

MANAGEMENT PRESENTATION

Q1 Results for 2020

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INGO ARNOLD, CFO

04.05.2020 Analyst and Investor Conference Call

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AGENDA

1 MANAGEMENT SUMMARY

2 COVID-19/ ACHIEVEMENTS Q1

C. VILANEK, CEO

3 FINANCIALS Q1

I. ARNOLD, CFO

4 Q&A SESSION

MANAGEMENT SUMMARY

- Strong Q1 in all operational and financial KPIs, no significant impact on revenue and EBITDA foreseeable for Q2
- COVID-19 impact on stationary sales compensated by online and direct sales
- Decrease of gross adds seems to be balanced through lower churn intake – no final numbers yet due to time lag
- Margin losses in accessories and adjacent services covered by savings in personal and lease cost as well as by reduction of marketing expenses
- TV services without additional uptake but higher usage
- B2B business in TV, radio and Wifi facing delays in payments



Management Board convinced of the resilience of the freenet Group's business model and reconfirming guidance for 2020 - free cash flow and liquidity underlines the sustainability and cash generating proposition of freenet Group

- freenet is facing two rounds of refinancing of in total 700 mEUR in October 2020 and March 2021
- The board does not want to apply for KfW loans or other federal funding in order to stay independent and flexible
- Management team sees severe uncertainties for COVID-19 recovery and the macroeconomic impact on capital and refinancing markets
- A strengthened balance sheet is key to secure pay-out of future dividends – accumulated retained earnings remain available for shareholders



Management Board and Supervisory Board have decided to propose to the AGM on 27 May 2020 the one-time suspension of the 2019 dividend. For the future, implemented dividend policy to pay-out at least 80% of free cash flow remains unchanged.

CONSISTENT REACTION ON COVID-19

MEASURES - COST

- Corona task force comprising key functions e.g. Legal, HR, IT, Retail and 3 out of 5 board members
- Primary focus on protection of risk groups and safety of staff including mobile office, hygiene rules, A/B shifts, separation of key people
- Visible commitment towards employees by guaranteeing to fill up short-time compensation to 100% and to pay all sales reps in mobilcom-debitel shops and Gravis stores with their recent average variable commission even if the shop/store is closed
- > 1,000 employees in short-time work from mid March till May
- Reduced availability and service level of customer care
- Stop of any variable external expenses such as consulting
- Renegotiation of lease contracts for shops, stores and office space

MEASURES - OPERATIONAL

- No 100% shutdown of retail, constantly around 200 shops open for repair, click-and-collect
- Reduction of opening hours during curfew (11:00-16:00)
- > 90% of all shops and stores up and running again since last week
- Limitation of sales rep presence in the shops depending on size
- First open week retail performance on pre-COVID level
- Increase of logistics capacity and shift of marketing expenses to online
- No price downs or any other promotional matters
- Support package for franchise partners and related dealers including payment term extension
- Counter-cyclical restart of TV and OOH advertising end of April

RUN RATE ON TRACK DESPITE COVID-19

EXPERIENCES AND LEARNINGS

- High motivation and loyalty of staff
- Positive reaction of end consumers on any measures
- Footfall dropped to 50% but is now back on pre-crises level
- Online sales of mobile contracts with hardware stable, but increase in SIM only
- MediaMarkt Saturn grew its absolute online numbers, third party small retail stable through their own measures
- #contract renewals up, churn intake down in March and April
- Gravis online sales record revenues for March and April at low margin
- freenet.tv price increase for vouchers slightly delayed
- waipu.tv usage up, new customer intake with some tailwind
- Delay in bigger projects such as Digital Audio Broadcasting (DAB+)

RESULT – Q1 AND APRIL

- Impact on net adds less 25%
- So far, no change to consumer bad debt
- ARPU stable
- Group revenue and margin close to planned level
- Typical constraints from other telcos e.g. roaming, over usage not valid for freenet due to business model

