

MANAGEMENT PRESENTATION

Q2 Results for 2020

CHRISTOPH VILANEK, CEO

INGO ARNOLD, CFO

12.08.2020 Analyst and Investor Conference Call

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AGENDA

1 COVID-19 & ACHIEVEMENTS Q2/H1

C. VILANEK, CEO

2 FINANCIALS Q2

I. ARNOLD, CFO

3 Q&A SESSION

MAJOR KPIs SHOW RESILIENCE FOR H1 20

1,271.0 mEUR

REVENUES

8,490,000

SUBSCRIBER BASE

213,9 mEUR

EBITDA

4,014

EMPLOYEES

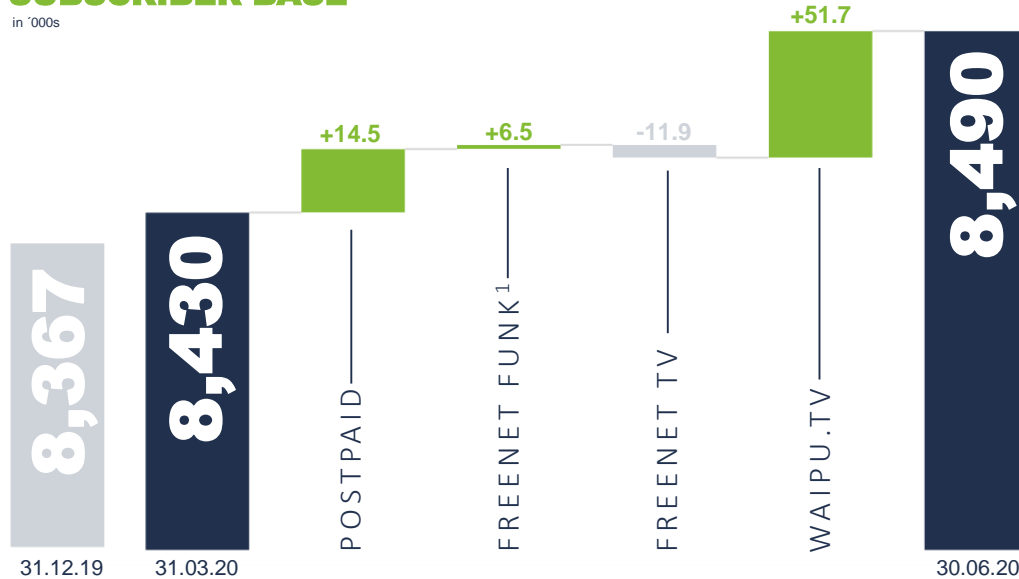
140,7 mEUR

FREE CASH FLOW

GROUP SUBSCRIBER BASE GROWS BY +60,800 IN Q2

SUBSCRIBER BASE

in '000s



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

6,939,400

POSTPAID CUSTOMERS

41,800

FREENET FUNK (active, not pausing)

1,005,000

FREENET TV CUSTOMERS (revenue generating)

504,100

WAIPU.TV SUBSCRIBERS

COVID-19 IMPACTS IN MANY WAYS

POSITIVE NOTION

- Robustness of a business model becomes particularly evident in times of crisis – freenet's strategic focus on long-term customer/ revenue relationships and a flexible cost structure pay off
- Crisis-induced operational unevenness compensated on an ad-hoc basis without jeopardizing future business development
- More than 50% of customers are gained online - more than 70% of sales transactions are supported by digital captive channels

CRITICAL ASPECTS

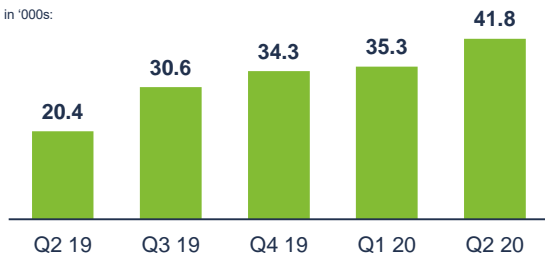
- Digital Lifestyle revenues slightly down due to less physical sales
- Postpaid ARPU down as a result of lower roaming revenues
- Increased bad debt in B2B-business
- More competition online drives SACs for the channel

- Company and organization proves to be flexible and very transforming
- Group revenue and margins developed as expected though focus on taking all business opportunities to generate some frontload
- EBITDA overperforming thanks to short-term cost savings

FIRST FUNK, NOW FLEX – DIGITAL TARIFF PORTFOLIO SUPPLEMENTED

SUCCESS AT FUNK...

in '000s:



