Management Presentation Q3 2017 results

Christoph Vilanek, CEO and Joachim Preisig, CFO

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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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freenet continuously successful in Q3 2017

Group

- Stable service revenues and higher hardware as well as Digital Lifestyle sales resulted in an increased **Group revenue** of 880.1 million euros (+1.5% yoy). **Gross profit** grew to 239.5 million euros also higher than Q3 2016 (+2.3%) and 698.1 million euros ytd (+8.1%)
- **EBITDA** (without Sunrise) rose by 1.9% to 110.1 million euros compared to Q3 2016 and by +1.5% to 299.9 million euros ytd
- **Free Cashflow at 87.3 million euros** (+22.5% yoy) and 268.4 million euros ytd (+2.1%)

Mobile Communications

- **Customer ownership at 9.60 million** (+1.3% or 128,000 yoy) mainly from postpaid customers with 24-month contracts gained in from retail and multi-channel operations
- Steady **postpaid ARPU** at **21.7 euros**; **prepaid** and **no-frills ARPU** also **up by 0.1 euros and 0.4 euros**
- **Five-year contract with Media Saturn Deutschland** (CECONOMY AG) renewed

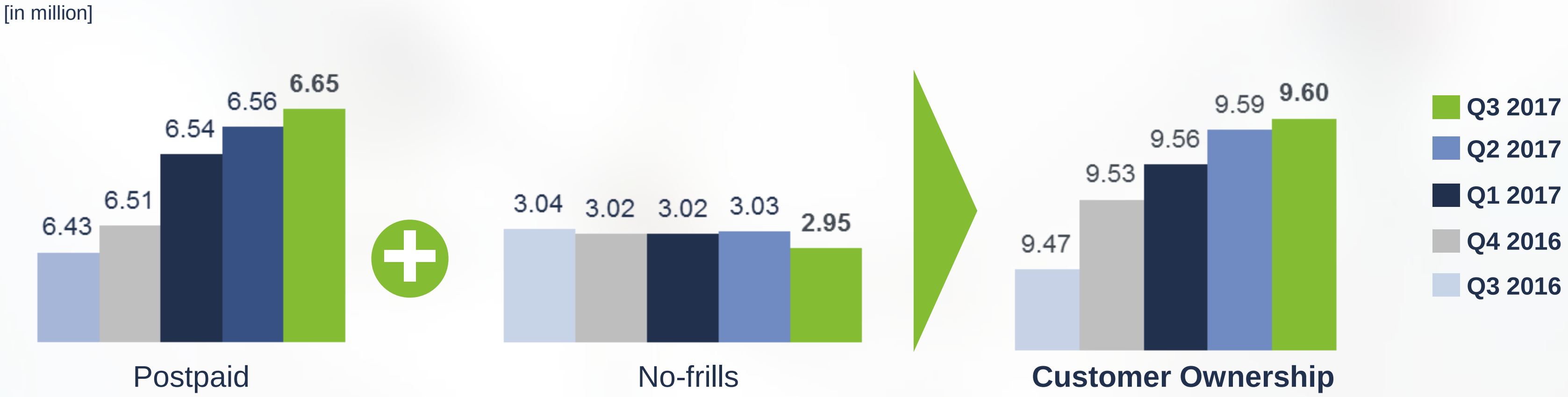
TV and Media

- Since July 1st, **revenue from DVB-T2 end consumers** flood in. By end of September >875,000 conditional access customer won – more than year-end target 800,000; new target for end of the year ~950,000
- **Significant contribution** to Group revenue and gross profit driven by **B2B** business in TV, radio and network services
- **waipu.tv** in line with ambitious plan. Year-end targets will be reached