STABLE TRENDING ON ALL MAJOR KPIs

648.8 mEUR

REVENUES

104.2 mEUR

EBITDA

49.9 mEUR

FREE CASH FLOW

8,430,000

SUBSCRIBER BASE

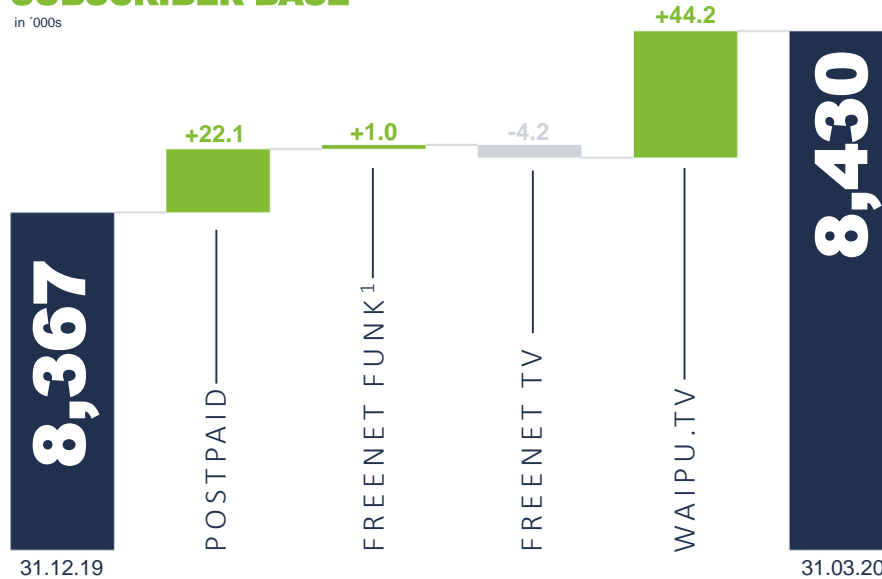
4,118

EMPLOYEES

GROUP SUBSCRIBER BASE GROWING IN BOTH SEGMENTS MOBILE AND TV

SUBSCRIBER BASE

in '000s



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

6,925,000

POSTPAID CUSTOMERS

35,300

FREENET FUNK (active, not pausing)

1,016,900

FREENET TV CUSTOMERS (revenue generating)

452,500

WAIPU.TV SUBSCRIBERS

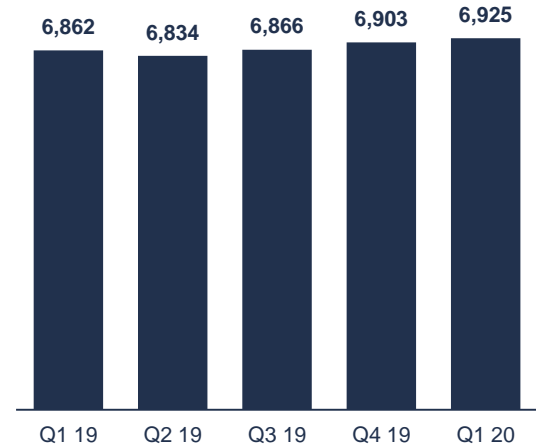
AFTER POSITIVE NET ADDS IN Q1 POSITIVE TRAJECTORY FOR FULL YEAR PROJECTED

SHIFT FROM GROSS ADDS TO RENEWAL

- 3rd consecutive quarter with growing postpaid net adds
- COVID-19 impact from March 15
- Key changes in 2nd half March and in April:
 - MediaMarkt Saturn with lower volume in retail but strong online sales and re-opening from week 17
 - Free retail partners and small distributions w/o volume losses due to direct sales, online and click-and-collect
 - 1/3 of all mobilcom-debitel shops never really closed, employees worked on the phone and social media and kept total transaction volume (gross adds and renewal on planned level)
- Overall number of rotational churners going down, renewals going up
- Churn intake lower than budgeted starting in March versus previous year – will impact net adds over the full year with some delay

