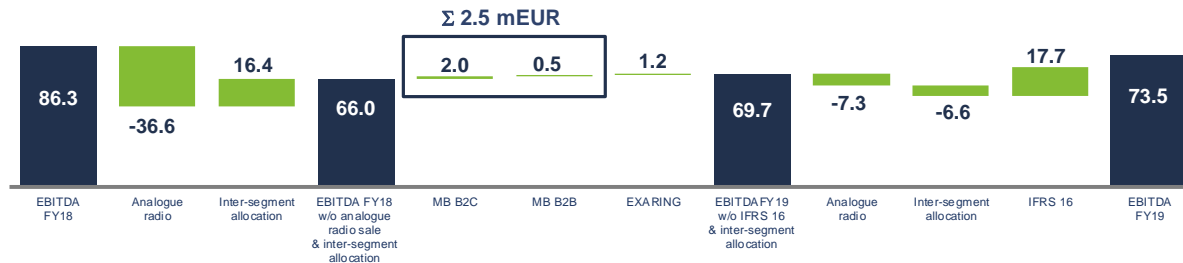
in mEUR



- Gross profit without IFRS 16 and inter-segment allocation decreased slightly by 7.5 mEUR to 157.0 mEUR mainly induced by:
 - MB B2C: reduction of bartered marketing/TV activities
 - MB B2B: Mainly missing operational results from analogue radio business

EBITDA FY18 VS. FY19

in mEUR

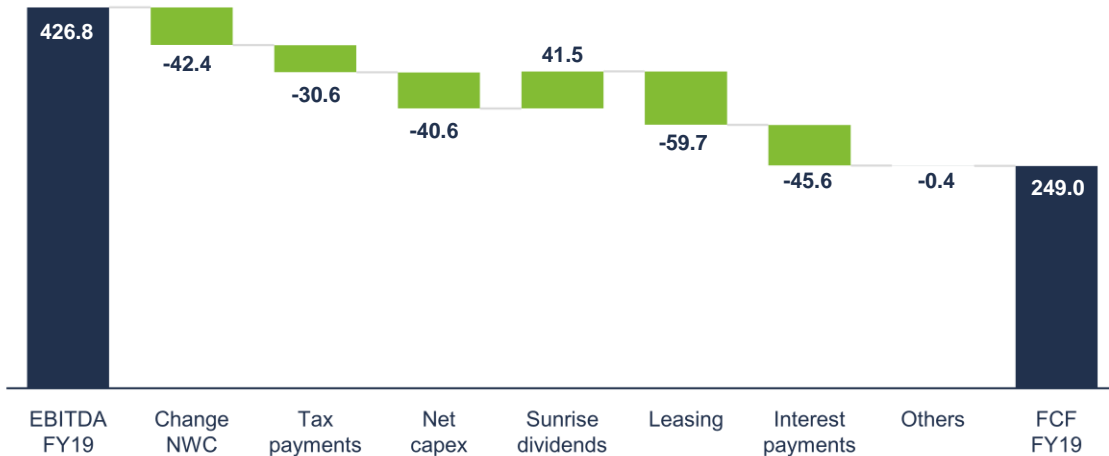


- EBITDA without IFRS 16 and inter-segment allocation as well as analogue radio business increased by 3.7 mEUR to 69.7 mEUR. Compensation of negative gross profit deviation with reduced marketing spend and lower personnel costs (4-day week)
- EXARING running for growth and was, therefore, still negative, but improving. Break-even expected 4Q20

FREE CASH FLOW FULLY IN GUIDED RANGE

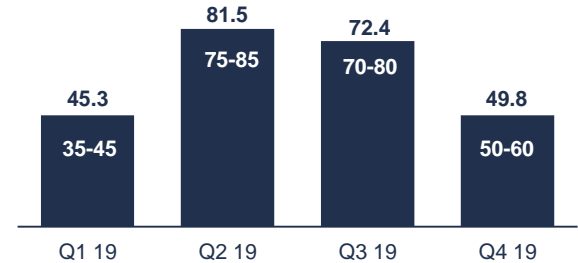
FREE CASH FLOW (FCF)