Financial and operational highlights in Q3 2017 in core business

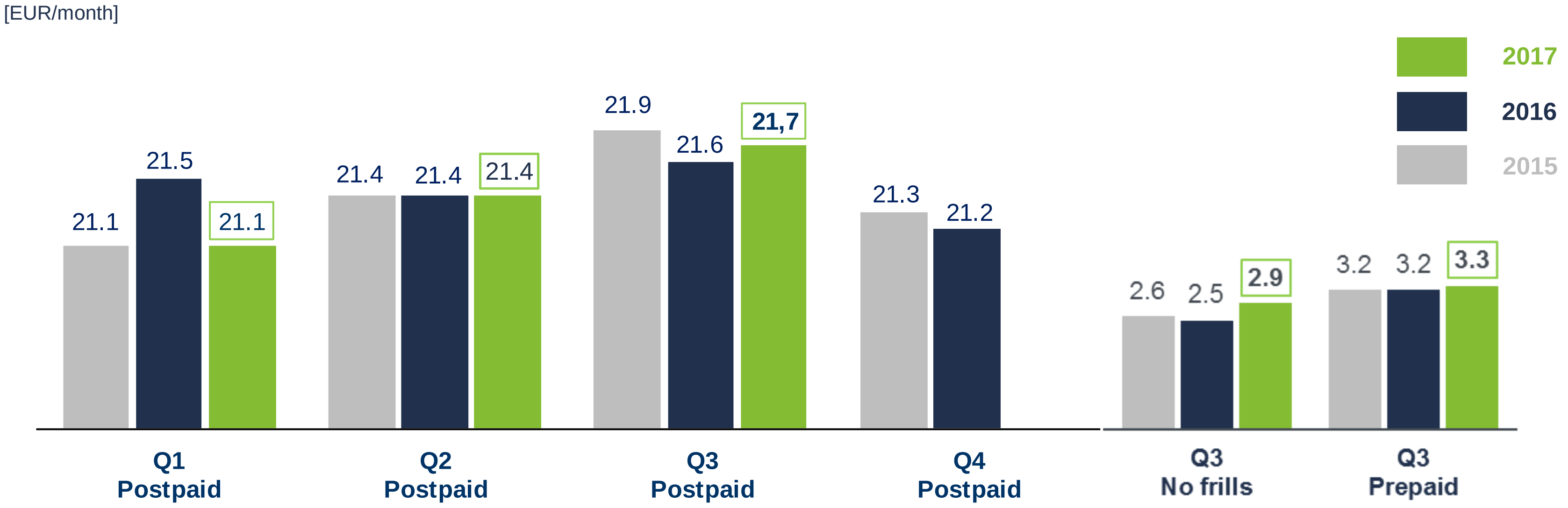
- freenet AG strengthened its traditional high-street distribution operations as a strategically relevant addition to its own retail operations by extending the very successful **exclusive partnership of mobilcom-debitel with Media-Saturn Deutschland GmbH** ahead of schedule for a **further five years** (started 1 October 2017)
  - ⇨ Under the terms of the established exclusive distribution cooperation, mobilcom-debitel GmbH offers its own and original tariffs of the network operators Telekom and Vodafone as well as its own mobile products and services in all Media Markt stores and Saturn stores as well as the online channels throughout the whole of Germany
- freenet AG achieved **long-term financing assurance** by successfully replacing the bridge finance which had been in place since March 2016 by way of a **syndicated five-year bank loan** with a total volume of **710 million euros**
- Due to the “Tower Deal” the investment in **Sunrise** contributes with an extraordinary high amount of 103.6 million euros to the group result as well as to the EBITDA of freenet in the third quarter 2017

Steady increase in postpaid customer base (+3.4% yoy)



- **Customer ownership (+ 128,000 yoy)** once again benefits from the positive contribution of the number of particularly valuable **postpaid customers** which increased by around **216,000** yoy to **6.65 million**
- **No-frills customer base** slightly declines by 88,000 (yoy) to **2.95 million**
- **Prepaid customer base** declines by 304,000 or 11.8 per cent yoy due to identification requirements for purchasing a prepaid card
- **Total customer base** at **11.88 million** – almost stable compared to the number of Q3 2016 (12.06 million)

Postpaid ARPU continues stabilization (slightly above Q3 2016)



Postpaid ARPU continues to be stable at **21.7 euros** compared with 21.4 euros in Q2 2017 and 21.6 euros in Q3 2016.