POSTPAID CUSTOMERS

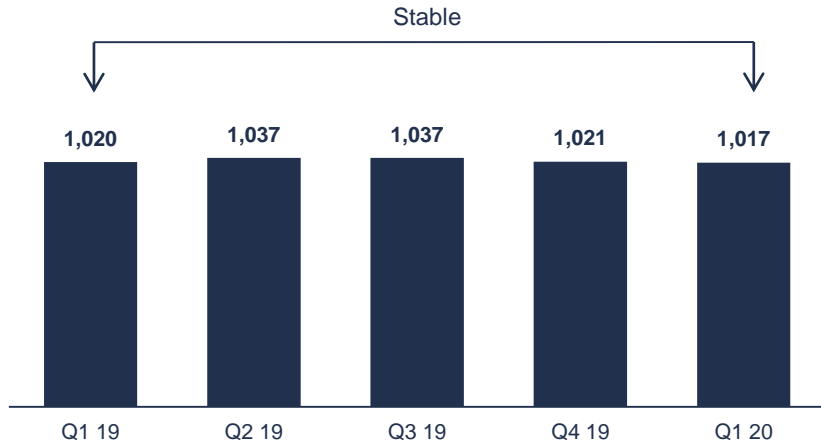
in '000s



FREENET.TV WITH >1 MILLION CUSTOMERS

FREENET TV SUBSCRIBERS (RGU)

in '000s



- Stable number of paying users – 1.017m RGUs at the end of Q1 20
- About 14,000 satellite customers leaving over the next 9 months
- Price increase from May 1st 2020 from 5.75 EUR to 6.99 EUR/month implemented for direct debit subscriber. Retail distribution of new 85 EUR vouchers (old 69 EUR) delayed due to COVID-19
- Price notification to direct debit customer will lead to 3-5% churn – break even would allow 8.5%
- From summer TV campaigns will always carry one other freenet product



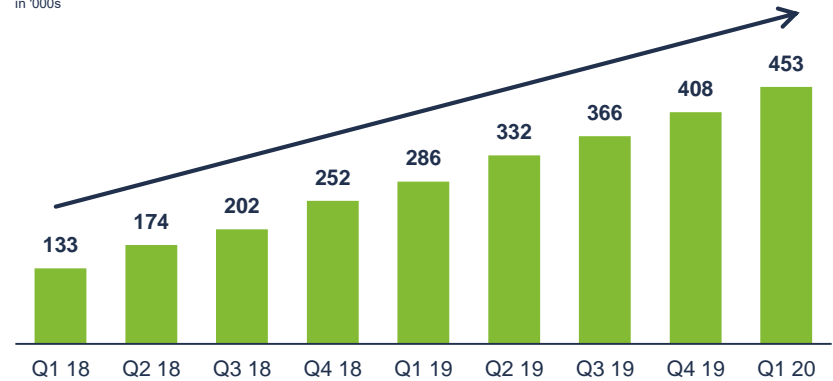
WAIPU.TV ACCELERATION NET ADDS

CONTINUOUS IMPROVEMENT IN Q1

- Personal EPG feature gives easy access to favourite channels
- Proprietary waiputhek© feature now contains more than 10,000 on demand assets
- Launch of additional TV channels including Auto Motor & Sport (content exclusive to waipu.tv), female oriented Lifestyle channel Beauty TV and a further broadening of waipu.tv's childrens' entertainment portfolio
- Platform service level >99,9% during entire Q1
- Daily usage up by 30% during shut down

WAIPU.TV SUBSCRIBERS

in '000s



Subscribers in line with expectations (+166,100 or +58.0% yoy);
+44,200 subscribers gained in Q1 20

COUNTERMEASURES TO MAINTAIN FINANCIAL STABILITY & FLEXIBILITY

MONITORING ACTIVITIES TO SECURE LIQUIDITY

- Daily coordination between CFO, Treasury, and Receivables Management on each individual payout and expected deposits
- Weekly coordination between subsidiaries regarding individual financial transactions
- No change of consumer bad debt

MAXIMIZING AVAILABLE CASH

- Cooperative dialogue with landlords about potential suspension of payments
- Continuous dialog with suppliers and MNOs regarding payment terms
- Use of flexible credit lines in the volume of 40 mEUR – “Revolver” – further increase of 260 mEUR possible
- Utilization of short-term work compensation for employees impacted by shop closures

NOT YET FOLLOWED

- 1) Discussion with banks about provided KfW loans and
2) Discussion with tax authorities about suspension of tax payments
- Federal funding would include permanent reduction of financial flexibility (for example dividend payments over years). Therefore any preparation of potential usage have been stopped yet

STRENGTHENING CAPITAL BASE IN RESPONSE TO COVID-19 IMPACT

FINANCIAL MARKET REACTIONS

- Massive spike of operational uncertainties due to global COVID-19 impact – Equity markets react with significant volatility
- Debt markets: Banks facing increased credit default risks, while demand for capital increases as well
- Market for promissory notes shows sharp decline in the supply of capital (fewer transactions, fewer subscribing investors, realised transactions with significantly higher margins and shorter maturities)



