

## Corporate News

# freenet AG confirms guidance for the financial year 2018 on the basis of stable results in all segments in Q1/2018

- Slight increase in total revenue to 873.7 million euros before IFRS 15 effects due to higher hardware revenue (Q1/2017: 838.0 million euros)
- After adoption of IFRS 15, the actual revenue disclosed is stated with 689.6 million euros
- Increase of 5.6 million euros in EBITDA<sup>1</sup> to 106.5 million euros (Q1/2017: 100.9 million euros)
- Further increase in postpaid customer base to 6.77 million customers (Q1/2017: 6.54 million customers); continuous increase in customer base in the TV and Media segment
- Confirmation of guidance for 2018

**Büdeltsdorf, 3 May 2018** – freenet AG [ISIN DE000A0Z2ZZ5] has today released a quarterly statement, announcing the results for the first quarter of 2018 and confirming the guidance for the financial year 2018.

In the first quarter of 2018, the Group has reported a further increase in its key performance indicators compared with the corresponding previous-year period. Due to the application of the new accounting standard IFRS 15 (which is mandatory since 1 January 2018), the first quarter of 2018 has for the first time seen a difference between the actual reported **revenue** and the revenue which would have resulted prior to IFRS 15. Without the effects of the change-over to IFRS 15, there would have been a slight increase of 35.7 million euros in revenue to 873.7 million euros (Q1/2017: 838.0 million euros) based on higher hardware sales. The decline in actual reported revenue of 689.6 million euros is exclusively a consequence of the application of the accounting standard IFRS 15.

In the Mobile Communications segment, **Customer Ownership** has increased by 0.4 per cent to 9.60 million customers (Q1/2017: 9.56 million customers). The therein included particularly valuable postpaid customer base increases by 3.6 per cent to 6.77 million customers (Q1/2017: 6.54 million customers) which confirms the stability of the company's core business. The monthly average revenue of the particularly valuable customers (postpaid ARPU) stabilised further at a level of 21.4 euros

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(Q1/2017: 21.1 euros), no-frills ARPU amounted to 3.2 euros (Q1/2017: 2.5 euros) and prepaid ARPU also amounted to 3.2 euros (Q1/2017: 3.0 euros). Without the effects of the change-over to IFRS 15, there would have been an increase of 42.2 million euros in **Mobile Communications revenue** to 805.0 million euros. The revenue actually reported as a result of the IFRS 15 change-over amounted to 621.0 million euros in the reporting quarter.

There was also a positive development in the first quarter of 2018 in the **key performance indicators** in the **TV and Media segment**. Both the DVB-T2 HD product freenet TV as well as the IPTV product waipu.tv have reported a **continuous increase in customer numbers** since they were launched. At the end of the first quarter of 2018, freenet TV reported 1.02 million subscribers – the forecast is for more than 1.2 million subscribers for the financial year 2018. The internet-based product waipu.tv reported more than 133,000 subscribers at the end of the reporting period, equivalent to an increase of approximately 31,000 (+ 30 per cent) subscribers in Q1/2018. At the end of the first quarter of 2018, the approximately 610,000 registered waipu.tv customers reflect the attractiveness and increasing popularity of the product and of the brand (Q1/2017: 147,100 registered customers). In the reporting quarter, **revenue** in the TV and Media segment amounted to 71.5 million euros, which was slightly lower than the level reported for the previous-year quarter (74.7 million euros) due to lower hardware and licence revenues in the DVB-T2 business.

The **group gross profit** of 223.5 million euros is slightly lower than the figure seen in the comparison quarter (227.0 million euros). Mainly as a result of IFRS 15, the gross profit margin increased by 5.3 percentage points to 32.4 per cent.