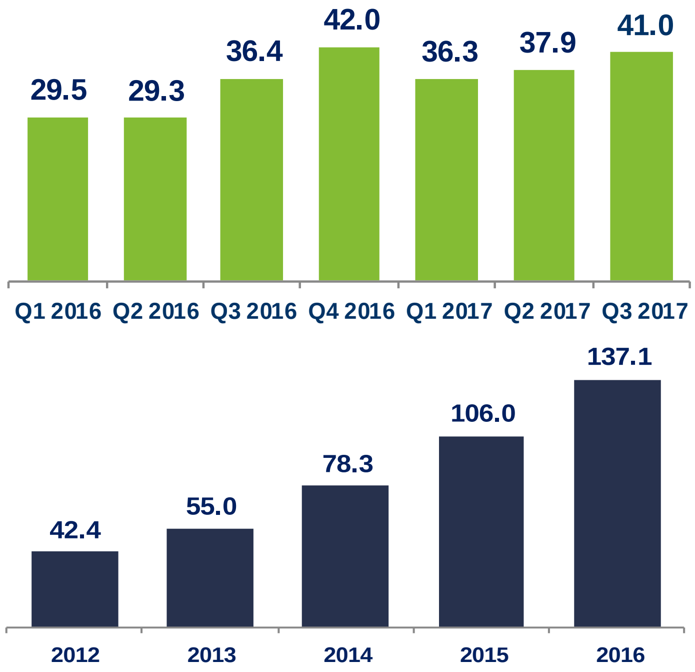
Data revenue share at 35.1 per cent.

No-frills ARPU at **2.9 euros** + 0.40 euros above Q3 2016 and + 0.20 euros above Q2 2017.

Prepaid ARPU at 3.3 euros (+1.1 per cent yoy) almost in line with previous year quarter.

Digital Lifestyle remains in growth momentum

[in EUR million]



- Revenues and portfolio still growing
- Q3 +12.6% yoy, +21.0% ytd
- Current internal forecast for full year 2017 >160 million euros in total revenue
- Contribution from multi-channel and starting from other brands such as klarmobil

Year-end target increased to ~950,000 paying users

freenet TV

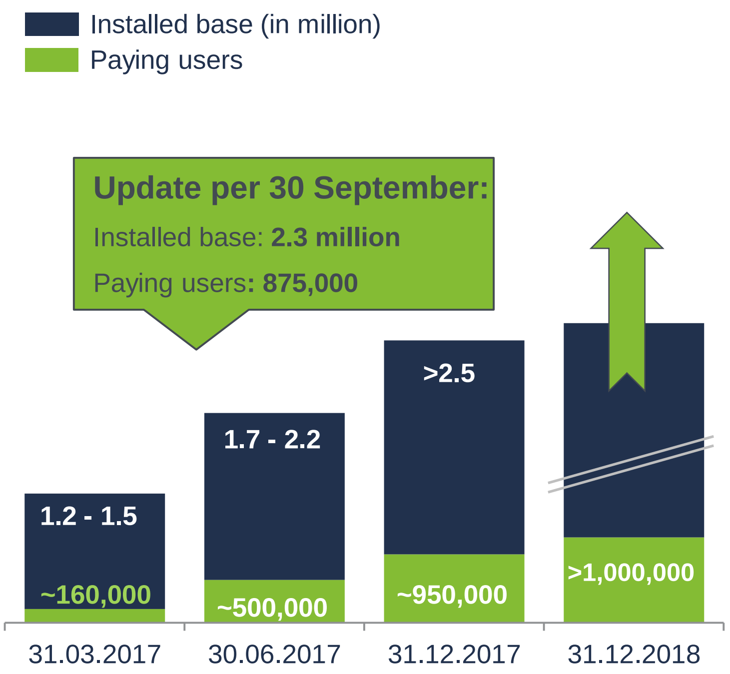
Introduction of conditional access

- All hardware shipped with hardcoded 96 days trial period after activation
- Logically STB go into conditional access over a period of 2-3 months; majority in by end of July