- First fully digital tariff and an inhouse solution

...USED TO DEVELOP NEW DIGITAL PRODUCT

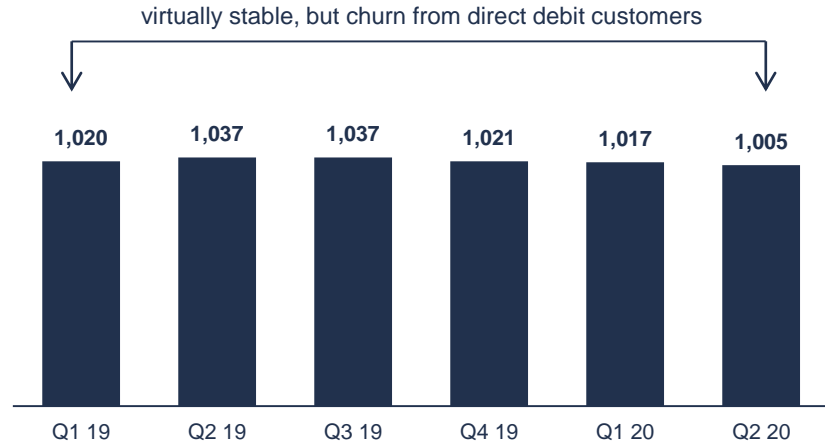
- Digital distribution via App-only (iOS and android)
- Tariff structure: 5GB LTE - 10GB LTE - 15GB LTE at 10 EUR - 15 EUR - 18 EUR; one-time-activation fee: 10 EUR
- Allnet flat voice and text with EU-data packages
- LTE 21.6 (5GB) and LTE 50 (10GB und 15GB) on Vodafone network



PRICES AT FREENET TV INCREASED

FREENET TV SUBSCRIBERS (RGU)

in '000s



- New prices as of May 1st plus 1,24 Euro (gross) per month with direct debit customers
- Exchange of prepaid vouchers not yet finished due to COVID-19 closing of retail; new price plus 16 Euro (gross) per annum
- Detailed analysis on churn only available by end of Q3, early indicators show relevant pay back
- Continuous switch-off of Satellite customers (-14,000 before end of 2020)
- Additional channel increased program offering of freenet TV: 'Comedy Central'



WAIPU.TV GROWTH SLIGHTLY ACCELERATED

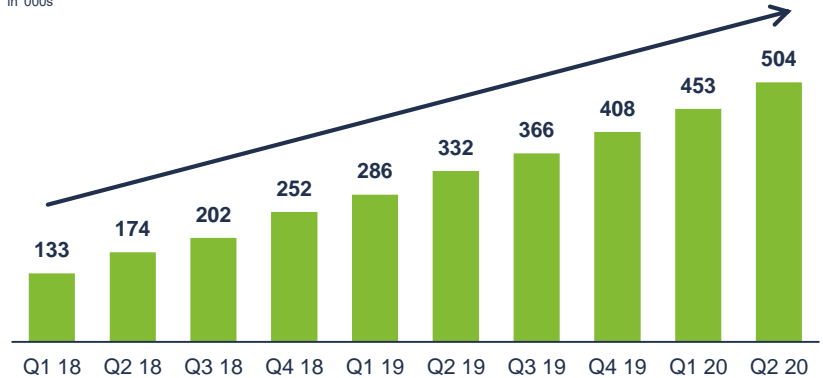
CONTINUOUS IMPROVEMENT IN Q2

- With addition of RTL's HD channels *RTL*, *RTL Zwei*, *Nitro*, *RTL Plus*, *N-TV*, *Super RTL*, *Toggo Plus*, *Vox* and *Vox Up* substantial channel line-up now available in HD quality
- Further new channel additions broadening content offering include *Motorvision TV*, travel documentary channel *tvtraveller* and recreational fishing channel *Wir Angeln*.
- Successful 'stay at home' TV campaign during German COVID-19 lock-down may have led to customer front loading

➔ **May and June were the first EBITDA positive months in waipu.tv's history**

WAIPU.TV SUBSCRIBERS

in '000s



Subscribers slightly above expectations (+172,200 or +51.9% yoy);
+51,700 subscribers gained in **Q2 20**

OUTLOOK FOR 3RD QUARTER

MOBILE SEGMENT

- Second half of June and first 2 weeks of July signal a path back to normal though direct channels will remain more important
- Churn intake was lower during shutdown, levels normalize as well; overall we perceive a lower rotational churn than before
- Up- and cross-selling is more challenging due to more online and shorter sales sessions in the stores as a result of hygiene guidelines
- ARPU in Q3 is expected to be impacted by missing roaming revenues again