In the first quarter of 2018, **EBITDA** increased by 5.6 million euros compared with the same previous-year period, to 106.5 million euros (Q1/2017: 100.9 million euros). EBITDA exclusive Sunrise amounted to 96.6 million euros, representing an increase of 5.5 million euros compared with the previous-year quarter (Q1/2017: 91.1 million euros). This growth was essentially attributable to the Mobile Communications segment with 100.2 million euros (Q1/2017: 100.1 million euros), the TV and Media segment with 7.8 million euros (Q1/2017: 3.3 million euros), as well as the Other/Holding segment with -1.4 million euros (Q1/2017: -2.5 million euros).

The **depreciation and impairments** increased by 1.6 million euros to 36.6 million euros, mainly as a result of slightly higher depreciation on property, plant and equipment in the TV and Media segment compared with the previous-year quarter.

The syndicated amortising loan, which was concluded in October 2017 and which has a positive impact on interest expenses, as well as lower compounding of liabilities have had a positive impact on the development in net interest income. Accordingly, **net interest income** (defined as the balance of interest income and interest expenses) was disclosed with -10.9 million euros in the reporting quarter (Q1/2017:

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-12.4 million euros). A positive performance was also reported for the **consolidated result**, which increased by 5.0 million euros to 46.7 million euros in the reporting period compared with the previous year ((Q1/2017: 41.7 million euros). As was the case in the comparison period of the previous year, the consolidated profit has resulted exclusively from continued operations. At 0.39 euros, earnings per share (diluted and undiluted) are 0.04 euros per share higher than in the previous-year quarter.

**Free cash flow**<sup>2</sup> was stable in the reporting period at 54.8 million euros (Q1/2017: 56.4 million euros). **Net financial debt**<sup>3</sup> amounted to 596.7 million euros as of 31 March 2018, and was also roughly in line with the corresponding figure reported for the previous-year quarter (Q1/2017: 596.9 million euros). The debt ratio<sup>4</sup> amounted to 1.1 as of 31 March 2018 and was thus within the strategic range of 1.0 to 2.5 (as was also the case as of 31 March 2017).

**Joachim Preisig**, Finance & Controlling Director of freenet AG, comments on the results as follows: "With the change-over to the new accounting standard IFRS 15 as of 1 January 2018, there has been for the first time a difference between the revenue to be actual reported (taking account of IFRS 15) and the revenue which would have resulted without IFRS 15 effects – essentially as a result of network operator commissions which are received being reported as a reduction in cost of material, instead of being shown in revenue as has been the case previously. . However, compared with the previous-year quarter, revenue without IFRS 15 effects has increased slightly and has thus again shown that the business of freenet AG is stable and sound."

For the financial year 2018, freenet AG aims to achieve stable consolidated revenue before IFRS 15. However, as a result of the accounting standard IFRS 15 which has been applicable for the first time since 1 January 2018, reported revenue will be much lower. In addition, the company expects to achieve EBITDA exclusive Sunrise of between 410 million euros and 430 million euros as well as free cash flow exclusive Sunrise of between 290 million euros and 310 million euros. Postpaid ARPU and Customer Ownership are forecast to remain stable in 2018, whereby the particularly valuable postpaid customer numbers should continue to increase. In the TV business, the Group intends to expand its product offering, and expects to achieve more than 1.2 million freenet TV subscribers as well as more than 250,000 waipu.tv subscribers and a significant increase in the number of registered waipu.tv customers.

The **quarterly statement as of 31 March 2018** can be found under Investor Relations at <https://www.freenet-group.de/investor-relations/ir-mitteilungen/index.html>.

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1) *Earnings before interest and tax, incl. the share of result of associates accounted for using the equity method (EBIT) excl. depreciation and deferred taxes from the subsequent recognition of associates accounted for using the equity method and plus depreciation and impairments.*

2) *Cash flow from operating activities reduced by the investments in property, plant and equipment and intangible assets, plus the inflows from disposals of intangible assets and property, plant and equipment.*

3) *Long-term and short-term debt from the balance sheet, less cash and cash equivalents (net debt), less the interest of the freenet Group in the market value of Sunrise Communication 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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