Subscriber development

- Almost 875,000 vouchers and subscriptions sold at the end of September 2017
- Sales of new STB and C+ modules in August and September suggested additional ~75,000 paying users

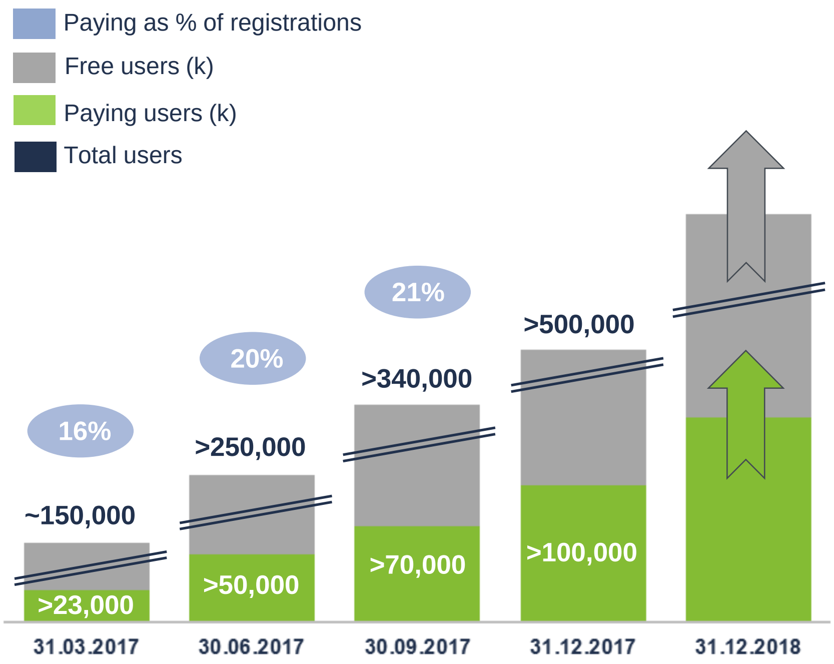
Coverage increases by 600,000 households in November



waipu.tv constantly increases free-to-pay conversion

waipu.tv

- By end of Q3 paying user base among top 2 IPTV offerings in Germany after only 6 months
- Conversion rate from free to pay constantly improving
- Key drivers of conversion is the use of recording function, flexible EPG and big screen usage
- New special interest content added
  - Goldstar and health.tv for Silver Age
  - Mediakraft and Rocket Beans for Generation Digital
- Testing of addressable and interactive TV results in initial B2B revenues



