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With a record result, freenet AG has met guidance for 2017, proposes a further increase in dividend and forecasts a stable growth for 2018

- **Total revenue increases by 4.3 per cent to 3.507 billion euros (previous year: 3.362 billion euros)**
- **Strong increase of 23.3 per cent in EBITDA[1] to 541.2 million euros (previous year: 438.8 million euros)**
- **Free cash flow[2] increases slightly to 342.8 million euros (previous year: 341.5 million euros)**
- **Continuation of dividend policy based on shareholder value, with a proposed dividend increase to 1.65 euros for 2017**
- **Guidance for 2018 upgraded in view of a stable mobile communication business and growth prospects in the TV and Media segment**

Büdelsdorf, 1 March 2018 – With the preliminary figures for the financial year 2017, freenet AG [ISIN DE000A0Z2ZZ5] has presented a continuation of its successful business development, in which the targets for 2017 have been met and even exceeded. At 3.507 billion euros, **preliminary total revenue** has increased by 4.3 per cent compared with the previous year (3.362 billion euros). This growth was driven primarily by the increase in revenue in the stable and predominant core business of mobile communications and also in the TV and Media segment which has reported an excellent performance.

Revenue in the mobile communications segment has increased to 3.199 billion euros, representing an increase of 2.3 per cent compared with the previous year (3.126 billion euros). This positive development is based essentially on the increase in valuable postpaid and no-frills customer ownership to 9.59 million customers at the end of 2017 – an increase in total of approximately 60,000 customers (previous year: 9.53 million customers). Compared with the previous year (6.51 million), the number of valuable postpaid customers increased by 198,000 (+3.0 per cent) to 6.71 million customers. In line with expectations, monthly average revenue per user (postpaid ARPU) amounted to 21.4 euros, and was precisely in line with the previous-year figure (21.4 euros). In addition, no-frills ARPU has increased strongly by 0.4 euros from 2.4 euros in the previous year to 2.8 euros in 2017. Additionally, mobile communications revenue also benefitted from an increase in revenue generated by the **sale of hardware and digital lifestyle products**.

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Revenue in the TV and Media segment increased by 34.7 per cent compared with the previous year, and amounted to 294.8 million euros in 2017 (previous year: 218.9 million euros). The development in the number of **freenet TV** subscribers has also been very positive. At the end of December 2017, the number of subscribers was approximately 975,000, and exceeded the original target of 800,000 planned for the end of the year as well as the subsequently adjusted target of 950,000 subscribers. With regard to the IPTV product **waipu.tv**, the expected number of paying subscribers (more than 100,000) was also attained with approximately 102,000. With 464,000 registered customers (excluding 76,000 pre-registered customers), the company almost attained the forecast figure of 500,000 customers.

EBITDA increased strongly by 102.4 million euros to 541.2 million euros due to the one-off effect of the “Sunrise Tower Deal”, and was thus considerably higher than the previous-year figure of 438.8 million euros. EBITDA exclusive Sunrise amounted to 408.0 million euros, representing an increase of 5.7 million euros compared with the previous year. The gross profit, which increased by 5.7 per cent to 949.8 million euros (previous year: 898.7 million euros) made a major contribution in this respect. The TV and Media segment accounted for a considerable part of this development. Compared with the previous year, the segment gross profit increased by 50.1 per cent to 166.4 million euros (previous year: 110.8 million euros).

Depreciation and impairment write-downs increased by 23.9 million euros compared with the previous year, to 148.2 million euros. This development is primarily attributable to the full-year consolidation of the Media Broadcast Group in 2017 as well as the accelerated depreciation of VHF installations as a result of the digital strategy which is pursued by the company.

There was a positive development in **group result**, which in the reporting year increased by 27.3 per cent compared with the previous year, to 275.6 million euros (previous year: 216.4 million euros). The group result benefitted significantly from the one-off effect of the “Sunrise Tower Deal”. At 2.24 euros, earnings per share (diluted and undiluted) are also higher than the corresponding previous-year figure (1.78 euros per share diluted and undiluted).

In the reporting period, **free cash flow** was stable at 342.8 million euros (previous year: 341.5 million euros). Even if the dividend payment of 34.4 million euros received from Sunrise is eliminated, the forecast figure of approximately 310.0 million euros is attained.