in mEUR



EXPECTED VS ACTUAL QUARTERLY BREAKDOWN

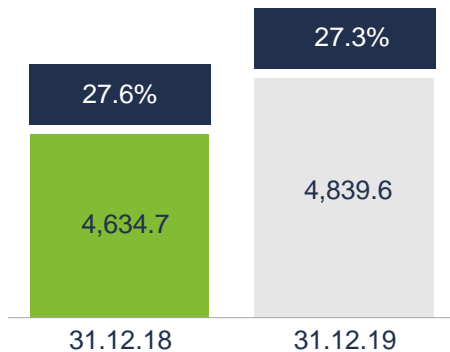
in mEUR



OTHER MAIN FINANCIAL KPIs: EQUITY RATIO, NET DEBT & LEVERAGE

TOTAL ASSETS & EQUITY RATIO

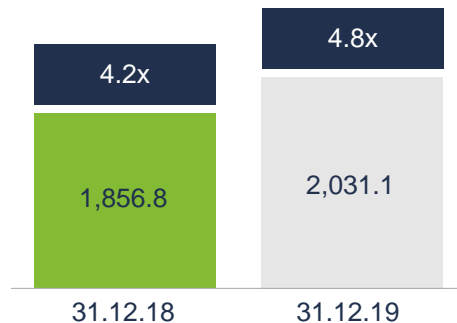
in mEUR/ as indicated



Higher total assets as direct consequence of IFRS 16 caused lower equity ratio

NET DEBT & LEVERAGE*

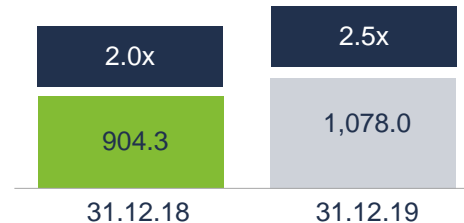
in mEUR/ as indicated



Leverage increase due to inclusion of net lease liabilities (IFRS 16)

ADJ. NET DEBT & LEVERAGE*

in mEUR/ as indicated



Deducting market values of equity investments reduces leverage below mid-term target

* The last twelve months (i.e. January 2019 to December 2019 or January 2018 to December 2018 for the previous year) are used for the period-related parameter EBITDA (according to the new definition).

DIVESTMENT FROM LOW-MARGIN HARDWARE BUSINESS WITHOUT STRATEGICAL VALUE

DIVESTMENT FROM MOTION TM REDUCES BUSINESS RISKS AND IMPROVES EBITDA MARGIN

- In December 2019, freenet agreed with the co-owners of Motion TM to return their 51% stake at a sales price of 7.0 mEUR (not FCF)
- After acquisition for 5.0 mEUR in 2013, revenues tripled to 323.5 mEUR in 2019, however, EBITDA contribution remained low and FCF was still negative (2017-2019: -0.2mEUR)
- Strategical reasons for the divestment:
 - Lack of purchase prices synergies regarding mobile handsets
 - Default risk of hardware business increased with size
 - Low-margin and non-cash generative business
- Process of deconsolidation FY 2019:
 - Motion TM will be fully included in terms of P/L, while fully deconsolidated from freenet's B/S as of 31 December 2019
 - Main B/S effects: Inventories reduce by 4.5 mEUR and trade account receivables as well as payables decline by approx. 30.0 mEUR

Motion TM in mEUR	2017	2018	2019
Revenue	247.8	314.5	323.5
EBITDA	1.7	1.8	2.6
<i>EBITDA margin in %</i>	<i>0.7</i>	<i>0.6</i>	<i>0.8</i>

	freenet Group in mEUR	2019
Revenue		2,932.5
w/o Motion TM (pro-forma)		2,609.1
EBITDA		426.8
w/o Motion TM (pro-forma)		424.2
<i>EBITDA margin in %</i>		<i>14.6</i>
w/o Motion TM (pro-forma)		<i>16.3</i>