Financial statements – Income statement information

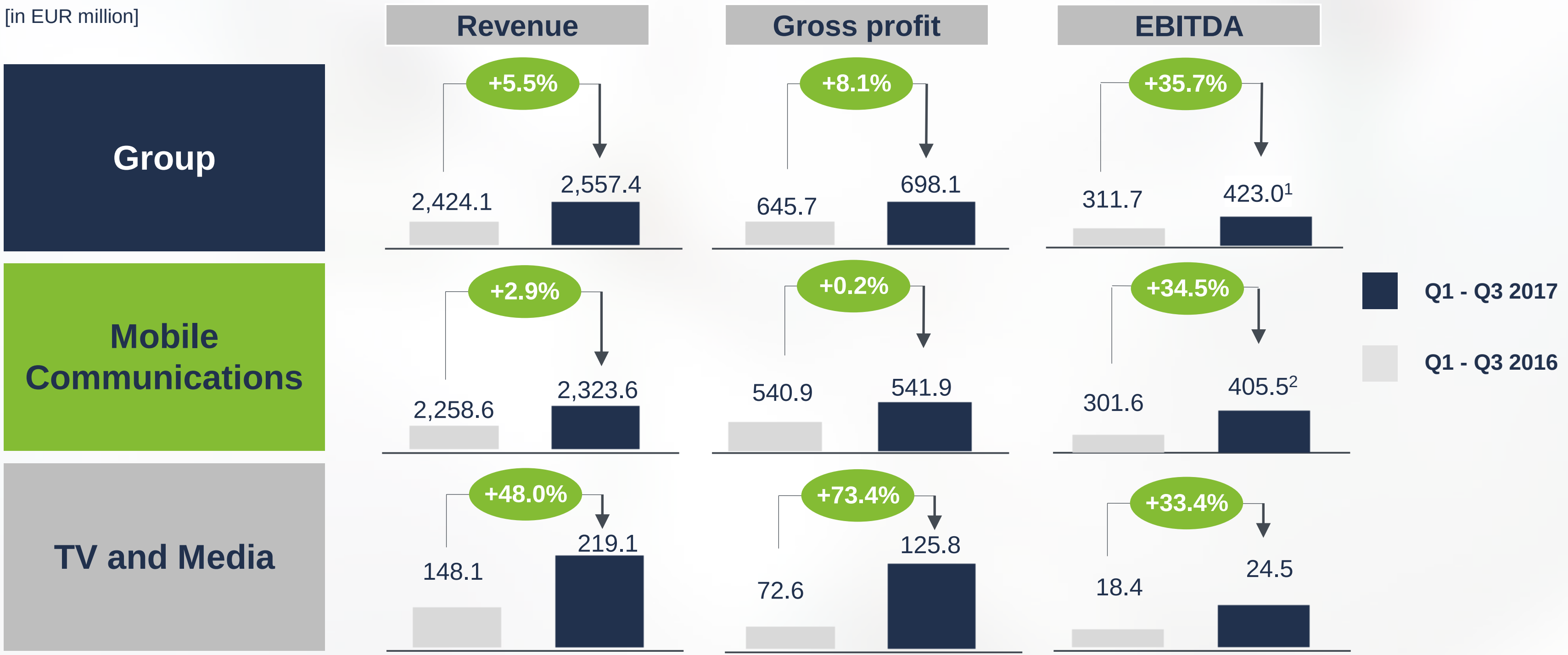
[in EUR million]	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q3 2016
Revenue	**2,557.4**	**2,424.1**	**880.1**	**867.2**
Gross profit	**698.1**	**645.7**	**239.5**	**234.1**
EBITDA	**423.0**	**311.7**	**213.7**	**118.2**
Depreciation and amortisation	-104.2	-89.4	-34.3	-31.9
Subsequent recognition from Sunrise PPA	-15.5	-10.6	-5.2	-5.1
EBIT	303.2	211.7	174.2	81.2
Interest result	-37.3	-41.5	-12.7	-14.0
EBT	265.9	170.2	161.5	67.2
Taxes on income	-17.0	-8.2	-4.4	-9.2
Group result	249.0	162.1	157.1	58.0
Earnings per share (EUR)	2.01	1.30	1.25	0.47

The increase in **Group revenue** by 5.5 per cent or 133.3 m€ yoy is mainly attributable to higher TV revenues and higher hardware sales.

EBITDA grows to 423.0 m€ (yoy +35.7 per cent) significantly influenced by the one-off from Sunrise due to the "Tower Deal" in Q3/2017.

Group Result amounts to 249.0 m€; an increase of 86.9 m€ (yoy +53.6 per cent), which results in earnings per share of 2.01 €.