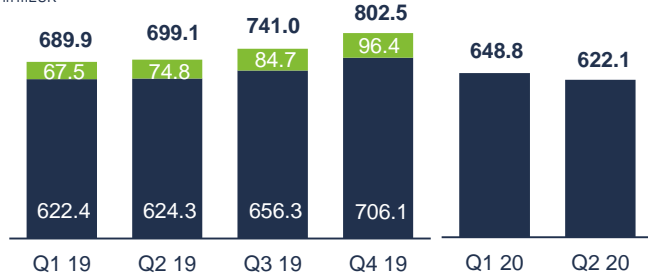
TV AND MEDIA SEGMENT

- freenet TV – price increase will become more visible and measurable since voucher due dates mainly in July and August
- In general TV lacks major events such as Olympic Games or Football tournaments which lowers attention and likelihood of cord cutting and dish dismantling
- Missing events leads to an almost shut down of event-unit in Media Broadcast
- DAB – 2nd Bundesmux will launch in Q4 with 12-16 new broadcasting customers, technical preparation will happen in Q3

STEADY AS IT GOES

REVENUE

in mEUR



GROSS PROFIT

in mEUR

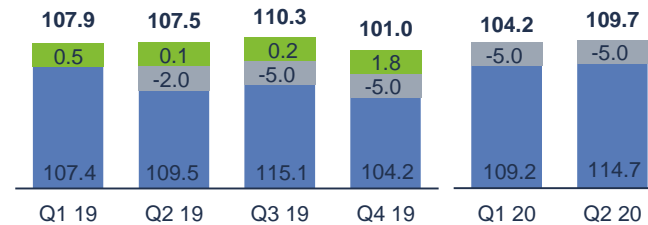


FIRST HALF-YEAR

- Revenue w/o Motion TM up 24.3 mEUR to 1.271 mEUR due to strong Q1 sales in Mobile segment; Q2 stable.
- Gross profit reported down to 425.7 mEUR (-4.7 per cent yoy) as expected due to different impacts within Mobile segment.
- Adjusted EBITDA increased though COVID-19 effects were included. Main driver: cost savings and a consequent cost discipline.

EBITDA

in mEUR

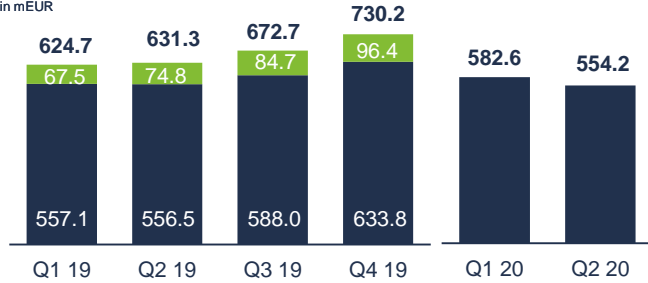


- Gross Profit w/o Motion and reg. effects
- EBITDA w/o Motion and reg. effects
- International calls/ roaming
- Motion TM

MOBILE SEGMENT PERFORMED STABLE

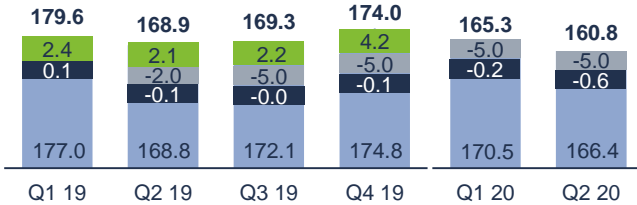
REVENUE

in mEUR



GROSS PROFIT

in mEUR

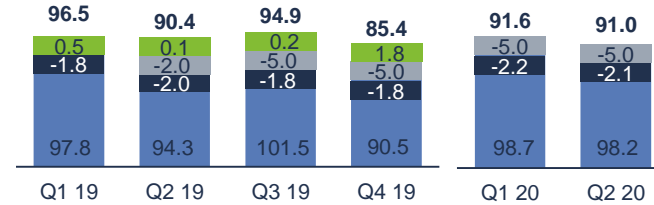


NO COVID-19 IMPACT VISIBLE

- Revenue w/o Motion TM up 23.2 mEUR to 1,136.8 mEUR due to strong Q1 hardware sales (Gravis); Q2 developed stable.
- Reported gross profit declined by 22.3 mEUR (-6.4 per cent yoy) to 326.1 mEUR due to the impact of international calls (-8.0 mEUR), de-consolidated Motion TM (-4.6 mEUR), and an extra-ordinary hardware bonus received in Q1 19 (-6.0 mEUR).
- Adjusted EBITDA reported at 196.9 mEUR increased by 4.8 mEUR compared to the same period last year (192.1 mEUR) mainly based on cost savings.