Pro-forma P/L 2019

OPERATIONAL GOALS FOR 2020

MOBILE

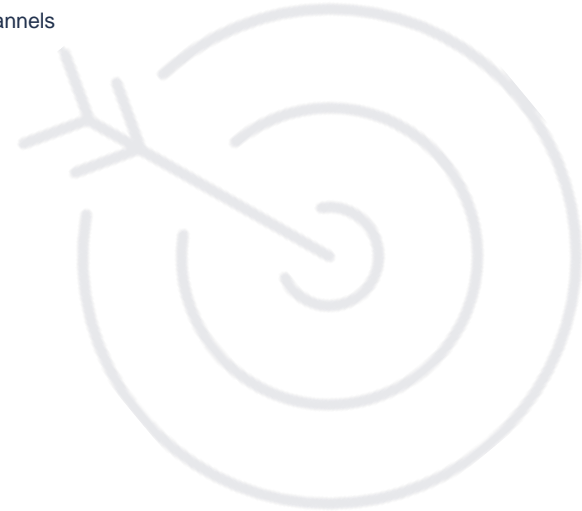
- Finalization of transfer to LTE in all three networks
- Launch of new pure app-based tariff plans including improved customer journey and better economics
- First 5G plans not before Q4
- Nationwide implementation of Local Hero shop concept, taking advantage from shop closures of the MNOs

TV and MEDIA

- Soft price increase on DVBT-2 in end of Q2 and launch of bundled offers with waipu.tv
- Launch of Digital Audio Broadcasting 2nd national multiplex parallel to obligatory incar DAB installation in Q4
- waipu.tv with bundles of linear and non-linear offerings and extension of New TV Channels
- First relevant revenues expected from cross- and media-selling with waipu.tv

ACTIVE SHAREHOLDING

- Taking benefit from increasing dividend and competitive strength of Sunrise and supporting the stand alone strategy with new executive management team and Board team
- Development and extension of cooperation with Media Markt and Saturn
- Critical review of all portfolio activities with clear focus on profitability and synergies e.g. freenet.tv move to headquarter in Hamburg



STABLE BUSINESS OUTLOOK IN ALL CUSTOMER SEGMENTS

MARKET OUTLOOK

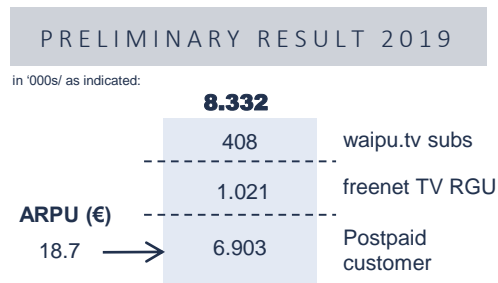
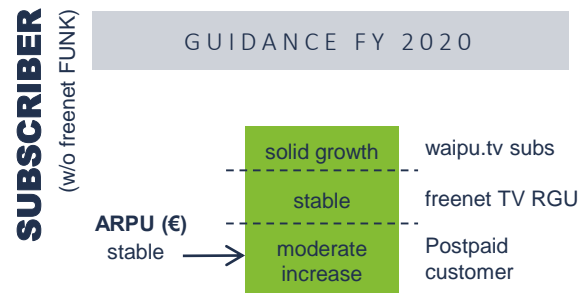
- Despite various factors, a slight economical growth expected in Germany based on a steady domestic demand.
- Within the mobile communications market a moderate growth is forecasted.
- Total revenues in the German television market are expected to remain stable, while IPTV penetration is expected to grow

FREENET SUBSCRIBERS

- Postpaid customer base is expected to increase moderately
- freenet TV RGUs are estimated to remain stable compared to 2019
- waipu.tv subscriber are guided with a solid growth

FINANCIAL KPIs

- Postpaid ARPU expected stable
- Financial improvement of EXARING AG (waipu.tv) through customer growth; reaching break-even 4Q20



GROUP GUIDANCE BASED ON STABLE OPERATIONAL EXPECTATIONS

STABLE BUSINESS OUTLOOK

in mEUR

REVENUES

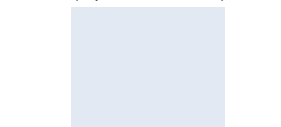
GUIDANCE FY 2020

stable



PRELIMINARY RESULT 2019

2,609.1*
(reported: 2,932.5)



* Without revenues contributed by MOTION TM.