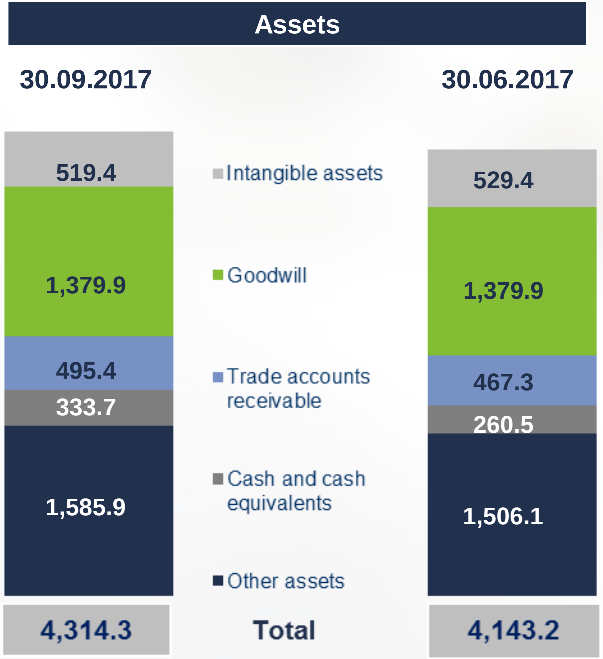
Nine-months Group and segment key financials overview



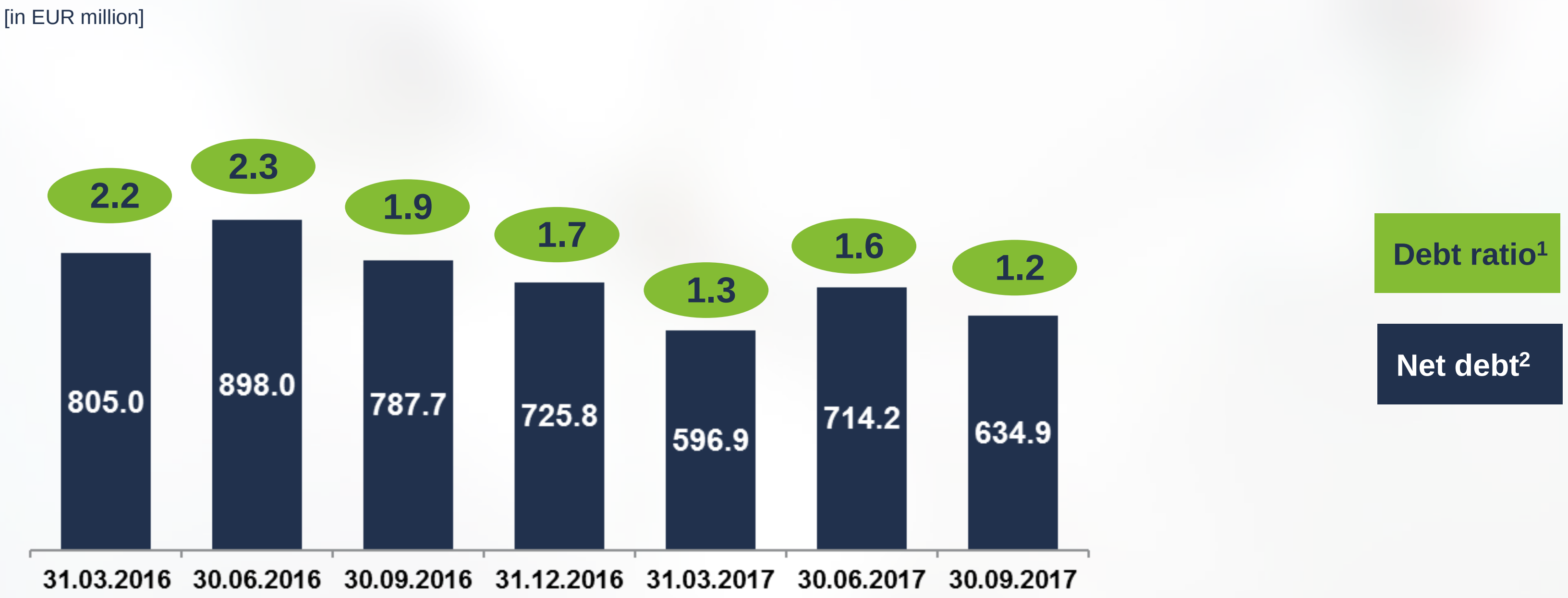
1) Excluding the profit share of our holding in Sunrise we generated a Group EBITDA of **299.9 million euros** (previous year: 295.5 million euros).
2) Excluding the profit share of our holding in Sunrise we generated a Mobile Communications Segment EBITDA of **282.4 million euros** (previous year: 285.5 million euros).