Further development not predictable – BUT: selection criteria might be tightened, and postponed/ additional transactions might lead to a crowding-out in favour of investment grade issuers

FREENET'S ASSESSMENT OF THE ABILITY TO REFINANCE

- freenet's operational position is solid and balance sheet perceived basically robust
- **BUT:** Refinancing approx. 700 mEUR short-term challenging under current situation and current financing structure
- Sustaining financial stability and flexibility of the Group necessary and inevitable
- Consequently, retained earnings will remain available for shareholders by being reinvested into a stronger balance sheet structure

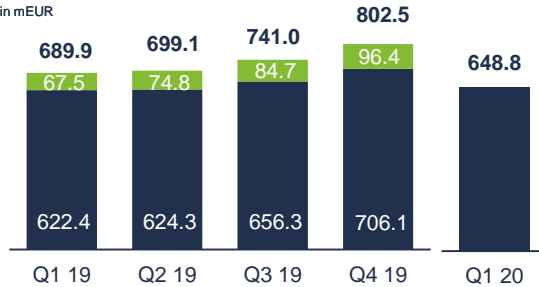


Management Board and Supervisory Board have decided to propose to the AGM on 27 May 2020 the one-time suspension of the 2019 dividend. For the future, implemented dividend policy to pay-out at least 80% of free cash flow remains unchanged.

SOLID GROUP PERFORMANCE

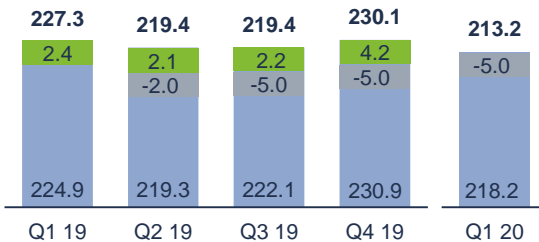
REVENUE

in mEUR



GROSS PROFIT

in mEUR

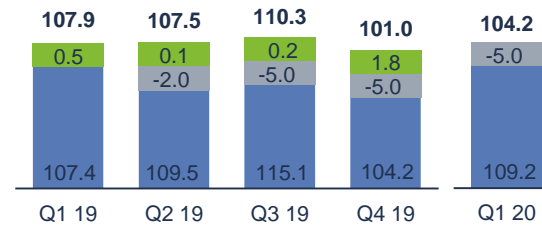


FIRST QUARTER

- Revenue w/o Motion TM up 26.5 mEUR to 648.8 mEUR driven by Mobile segment.
- Gross profit reported down to 213.2 mEUR (-5.2% yoy) weighing the impact of international calls (-5.0 mEUR) and de-consolidated Motion TM (-2.4 mEUR). Remainder mainly explained by extra-ordinary hardware bonus received in Q1 19.
- Adjusted by regulatory effects, EBITDA slightly up. Reported EBITDA with 104.2 mEUR (2019: 107.9 mEUR) as expected.

EBITDA

in mEUR

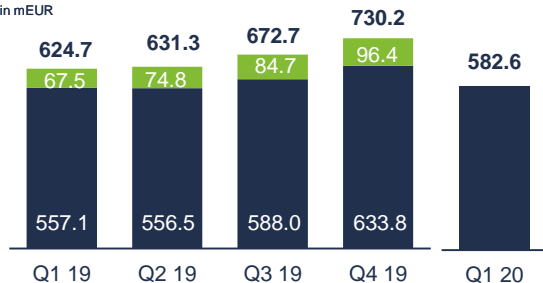


- Gross Profit w/o Motion and reg. effects
- EBITDA w/o Motion and reg. effects
- International calls/ roaming
- Motion TM