Net debt[3] declined considerably, falling by 29.7 per cent from 725.8 million euros as of 31 December 2016 to the current figure of 510.0 million euros at the end of the financial year 2017. The debt ratio[4] declined accordingly to 0.9 (previous year: 1.7) – which was even slightly lower than the target range (1.0-2.5). The decline in net debt and debt ratio is primarily attributable to the increase in the Sunrise share price as well as its much higher EBITDA contribution.

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“The financial year 2017 was characterised by a **sound development in operations**, which is reflected in the positive development in our revenue and earnings and the associated success in meeting and even exceeding guidance for the financial year 2017”, says **Joachim Preisig**, CFO of freenet AG.

Particularly relevant developments in the freenet Group in the year 2017 were the **prolongation** (ahead of schedule) of the existing **co-operation agreement** with **Media-Saturn Deutschland GmbH** by a maximum of five years, the strategic **co-operation with Amazon** in the IPTV field, the increase in shares in **EXARING AG** to 50.01 per cent as well as the start of the B2C business at the Media Broadcast Group. Particular mention also has to be made of the **refinancing** of the bridge financing arrangement, which had been in place since March 2016 and which was due in March 2019, being replaced by a syndicated five-year bank loan. The amortising loan of 610 million euros as well as the revolving credit facility of 100 million euros were prolonged until October 2022 subject to much improved interest conditions as well as other contractual terms.

“We are very satisfied particularly with the successful development of our TV and Media segment. The positive figures illustrate the increasing customer demand for our TV products, and thus underline the attractiveness and quality of our range of products and services. For instance, within only nine months after the launch of the DVB-T2 product freenet TV, we were able to gain approximately one million paying customers. In addition, our product waipu.tv has become the market leader in the IPTV market within only nine months. This provides further confirmation of the strategy which we have adopted – namely that of positioning ourselves as a digital lifestyle provider”, adds **Christoph Vilanek**, CEO of freenet AG.

The freenet Group continues to pursue its constant **dividend policy** which focusses on shareholder value and provides for a dividend of between 50 and 70 per cent of annual free cash flow being paid out to its shareholders. The Executive Board will accordingly propose to the Supervisory Board the payment of a dividend of 1.65 euros per eligible share for the financial year 2017, representing a pay-out ratio of 61.6 per cent of the free cash flow generated in 2017. The Executive Board has thus again delivered the prospect of a dividend payment to its shareholders which has again increased compared with the previous year.

For the **financial year 2018**, the company aims to achieve – without taking into account IFRS 15 changeover effects – stable group revenue, EBITDA exclusive Sunrise of between 410 million euros and 430 million euros and a free cash flow exclusive Sunrise of between 290 million euros and 310 million euros. Postpaid ARPU and customer ownership are expected to be stable in 2018, whereby the particularly valuable customer base is expected to rise further. In TV business, the Group intends to expand the range of products which it offers, and expects to see an increasing number of subscribers for both TV products.

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Within the context of this guidance for 2018, the Executive Board has confirmed its current finance strategy, and aims to achieve a target range of 1.0 to 2.5 for the debt ratio (unchanged), interest cover (ratio between EBITDA and net interest income) greater than 5.0, a liquidity reserve of 100 million euros as well as an equity ratio of more than 50 per cent.

The **changeover** to the new accounting standard **IFRS 15** in the financial year 2018 will probably not have any significant impact on gross profit, EBITDA, EBIT, EBT as well as consolidated earnings. However, changes in presenting commissions and bonuses received from network operators will lead to major reclassifications within gross profit – i.e. revenue is expected to be approximately 700 million euros lower as a result of the changeover. The process of changing over to IFRS 15 will also be reflected by an increase of approximately 380 million euros in the balance sheet total. Notwithstanding the above, the amount of free cash flow will not be affected by the changeover effects.

The freenet Group will present **the definitive financial figures for 2017** probably on **22 March 2018**.

1) Earnings before interest and taxes, including the earnings element of companies included using the equity method (EBIT), excluding depreciation and deferred taxes resulting from the subsequent recognition of companies included using the equity method and including write-downs and impairments.

2) Cash flow from operating activities, minus investments in property, plant and equipment and intangible assets, plus proceeds from the disposals of property, plant and equipment and intangible assets.

3) Long-term and short-term financial debt, less liquid assets, less the interest of the freenet Group in the market value of Sunrise Communications Group AG as of the reference date (source of price data: Bloomberg).

4) Ratio between net debt and EBITDA generated in the last 12 months.

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