EBITDA

in mEUR

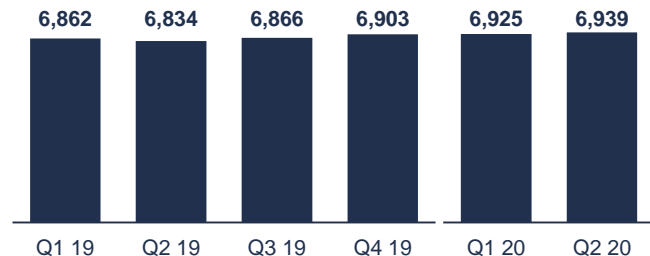


- Gross Profit w/o Motion and reg. effects
- International calls/roaming
- Motion TM
- Inter-segment allocation
- EBITDA w/o Motion, reg. effects and inter-segment allocation

POSTPAID CUSTOMER BASE GROWING DESPITE COVID-19 IMPACTS

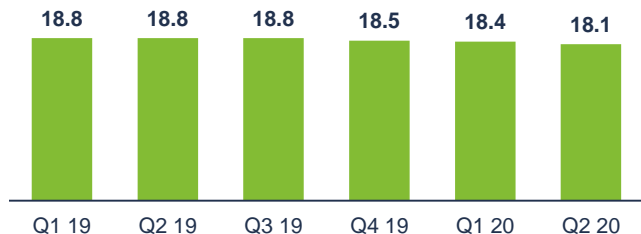
POSTPAID CUSTOMERS

in '000s



ARPU POSTPAID

in EUR



DEVELOPMENT WITHIN GUIDANCE

- Despite negative effects from COVID-19 in Q2 number of postpaid customer increased based on online sales strength.
- ARPU decline reflecting regulation as in quarters before. In addition, ARPU burdened by less roaming revenues (no relevant EBITDA effect).
- Revenues from Digital Lifestyle products decreased slightly by 0.9 mEUR (-1.1 per cent) compared to H1 19. COVID-19 shutdown of retail chain was the main reason for first slight decline in DLS history.

DIGITAL LIFESTYLE (DLS) REVENUES

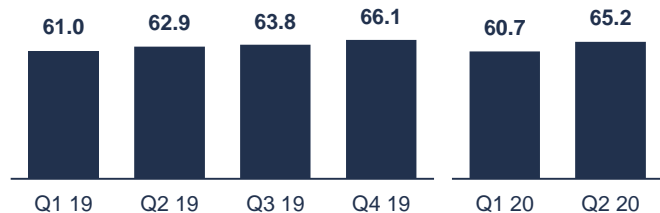
in mEUR



TV & MEDIA SLIGHTLY UP DESPITE COVID-19 IMPACTS

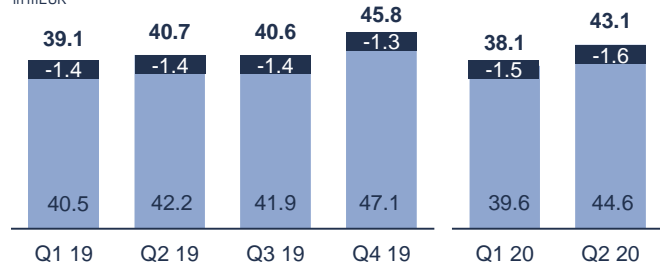
REVENUE

in mEUR



GROSS PROFIT

in mEUR

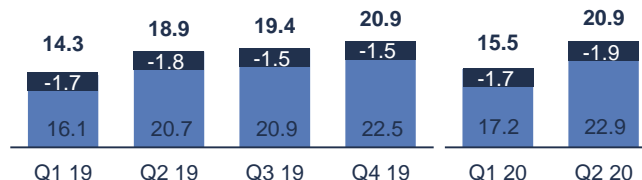


EXPECTATIONS MET IN ALL AREAS

- Revenues in the TV & Media segment increased by 1.6 per cent or 2.0 mEUR yoy to 125.9 mEUR mainly due to EXARING (waipu.tv).
- Gross profit increased by 1.3 mEUR yoy as a result of the positive EXARING contribution.
- EBITDA develops in line with gross profit, cost base slightly improve.

EBITDA

in mEUR

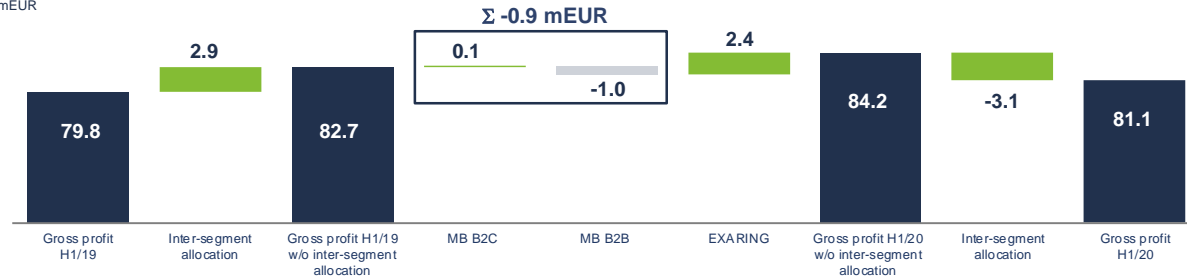


- Gross Profit w/o inter-segment allocation
- EBITDA w/o reg. effects and inter-segment allocation
- Inter-segment allocation