EBITDA

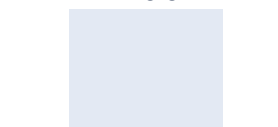
GUIDANCE FY 2020

415 - 435



PRELIMINARY RESULT 2019

426.8



FREE CASH FLOW

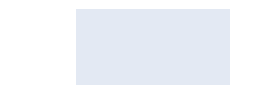
GUIDANCE FY 2020

235 - 255



PRELIMINARY RESULT 2019

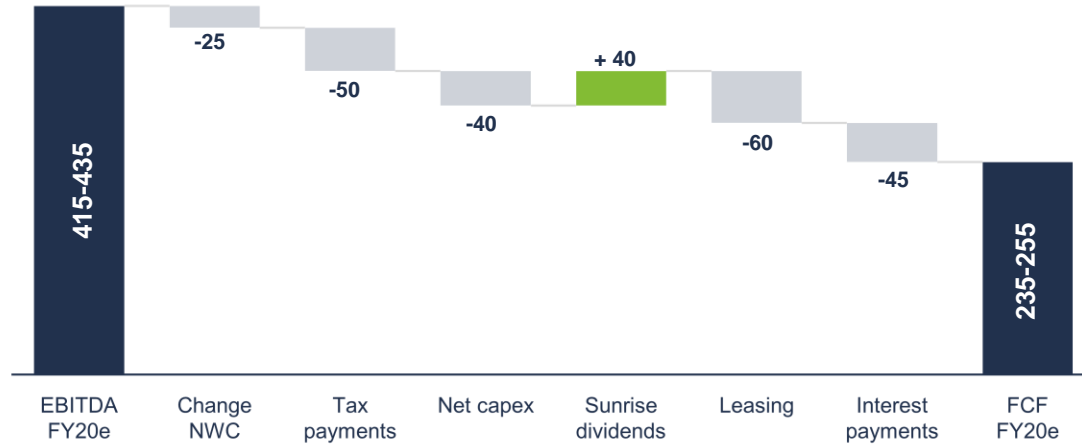
249.0



FREE CASH FLOW BRIDGE AND QUARTERLY BREAKDOWN IN FY 2020

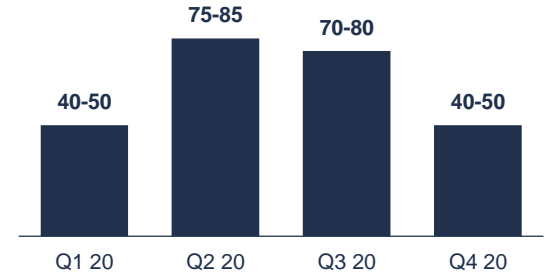
FREE CASH FLOW (FCF) FY 2020

in mEUR



QUARTERLY BREAKDOWN

in mEUR

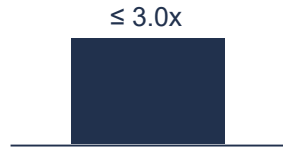


FINANCIAL POLICY GUARANTEES STABILITY

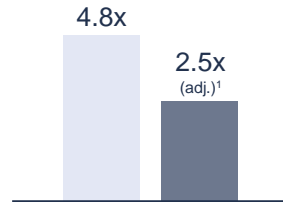
ADJ. LEVERAGE ALREADY BELOW REDUCED TARGET INSURES ATTRACTIVE DIVIDEND POLICY

LEVERAGE

MEDIUM-TERM TARGET



PRELIMINARY RESULT 2019



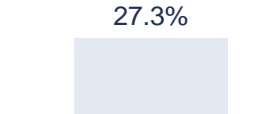
¹ Net debt reduced by market value of equity investments

EQUITY RATIO

LOWER LIMIT



PRELIMINARY RESULT 2019



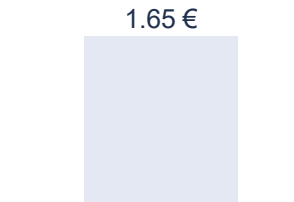
PROPOSED DIVIDEND

DIVIDEND PROMISE

at least 80% of FCF



DIVIDEND PAID FOR 2019²



² Dividend of 1.65 euros per dividend-bearing share for the financial year 2019 to be proposed by the Executive Board to the AGM

HIGH CASH FLOW GENERATION LEADS TO A STABLE AND RELIABLE DIVIDEND PAYOUT

YEARLY OPTION TO PAY AN ADDITIONAL DIVIDEND IMPLIES STABLE FUTURE DPS

Financial year

Free Cash Flow (FCF)	
80%	
Minimum dividend (guaranteed)	
Remaining 20% FCF	Net debt reduction
	M&A (not debt financed)
	Share buyback
	Additional dividend
Total dividend (proposed/paid)	

2019 in mEUR

249.0	
80%	
199.2	
49.8	37.8
	0.0
	0.0
	12.0
211.2 (1.65)	

2018 in mEUR

263.8	
80%	
211.0	
52.8	52.6
	0.0
	0.0
	0.2
211.2 (1.65)	

OPEN FOR YOUR QUESTIONS.