Financial statements – Equity ratio increased to 33.4 per cent

[in EUR million]



Debt ratio within target range of 1.0 - 2.5



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-Q3 2017	Q1-Q3 2016	Q3 2017	Q3 2016
Cash flow from operating activities	312.0	297.0	100.4	80.8
Cash flow from investing activities	-43.0	-847.9	-13.1	-8.9
thereof net capex	-43.6	-34.2	-13.1	-9.5
Cash flow from financing activities	-253.4	541.7	-14.1	-15.4
Change in cash and cash equivalents	15.6	-9.2	73.2	56.5
Free cash flow[1]	**268.4**	**262.7**	**87.3**	**71.3**

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.

Cash flow from operating activities increased in Q3/2017 by 19.7 m€ to 100.4 m€ yoy mainly due to an increase in EBITDA and a reduction in the increase of net working capital by 16.6 m€ .

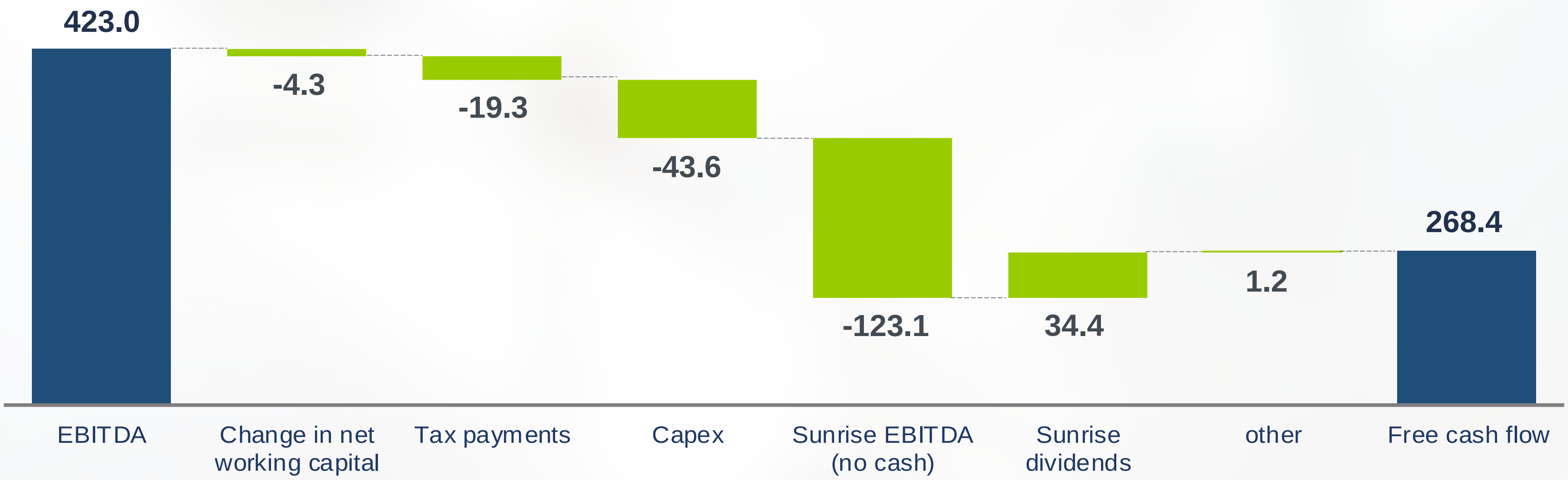
Change in **cash flow from investing activities** slightly higher in Q3/2017 based on the roll out of the TV business.

Overall increase of 16.0 m€ in **free cash flow** from 71.3 m€ to 87.3 m€ yoy.