TV & MEDIA - RESULTS IMPROVE DUE TO GROWING IPTV BUSINESS

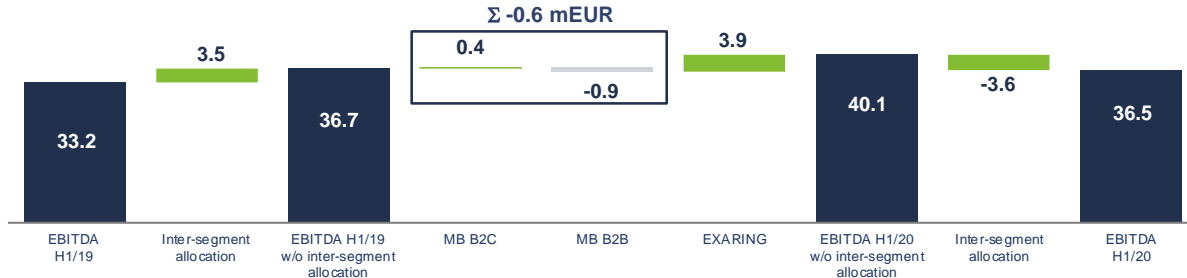
GROSS PROFIT H1 19 VS H1 20

in mEUR



EBITDA H1 19 VS H1 20

in mEUR

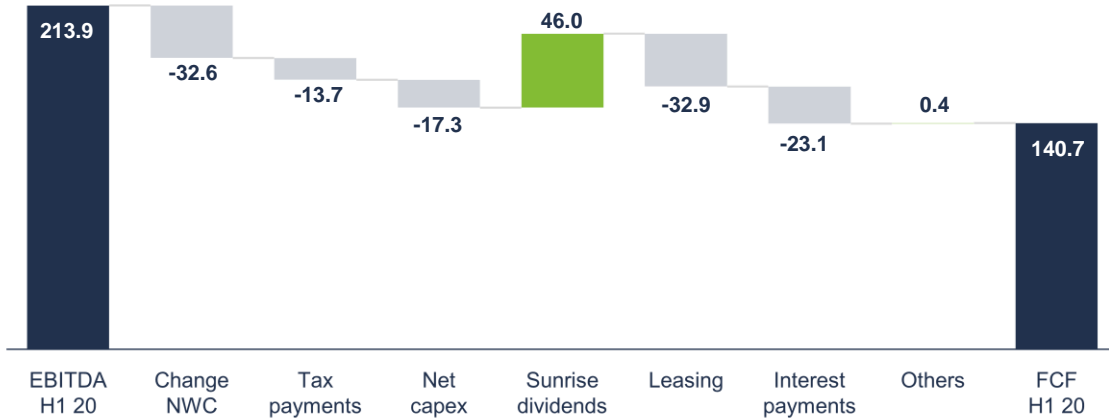


- Gross profit w/o inter-segment allocation rose by 1.5 mEUR to 84.2 mEUR mainly induced by:
 - Media Broadcast: lower profit from event business
 - EXARING: Higher B2C revenues due to higher number of paying user
- EBITDA w/o inter-segment allocation increased by 3.3 mEUR to 40.1 mEUR due to:
 - Media Broadcast: Negative gross profit effect partially compensated by lower marketing spending
 - EXARING: Higher B2C revenues and lower marketing spending lead to positive EBITDA development

POSITIVE WORKING CAPITAL EFFECTS EXPECTED TO PHASE OUT IN H2

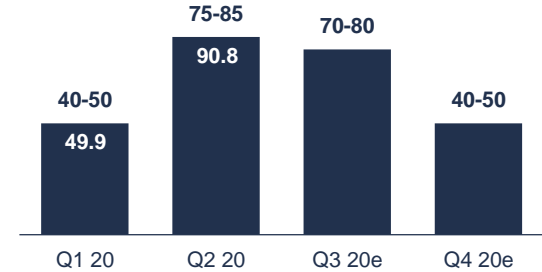
FREE CASH FLOW (FCF)

in mEUR



EXPECTED VS ACTUAL QUARTERLY BREAKDOWN

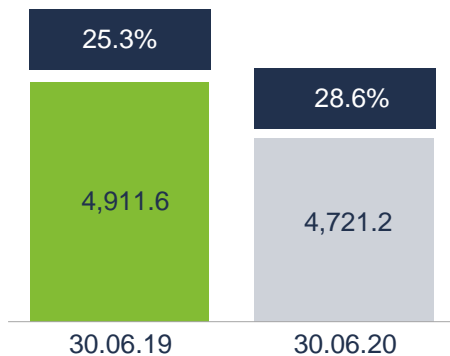
in mEUR



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

TOTAL ASSETS & EQUITY RATIO

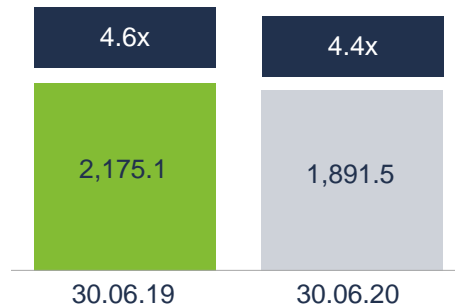
in mEUR/ as indicated



Equity ratio rose primarily due to the dividend suspension resulting in an increase of the equity base