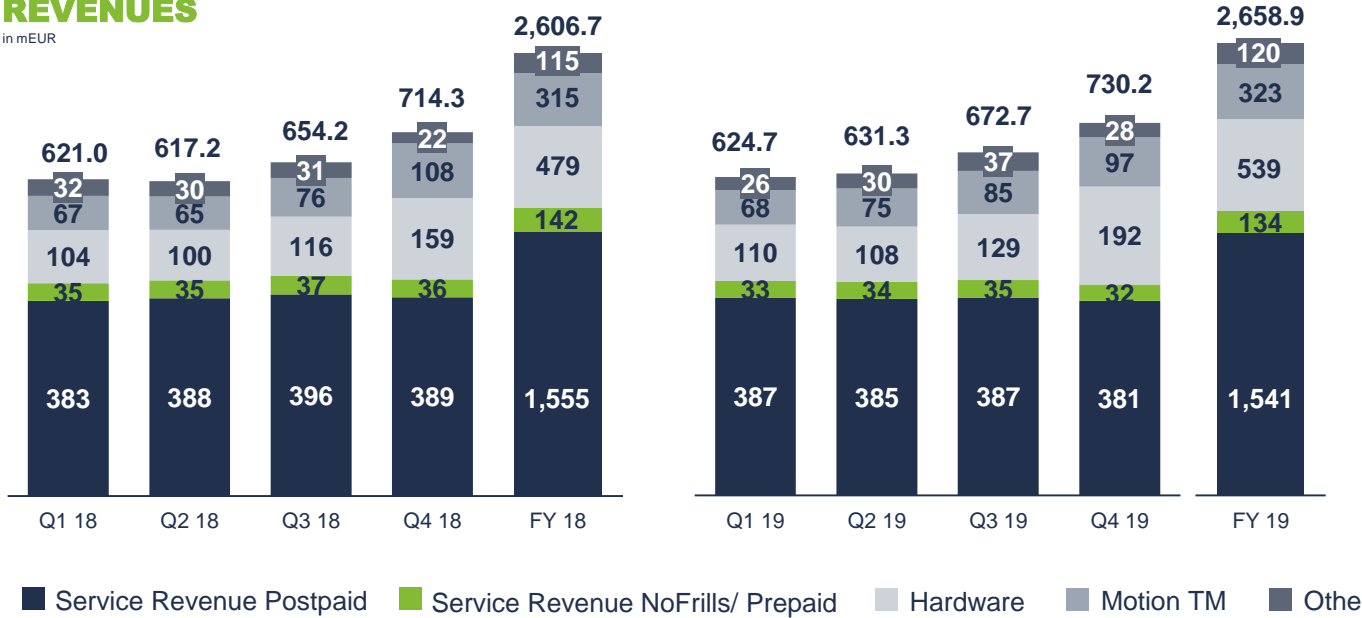
FOR FOLLOW-UP QUESTIONS REACH OUT TO:

freenet AG
Investor Relations
investor-relations@freenet.ag
www.freenet-group.de
Tel.: +49 (0) 40 513 06 778