MOBILE SEGMENT PERFORMED STABLE

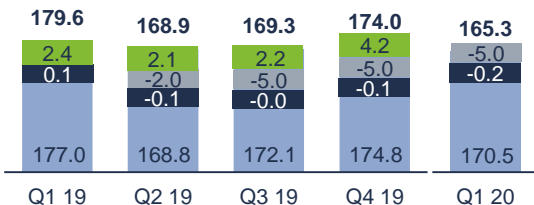
REVENUE

in mEUR



GROSS PROFIT

in mEUR

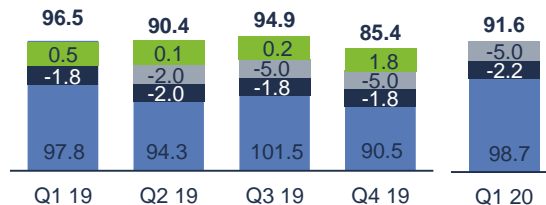


NO COVID-19 IMPACT VISIBLE

- Revenue w/o Motion TM up by 25.5 mEUR to 582.6 mEUR vs. 557.1 mEUR last year due to stronger hardware sales by GRAVIS stores.
- Gross profit adjusted by Motion TM and regulatory effects lower due to extra-ordinary high hardware bonus received in Q1 19.
- EBITDA without Motion TM and adjusted by regulatory effects stable as negative gross profit deviation fully compensated by lower SG&A.
- Additional comment: The regulation of mobile portability fees effective since 20 April 2020 could have a negative single-digit million EBITDA impact during 2020.

EBITDA

in mEUR

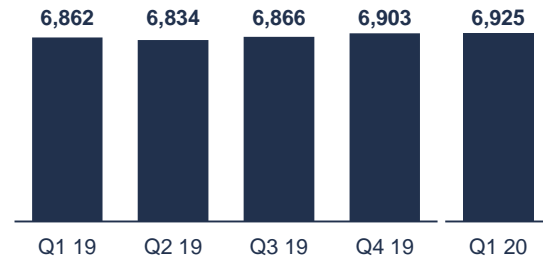


- Gross Profit w/o Motion and reg. effects
- International calls/ roaming
- Motion TM
- Inter-segment allocation
- EBITDA w/o Motion, reg. effects and inter-segment allocation

POSTPAID CUSTOMER BASE GROWING- HIGH-MARGIN DLS REVENUES INCREASING

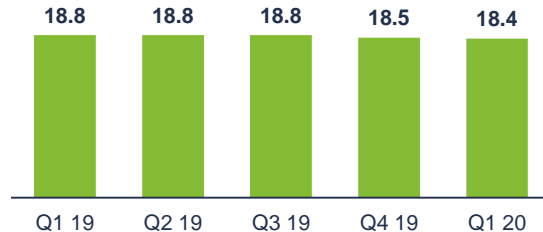
POSTPAID CUSTOMERS

in '000s:



ARPU POSTPAID

in EUR

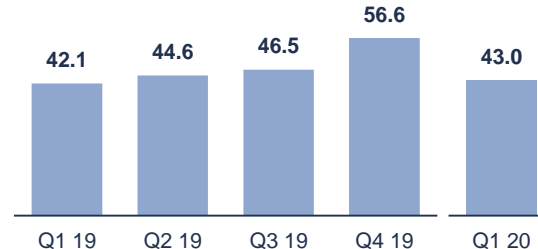


DEVELOPMENT WITHIN GUIDANCE

- Positive postpaid customer development in Q1 20. No negative effects from COVID-19 up to the end of March.
- ARPU remained stable in first three month of 2020 compared to year-end.
- Revenues from Digital Lifestyle Products could be increased by 2.3% yoy to 43.0 mEUR in Q1 20.

