

## Corporate News

### **In the third quarter of 2017, freenet AG increases revenue and earnings, upgrades its 2017 target for the number of freenet TV customers, and achieves long-term assurance for the sales partnership with Media Saturn**

- **EBITDA without Sunrise of 110.1 million euros approximately 1.9 per cent higher than the comparison quarter (previous year: 108.2 million euros); this does not include the EBITDA contribution of 103.6 million euros from the Sunrise participation**
- **Group result increases by around 170 per cent to 157.1 million euros (previous year: 58.0 million euros); without Sunrise group result would be 53.5 million euros (+5.7 million euros or +10.8%)**
- **Free cash flow improves by 16.0 million euros to 87.3 million euros (previous year: 71.3 million euros)**
- **Based on the current figure of 875,000 paying freenet TV customers, the target for the whole of 2017 has been increased to around 950,000**
- **Cooperation agreement with Media-Saturn Deutschland GmbH has been prolonged ahead of schedule until September 2022**

**Büdelsdorf, 9 November 2017** – In a quarterly release published today, freenet AG [ISIN DE000A0Z2ZZ5] has announced its results of the third quarter of 2017 and has not changed its guidance for the financial years 2017 and 2018.

Following a positive first half in 2017, the Group succeeded in increasing its key financials in the third quarter of 2017 compared with the corresponding previous year period. Group revenue in the third quarter of 2017 improved by 1.5 per cent compared with the corresponding previous year period, to 880.1 million euros (previous year: 867.2 million euros). This increase in revenue was primarily attributable to the increase in customer ownership in the company's core business of Mobile Communications (9.60 million customers compared with 9.47 customers in the previous year), the stable

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postpaid ARPU of 21.7 euros (previous year: 21.6 euros) as well as the stronger Digital Lifestyle revenues.

Gross profit has also increased to 239.5 million euros - and is thus 5.5 million euros higher than the figure reported for the corresponding previous year quarter (previous year: 234.1 million euros). The gross profit margin has increased by 0.2 percentage points to 27.2 per cent. Both positive developments are essentially attributable to the increase of 6.3 million euros in gross profit in the TV and Media segment, which is reported at 42.0 million euros compared with 35.7 million euros in the previous year.

The third quarter of 2017 also saw an increase of 80.9 per cent in Group EBITDA compared with the same previous year period, to 213.7 million euros (previous year: 118.2 million euros). This increase was mainly attributable to the Mobile Communications segment (205.5 million euros, Q3/2016: 112.3 million euros) as well as the TV and Media segment (10.7 million euros, Q3/2016: 8.3 million euros). The Mobile Communications segment generated 103.6 million euros (Q3/2016: 10.0 million euros) from the participation in Sunrise Communications Group AG - mainly due to the one-off profit from Sunrise in the amount of 420 million Swiss Francs relating to the sale of Swiss Towers AG to a syndicate of buyers ("Tower Deal").

As a result of slightly higher depreciation of property, plant and equipment in the TV and Media segment, depreciation and impairments have increased by 2.4 million euros compared with the previous year quarter, to 34.3 million euros.

A positive development has also been reported for Group result, which in the reporting quarter increased to 157.1 million euros compared with the corresponding previous year figure of 58.0 million euros. At 1.25 euros, earnings per share (diluted and undiluted) are also higher than the corresponding previous year figure of 0.47 euros per share (diluted and undiluted).

There has also been a significant increase of 16.0 million euros in free cash flow<sup>1</sup>, to 87.3 million euros (previous year: 71.3 million euros); this is mainly attributable to a reduction of 16.6 million euros in the increase in net working capital.

The decline in net debt to 634.9 million euros (previous year: 787.7 million euros) is mainly attributable to the free cash flow generated in the past quarter and also to the increase in the share price of Sunrise Communications Group AG.