MOBILE – DETAILED REVENUE SPLIT

REVENUES

in mEUR



OVERVIEW OF KEY FINANCIALS

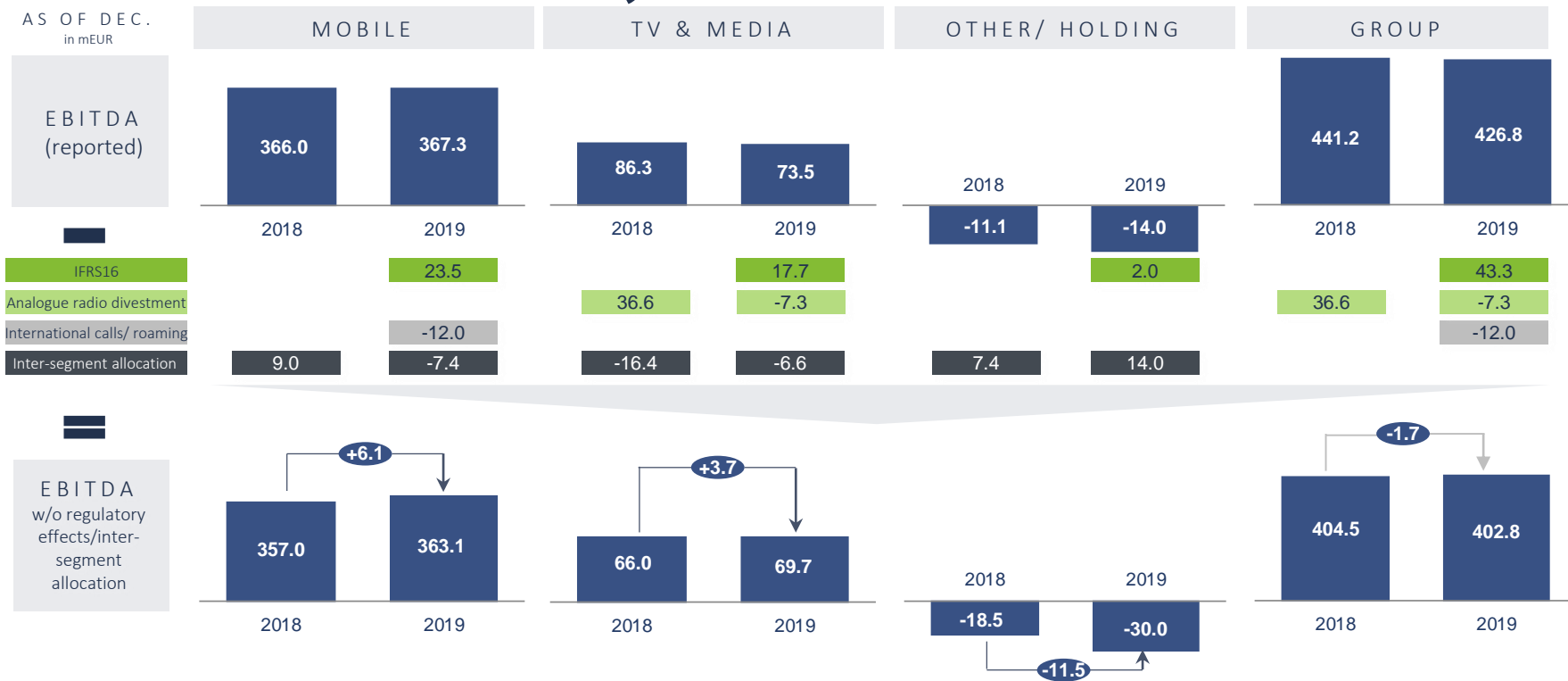
In mEUR/ as indicated	2019	2018
Operations		
Revenues	2,932.5	2,897.5
Gross profit	896.2	903.7
EBITDA	426.8	441.2
EBIT	270.0	312.0
EBT	238.1	234.0
Consolidated profit	184.7	212.2
EPS in EUR ¹	1.49	1.74
DPS in EUR ¹	1.65 ²	1.65
Balance Sheet		
Total equity and liabilities	4,839.6	4,634.7
Equity	1,321.6	1,280.8
Equity ratio in %	27.3	27.6

¹ Diluted and undiluted.

² Dividend of 1.65 euros per dividend-bearing share for the financial year 2019 to be proposed by the Executive Board

SEGMENT CHANGES EVAPORATE AT ADJUSTED LEVEL, UNDERLYING STABLE

AS OF DEC.
in mEUR



OVERVIEW OF CASH FLOW STATEMENT (SHORTENED)

In mEUR/ as indicated	2019	2018
Finances and investments		
Cash flows from operating activities	364.2	328.9
Cash flows from investing activities	-38.8	-333.1
thereof net capex	40.6	43.3
Cash flows from financing activities	-318.0	-192.3
Net change in cash funds	7.4	-196.5
Adjusted leverage	2.5	2.2
Free cash flow¹	249.0	263.8

¹ Free cash flow is defined as cash flows 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, minus repayments of lease liabilities.

FINANCING AND MATURITY STRUCTURE END OF DECEMBER 2019



Maturity	mEUR	%
2019	15.0	1
2020	274.5	16
2021	428.0	25
2022	163.5	10
2023	780.0	45
beyond	59.0	3
Total	1,720.0	100



Maturity	mEUR	%
2020	258.5	15
2021	428.0	25
2022	163.5	10
2023	210.0	12
2024	582.0	34
beyond	47.0	3
Total	1,689.0	100

Note: Figures do not include revolving credit facilities.