DIGITAL LIFESTYLE (DLS) REVENUES

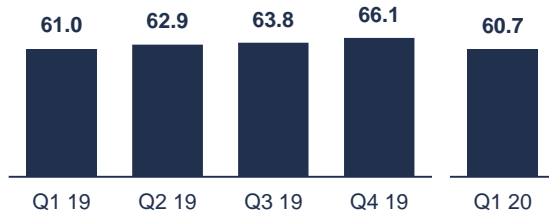
in mEUR



TV & MEDIA SLIGHTLY UP VS Q1 19

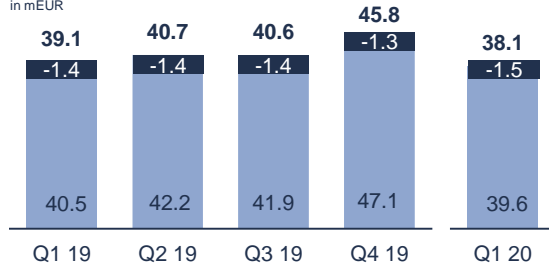
REVENUE

in mEUR



GROSS PROFIT

in mEUR

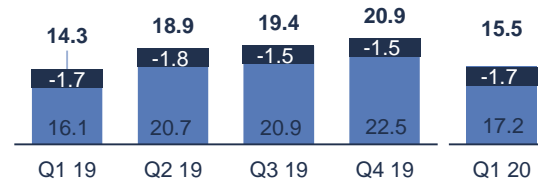


EXPECTATIONS MET IN ALL AREAS

- All in revenue stable, based on higher service revenues while marketing and event revenues are falling due to COVID-19.
- Therefore gross profit slightly up at EXARING, not compensating slight losses at Media Broadcast.
- EBITDA up as slight gross profit loss overcompensated by lower marketing spend.

EBITDA

in mEUR

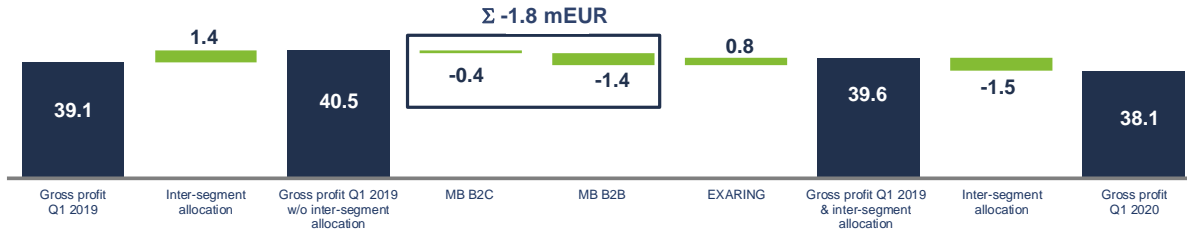


- Gross Profit w/o Motion and reg. effects
- EBITDA w/o reg. effects and inter-segment allocation
- Inter-segment allocation

GROWING IPTV BUSINESS GETS VISIBLE

GROSS PROFIT Q1 19 VS Q1 20

[in mEUR]

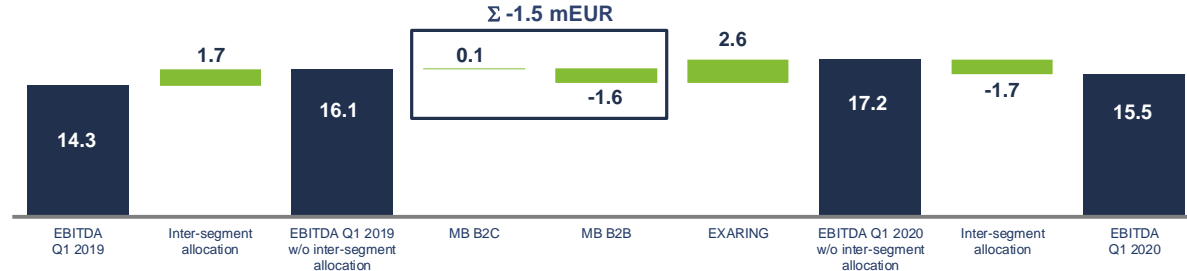


- Gross profit w/o inter-segment allocation decreased by 0.9 mEUR to 39.6 mEUR mainly induced by:

- Media Broadcast: Lower media barter marketing deals as well as lower revenues from event business b/c of COVID-19
- EXARING: Higher B2C revenues due to higher number of paying users.

EBITDA Q1 19 VS Q1 20

[in mEUR]



- EBITDA w/o inter-segment allocation increased by 1.1 mEUR to 17.2 mEUR due to:

- Media Broadcast: Lower gross profit partly compensated by lower marketing spend (esp. media barter)
- EXARING: Higher B2C revenues accompanied by lower marketing spend.

