

## Corporate News

# freenet AG reports stable figures in all segments in Q2/2018 and confirms guidance for the financial year 2018

- Increase in total revenue to 894.0 million euros before IFRS 15 (Q2/2017: 839.2 million euros)
- Increase of 9.6 million euros in EBITDA<sup>1</sup> to 117.9 million euros (Q2/2017: 108.4 million euros), included is a one-off effect from the partial sale of VHF infrastructure amounting to 7.3 million euros
- Further increase in particularly valuable postpaid customer base to 6.83 million customers (Q2/2017: 6.56 million customers)
- Continuous customer growth in the TV and media segment

**Büdelndorf, 8 August 2018** – freenet AG [ISIN DE000A0Z2ZZ5] has today released an interim report, announcing the results for the second quarter of 2018 and confirming the guidance for the financial year 2018.

In the second quarter of 2018, the Group achieved an increase in the key performance indicators compared with the corresponding previous-year period. Excluding the effects of the change-over to IFRS 15, **revenue** would have increased by 54.8 million euros to 894.0 million euros (Q2/2017: 839.2 million euros). The actual reported revenue of 696.6 million euros has declined by 142.6 million euros compared with the corresponding previous-year quarter exclusively as a consequence of the first-time application of the revenue recognition standard (IFRS 15).

In the **Mobile Communications** segment, **Customer Ownership** was stable at 9.57 million customers (Q2/2017: 9.59 million customers). The number of the therein particularly valuable postpaid customers increased by approximately 264,000 to 6.83 million customers during the past twelve months (Q2/2017: 6.56 million customers). At 21.5 euros, postpaid ARPU was slightly higher than in the corresponding previous-year period (Q2/2017: 21.4 euros). No-frills ARPU increased to 3.5 euros (Q2/2017: 2.7 euros), due to the optimisation and extension of the tariff portfolio. Without the effects of the change-over to IFRS 15, **Mobile Communications revenue** would have increased by 57.7 million euros to 814.6 million euros (Q2/2017: 756.9 million euros).

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The positive development of the **key performance indicators** in the **TV and Media segment** continued in the second quarter of 2018. freenet TV (DVB-T2 HD) as well as waipu.tv (IPTV) have recorded a **continuous increase in customer numbers** since they were launched. At the end of the second quarter of 2018, freenet TV reported 1.14 million subscribers. Compared with the previous quarter, the number of waipu.tv subscribers increased by 31 percent to approximately 174,000 subscribers at the end of the reporting period (Q1/2018: approximately 133,000 subscribers). In total, the approximately 824,000 registered waipu.tv customers reflect the considerable attractiveness of the product (Q2/2017: approximately 255,000 registered customers). In conjunction with the positive development in customer numbers, **revenue** in the **TV and Media segment** increased to 77.3 million euros compared with the corresponding previous-year quarter (Q2/2017: 74.7 million euros).

At 222.2 million euros, the **group gross profit** was slightly lower than in the corresponding previous-year quarter (Q2/2017: 231.6 million euros). However, the gross profit margin increased by 4.3 percentage points to 31.9 percent.

In the second quarter of 2018, **EBITDA** increased by 9.6 million euros compared with the same previous-year period, to 117.9 million euros (Q2/2017: 108.4 million euros). This result was attributable to the Mobile Communications segment with 101.3 million euros (Q2/2017: 99.9 million euros), the TV and Media segment with 13.0 million euros (Q2/2017: 10.5 million euros) as well as the Other/Holding segment with -3.7 million euros (Q2/2017: -2.0 million euros). Furthermore, there has been a one-off effect from a partial sale of VHF infrastructure amounting to an EBITDA of 7.3 million euros, which will however be compensated by correspondingly lower revenue in VHF in the further course of the year. **EBITDA exclusive of Sunrise** amounted to 108.1 million euros, representing an increase of 9.4 million euros compared with the previous-year quarter (Q2/2017: 98.6 million euros).

A positive development has been reported for **group result**, which increased by 11.1 million euros compared with the previous-year, to 61.3 million euros (Q2/2017: 50.2 million euros). With a stable **net interest income** compared with the previous-year period (Q2/2018: -12.1 million euros; Q2/2017: -12.2 million euros), the increase results from the positive development in operating business and also from the decline in **depreciation and impairments** due to the reduction in property, plant and equipment in the TV and Media segment (-4.7 million euros compared with the previous-year quarter). In the second quarter of 2018, **earnings per share (diluted and undiluted)** amounted to 0.50 euros and were thus 0.09 euros per share higher than in the previous-year quarter.

At 111.1 million euros, **free cash flow**<sup>2</sup> was slightly lower than in the previous-year quarter (Q2/2017: 124.7 million euros), but exceeded the half-year guidance by 3.9 million euros. As of 30 June 2018, **net debt**<sup>3</sup> amounted to 657.6 million euros, and was thus also lower than the figure reported in the previous-year quarter (Q2/2017: 714.2 million euros). The **debt ratio**<sup>4</sup> amounted to 1.2 as of 30 June 2018 and was thus within the strategic range of 1.0 to 2.5.

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**Joachim Preisig**, Chief Financial Officer of freenet AG, comments on the results as follows: "In the second quarter of 2018, our key performance indicators were again characterised by a stable and sound core business and an expanding TV and Media segment. The development in free cash flow confirms that we will continue in future to be able to pay a sustainable and stable dividend."

Our participation in CECONOMY AG, for which the transaction was completed after the reporting date 30 June 2018, has no impact on the forecast for the current financial year which remains unchanged. For the financial year 2018, freenet AG aims to achieve stable consolidated revenue before IFRS 15. In addition, the company expects to achieve EBITDA exclusive of Sunrise of between 410 million euros and 430 million euros as well as free cash flow exclusive of Sunrise of between 290 million euros and 310 million euros. Postpaid ARPU and customer ownership are forecasted to remain stable in 2018, whereby the number of particularly valuable postpaid customers is expected to increase further. In the TV business, the Group intends to expand its product offering, and expects to achieve 1.2 million freenet TV subscribers as well as 250,000 waipu.tv subscribers and a significant increase in the number of registered waipu.tv customers.

The **quarterly interim management report as of 30 June 2018** is available at Investor Relations under <https://www.freenet-group.de/investor/publications/index.html>.

1) *Earnings before interest and taxes, including the share of results of associates included using the equity method (EBIT) excluding depreciation and deferred taxes from the subsequent recognition of companies included using the equity method plus depreciation and impairments.*

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

3) *Long-term and short-term debt shown in the balance sheet, less cash and cash equivalents, less the share 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 achieved in the last 12 months.*

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