Detailed Bridge from EBITDA to free cash flow

Q1 – Q3 2017

[in EUR million]

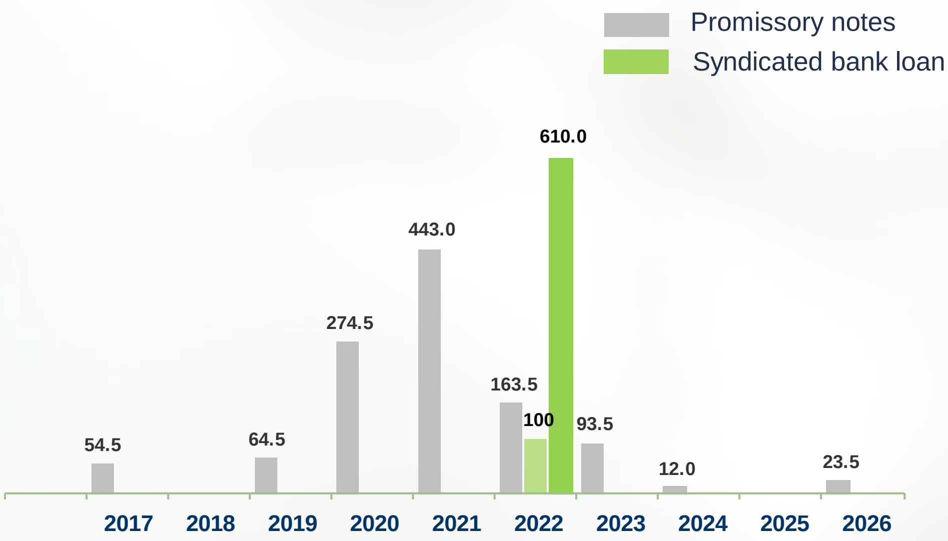


FY 2016	438.8	-3.8	-40.0	-48.1	-36.5	+30.1	+ 1.0	341.5
FY 2017e	>410	-10	- 40	- 50				~310

Overview over current financing and maturity structure

Average financing cost below 2.0 per cent p.a.

[in EUR million]



Issue	Instrument	Volume	Maturity
2012	Promissory note	119 m€	2017, 2019
2015	Promissory note	100 m€	2020, 2022
2016 (March)	Promissory note	560 m€	2021, 2023, 2026
2016 (November)	Promissory note	350 m€	2020, 2022, 2024
2016	Syndicated bank loan	710 m€	2022

freenet AG 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€**[2] (+ Sunrise)	**~310.0 m€**[3] (+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 €/share**[4]
Guidance 2016		**> 400.0 m€**[2]	**~300.0 m€**[3]	**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) The Annual General Meeting resolved on 1 June 2017 the distribution of 1.60 euros per dividend-bearing share for the financial year 2016.

freenet AG KPI guidance

	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	~ 950,000	~ 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.

One-off earnings due to „Tower Deal“ of Sunrise

Bridge from Sunrise group result to freenet EBITDA:

[in EUR million/as indicated]	1.1. – 30.9.2017
Group result of Sunrise (in CHF `000s)	**481,322**
Foreign currency translation[1]	427,527
freenet share of 24.56 %	**105,001**
Subsequent recognition from Sunrise PPA	+18,063
Current profit share (freenet EBITDA)	**123,064**
Subsequent recognition from shadow PPA freenet	-15,546
Share of results of associates	**107,518**

In Q3 2017 there is an extraordinary effect in the EBITDA of freenet relating to the participation in Sunrise. Mainly due to the one-off profit at Sunrise of **420 million Swiss Francs** attributable to the “Tower Deal”.

Balanced at equity the “Tower Deal” leads to a quarterly EBITDA of **91.2 million euros** at freenet.

“Tower Deal” means the sale of passive network infrastructure (antenna masts) by Sunrise to Swiss Tower AG in August.

1) Based on a quarterly weighted exchange rate.

Thank you.

Hollerstrasse 126
24782 Büdelsdorf
www.freenet-group.de

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