FREE CASH FLOW ON UPPER END OF GUIDED RANGE

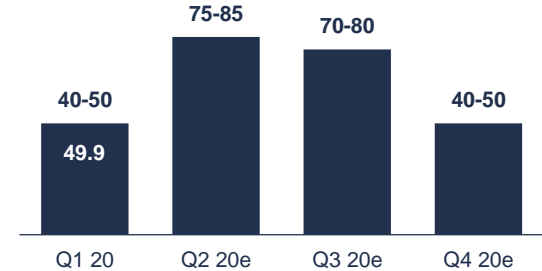
FREE CASH FLOW (FCF)

in mEUR



EXPECTED VS ACTUAL QUARTERLY BREAKDOWN

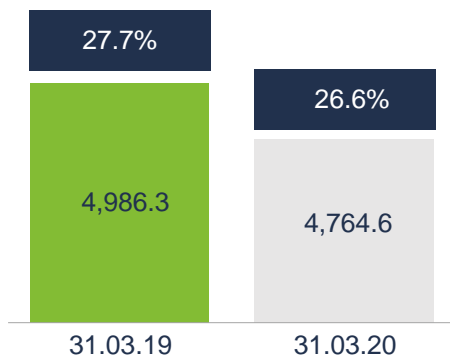
in mEUR



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

TOTAL ASSETS & EQUITY RATIO

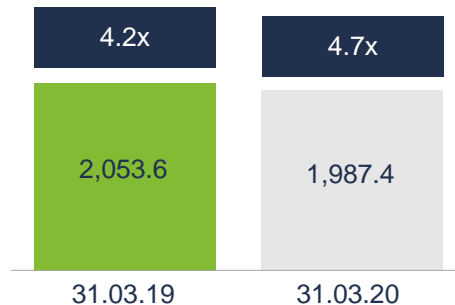
in mEUR/ as indicated



Lower total assets as direct consequence of lower fair value of CECONOMY stake

NET DEBT & LEVERAGE *

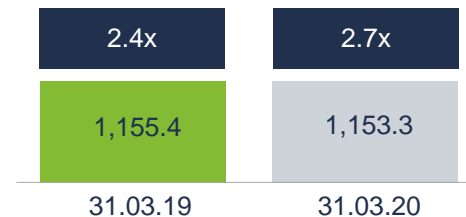
in mEUR/ as indicated



Leverage increased as LTM EBITDA as of March 2019 included book profits from analogue radio divestment (dropping out throughout 2019)

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. April 2019 to March 2020 or April 2018 to March 2019 for the previous year) are used for the period-related parameter EBITDA.

OPEN FOR YOUR QUESTIONS.

FOR FOLLOW-UP QUESTIONS REACH OUT TO:

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Tel.: +49 (0) 40 513 06 778

REGULATORY EFFECTS STILL IMPACT MOBIL SEGMENT IN 2020

INTERNATIONAL CALLS/ROAMING (MOBILE)

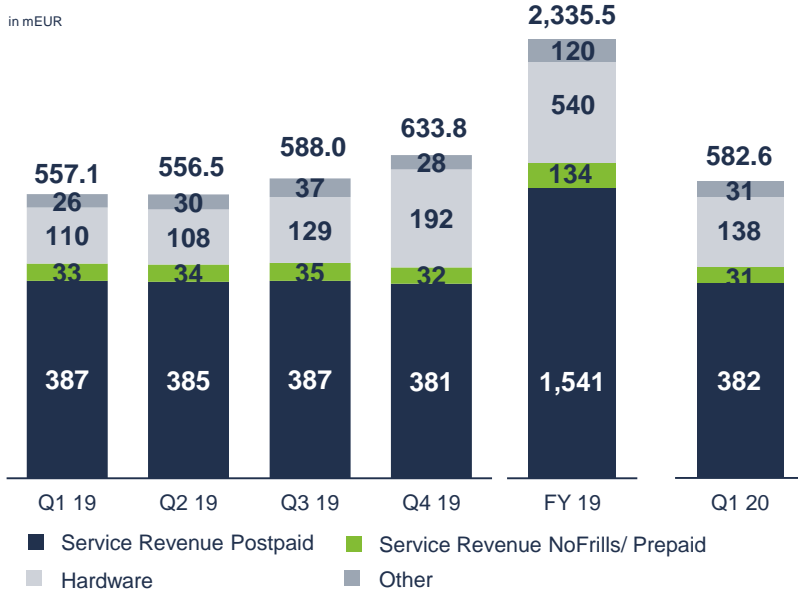
- EU international calls/ roaming regulation
- International call regulation effective since 15 May 2019
- Follow-up EBITDA effect in Q1/Q2 20 amounts to approx. -8 mEUR, thereafter completely phased-in:

Q 1 20	Q 2 20e	Q 3 20e	Q 4 20e
-5.0	-3.0	+/-0.0	+/-0.0

MOBILE – DETAILED REVENUE SPLIT

REVENUES W/O MOTION TM

in mEUR



FINANCING AND MATURITY STRUCTURE UNCHANGED



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



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.