In the company's core business of Mobile Communications, the increase in postpaid customers (valuable customers with a two-year contract) to 6.65 million customers (previous year: 6.43 million) has once again confirmed the growth in customer ownership, which has been expanding continuously for the past five years. In the third quarter, postpaid ARPU (average revenue per user) increased slightly to 21.7 euros (previous year: 21.6 euros). The reporting quarter also saw an increase in no-frills ARPU to 2.9

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euros (previous year: 2.5 euros) as well as an increase in prepaid ARPU to 3.3 euros (previous year: 3.2 euros).

The third quarter of 2017 has also seen a positive development in the key financials in the TV and Media segment. The latest figures for freenet TV customers (as of 30 September 2017) have confirmed that demand in the market has been strengthening since the product was launched in the first quarter of 2017. At the end of the third quarter of 2017, the number of paying freenet TV customers amounted to approximately 875,000, and had thus already attained the planned target for the whole of 2017. The target for the end of 2017 has accordingly been increased to around 950,000 freenet TV customers. In addition to the freenet TV product, the IPTV product has also reported an increase in the number of users. Originally launched at the end of September 2016, waipu.tv reported approximately 340,000 users as of 30 September 2017 (previous year: 8,200 users). The number of households which have decided to use one of the pay-monthly packages increased to approximately 70,000 in the third quarter of 2017 (previous year: approximately 700).

"The very good figures in the TV and Media segment confirms the strong customer demand for our DVB-T2 product freenet TV as well as our IPTV product waipu.tv. The year, which has so far been successful, confirms our optimistic expectations for our TV business, and also our guidance for the whole of 2017 which we have already exceeded in this segment. We are also very positive with regard to the prolongation of the agreement with Media-Saturn Deutschland GmbH, with which we will strengthen our high street operation as a strategic addition to our own activities in retail business, thus providing us with long-term planning assurance", says Christoph Vilanek, CEO of freenet AG.

With two major events after the reporting date 30 September 2017, freenet AG has further strengthened its position. Firstly, on 16 October 2017, the wholly-owned subsidiary mobilcom-debitel GmbH prolonged the existing cooperation agreement with Media-Saturn Deutschland GmbH ahead of schedule by a further five years. Secondly, in mid-October 2017, freenet AG substituted the bridging finance arrangement which had been in place since March 2016 with a syndicated five-year bank loan with a nominal volume of 710.0 million euros which is due to mature in October 2022. freenet AG has thus achieved long-term financing assurance.

Joachim Preisig, CFO of freenet AG, comments on the results as follows: "The results in the third quarter of 2017 demonstrate the generally positive development of freenet AG. The increase in free cash flow as well as the resultant reduction in net debt have fulfilled our expectations. Our successful finance strategy forms the basis for attaining our operating targets."

In view of the development of the key performance indicators for the financial year 2017 and also in view of the prospects for the financial year 2017, freenet AG is forecasting slightly higher Group revenue compared with the previous year. The company also expects to see Group EBITDA increase to

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approximately 410 million euros for the current financial year, and is also predicting a further slight increase in Group EBITDA for 2018. freenet AG is planning free cash flow of approximately 310 million euros for the whole of 2017, and is also predicting a slight increase in 2018. Group EBITDA and free cash flow are managed without taking account of the freenet AG's share of profit relating to Sunrise Communications Group AG and also without taking account of the dividend payment of Sunrise Communications Group AG<sup>2</sup>. Accordingly, neither the anticipated EBITDA contribution from the holding of freenet AG in Sunrise Communications Group AG nor any contribution resulting from this holding to the free cash flow of freenet AG are included in guidance or rather prospects for the financial year 2017 or for 2018.

*1) Free cash flow is defined as cash flow from operating activities less investments in property, plant and equipment and intangible assets, plus inflows from disposals of intangible assets and property, plant and equipment.*

*2) Since 24 March 2016, Sunrise Communications Group AG has been included as an associated company in the consolidated financial statements of freenet AG.*

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