NET DEBT & LEVERAGE*

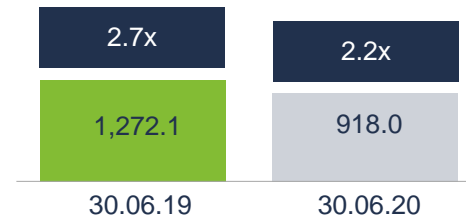
in mEUR/ as indicated



Leverage was also gradually improved due to the dividend suspension and the continued strong free cash flow generation

ADJ. NET DEBT & LEVERAGE*

in mEUR/ as indicated



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

* The last twelve months (i.e. July 2019 to June 2020 or July 2018 to June 2019 for the previous year) are used for the period-related parameter EBITDA.

PROMISSORY NOTE LOAN SUCCESSFUL DESPITE DIFFICULT MARKET ENVIRONMENT

KEY POINTS

- Volume: 345.0 million Euros in 3 tranches
- Duration: 3.5 to 6.0 years
- Ø Interest rate: 1.61 per cent
- Step-down of 0.30 per cent points if leverage <3.0x
- Upfront fee: 0.6 per cent = 2.1 mEUR + 0.3 mEUR for additional costs and redeeming fee
- SSD with maturity 03.03.2021: 228.0 mEUR early redemption in 2020
- Joint Lead Managers: BayernLB, LBBW, Nord/LB, UniCredit

HIGHLIGHTS

- Targeted volume of 300 mEUR exceeded by 15 per cent
- Order book was already above the 300 million Euro hurdle after two weeks
- Allocation "at the lower end" of the marketing range
- Documentation and interest rate level comparable to the 2018 SSD
- Funds are used to refinance the maturing promissory note loans



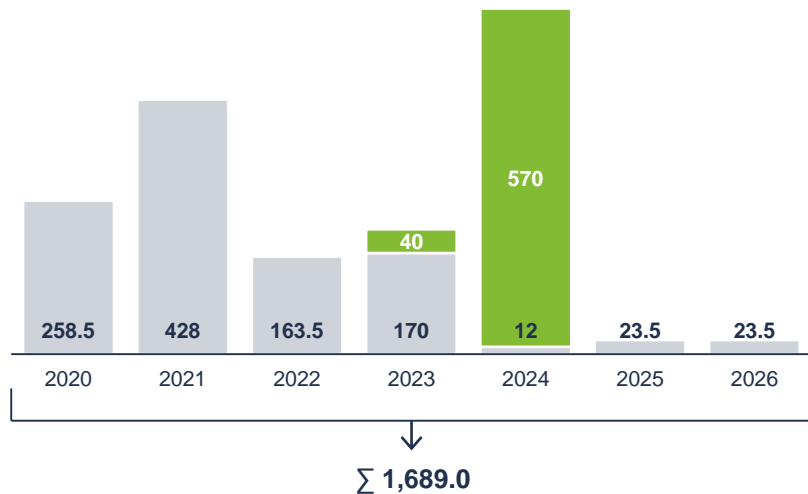
Financial situation eased sustainably – dividend policy of 80 per cent of free cash flow hence confirmed with even more confidence

REFINANCING SIGNIFICANTLY SMOOTHES MATURITY STRUCTURE

BEFORE REFINANCING

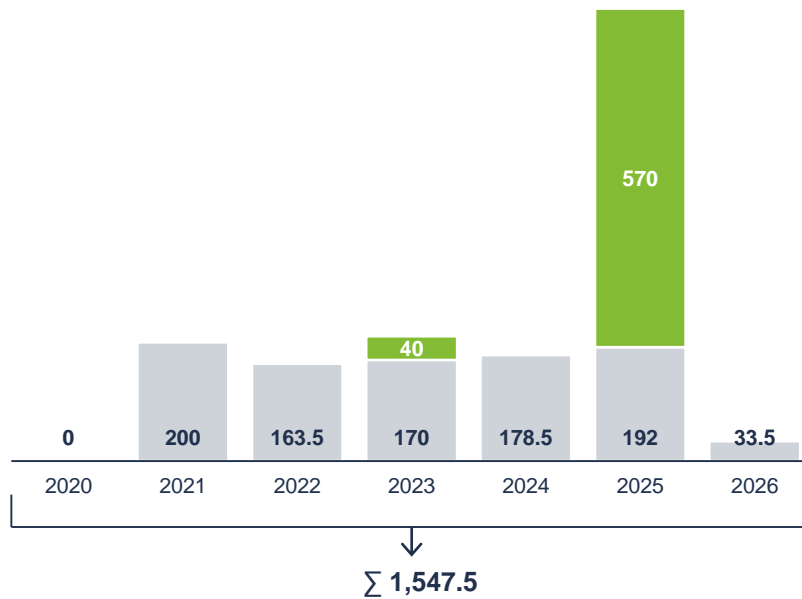
in mEUR

- Promissory Notes
- Syndicated Loan (excl. 300 mEUR RCF)