STABLE BUSINESS OUTLOOK IN ALL CUSTOMER SEGMENTS

MARKET OUTLOOK

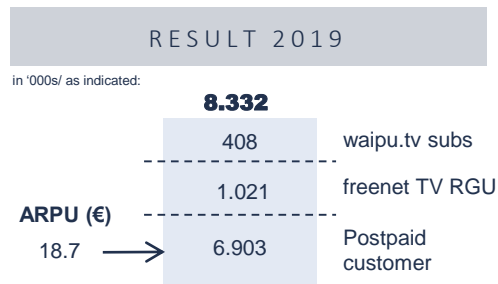
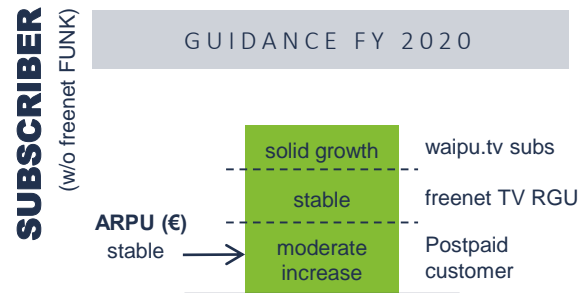
- Despite various factors, a slight economical growth expected in Germany based on a steady domestic demand.
- Within the mobile communications market a moderate growth is forecasted.
- Total revenues in the German television market are expected to remain stable, while IPTV penetration is expected to 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 Q4 20



GROUP GUIDANCE BASED ON STABLE OPERATIONAL EXPECTATIONS

STABLE BUSINESS OUTLOOK

in mEUR

REVENUES

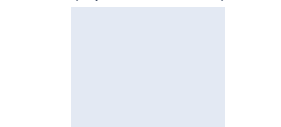
GUIDANCE FY 2020

stable



RESULT 2019

2,609.1*
(reported: 2,932.5)



* Without revenues contributed by MOTION TM.

EBITDA

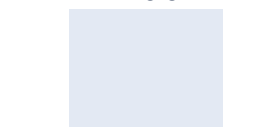
GUIDANCE FY 2020

415 - 435



RESULT 2019

426.8



FREE CASH FLOW

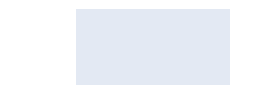
GUIDANCE FY 2020

235 - 255



RESULT 2019

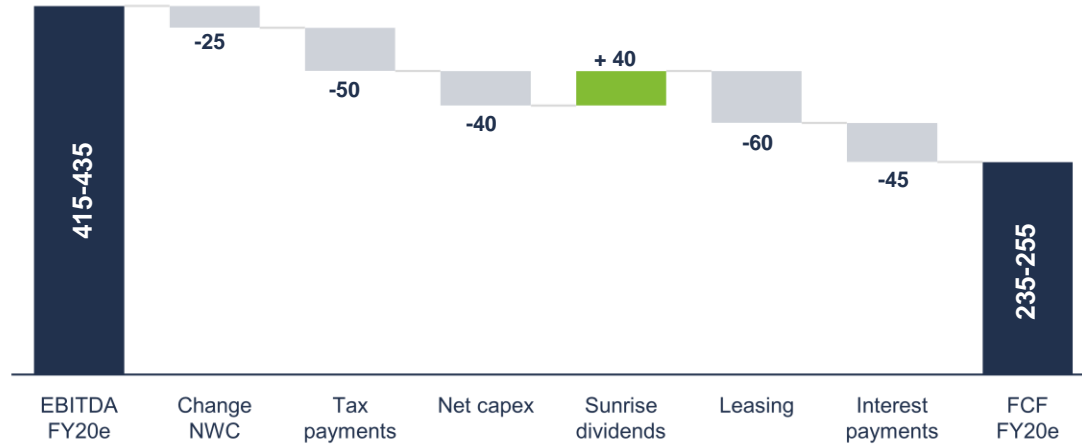
249.0



FREE CASH FLOW BRIDGE AND QUARTERLY BREAKDOWN IN FY 2020

FREE CASH FLOW (FCF) FY 2020

in mEUR



QUARTERLY BREAKDOWN

in mEUR