AFTER REFINANCING

in mEUR



MEASURES TAKEN RE-SHAPED FREENET'S FINANCIAL ARCHITECTURE

1 - DIVIDEND SUSPENSION

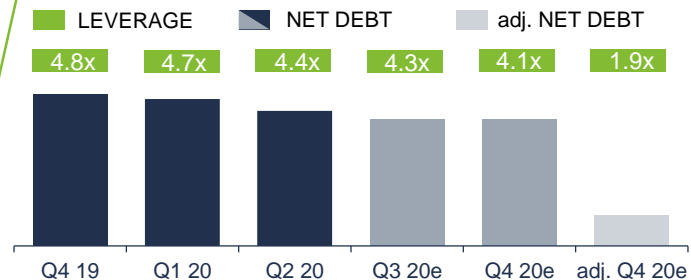
- Increased uncertainty and volatility caused by COVID-19
- Despite operational stability and convinced of the crisis resilience of freenet's business model
- 700 mEUR or c. 40% of borrowings were due within 12 month
- Avoided challenging refinancing conditions and prevented freenet from distress

2 - REFINANCING

- freenet used the opportunity to refinance before maturity
- SSD in the amount of 345.0 mEUR in 3 tranches – comparable margins to current conditions
- Significant decrease of short-term financing requirements
- No need for state aid and smoothing of maturity structure

LEVERAGE & NET DEBT FORECAST

- Strengthened capital base reached by these two measures
- Both leverage and net debt decreased significant
- Further decline expected until end of FY 2020

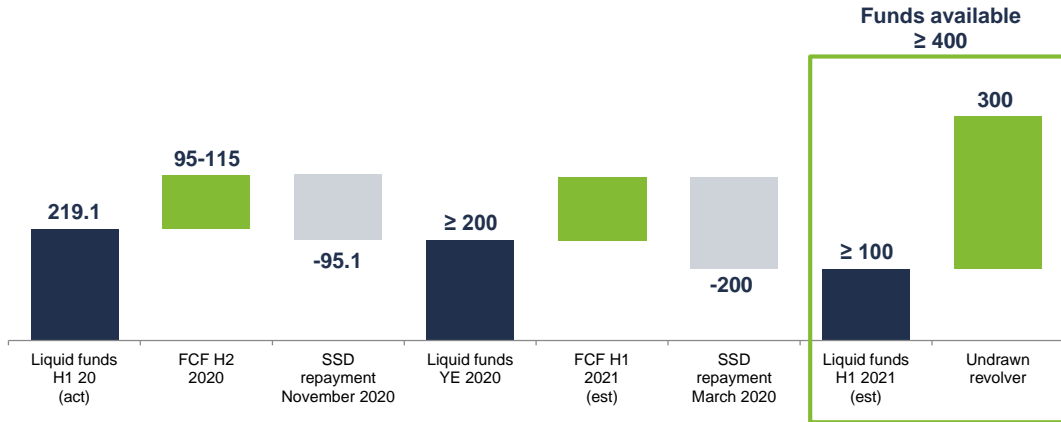


Leverage ratio is expected to improve by 0.7x EBITDA by end of the year; incl. market value of equity investments (mainly Sunrise; share price 30.6.2020) leverage will be at 1.9x EBITDA – even below sector average

DIVIDEND 2021 NOT IN JEOPARDY DUE TO STRONG LIQUIDITY POSITION

EXPECTED DEVELOPMENT OF LIQUID FUNDS

in mEUR



CONFIRMED DIVIDEND POLICY

Free Cash Flow Guidance 2020:
235-255 mEUR

80%

Base dividend (guaranteed)
188-204 mEUR / ~1.47-1.60 EUR/share

OPEN FOR YOUR QUESTIONS.

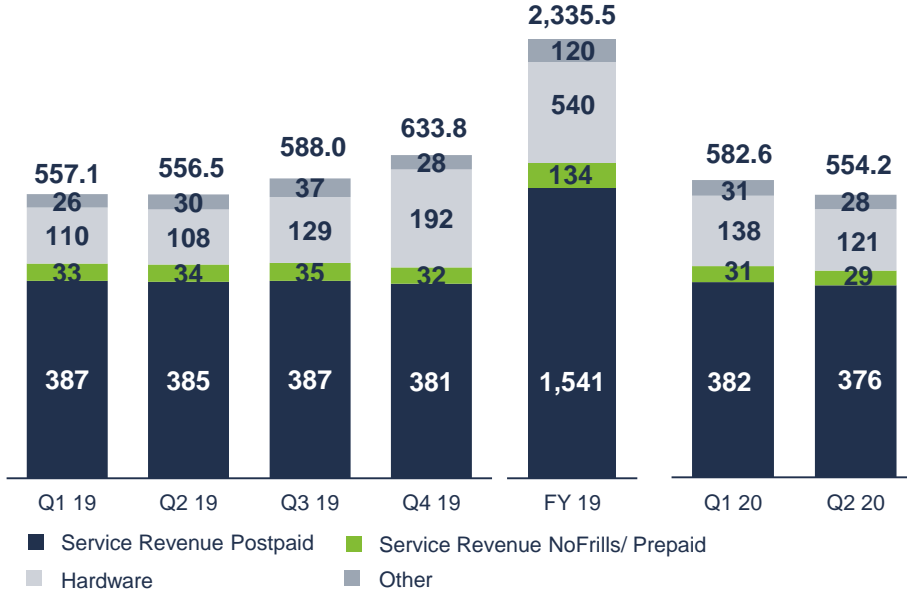
FOR FOLLOW-UP QUESTIONS REACH OUT TO:

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MOBILE – DETAILED REVENUE SPLIT

REVENUES W/O MOTION TM

in mEUR



STABLE BUSINESS OUTLOOK FOR ALL CUSTOMER SEGMENTS REITERATED...

confirmed
11 August
2020

GUIDANCE 2020

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

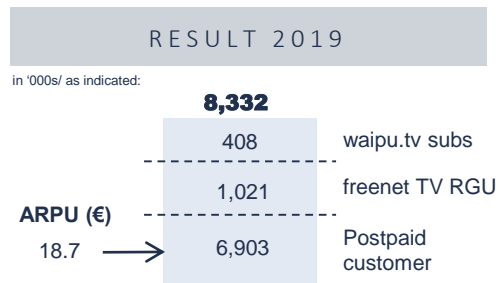
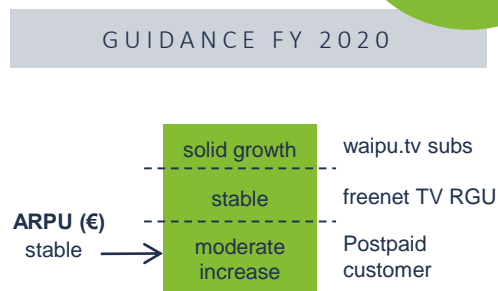
FREENET SUBSCRIBERS

- 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

SUBSCRIBER
(w/o freenet FUNK)



...GROUP GUIDANCE CONFIRMED

confirmed
11 August
2020

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

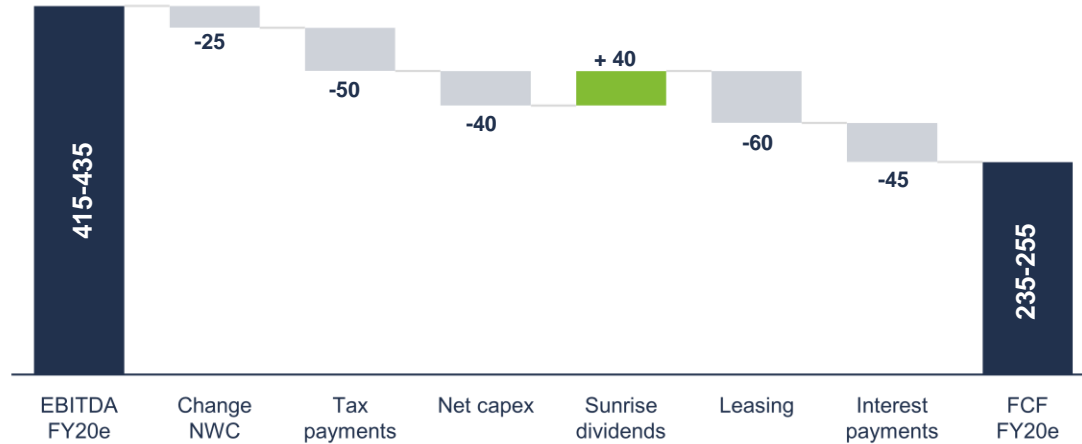
RESULT 2019

249.0

FREE CASH FLOW BRIDGE AND QUARTERLY BREAKDOWN IN FY 2020

FREE CASH FLOW (FCF) FY 2020

in mEUR



QUARTERLY BREAKDOWN

in mEUR

