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EBITDA and free cash flow continue to be stable – further customer growth in all key segments

- Valuable postpaid customer group has increased by 3.4 per cent yoy to 6.87 million customers, with a stable ARPU of 21.9 euros
- EBITDA exclusive of Sunrise and profits of analogue radio sale stated at 302.2 million euros and therewith stable over the year compared to 2017 (299.9 million euros)
- Sale of the analogue radio business resulted in one-off EBITDA contribution of 18.4 million euros in Q3/2018
- At 87.7 million euros, free cash flow is in line with guidance communicated at the beginning of the year (85.0 million euros for Q3/2018)
- Development of all key performance indicators confirming guidance 2018

Büdelsdorf, 7 November 2018 – freenet AG [ISIN DE000A0Z2ZZ5] has today announced the results for the third quarter of 2018.

EBITDA and free cash flow performing as expected

Key financials group

In EUR million	Q3/2018	Q3/2017	in %	Q1-Q3/2018	Q1-Q3/2017	in %
Revenue (without IFRS 15 effects)	902.7	880.1	2.6%	2,670.3	2,557.4	4.4%
EBITDA exclusive of Sunrise and profits of analogue radio sale	104.8	110.1	-4.9%	302.2	299.9	0.8%
<i>plus Sunrise</i>	9.9	103.6	-90.5%	29.6	123.1	-76.0%
<i>plus analogue radio</i>	18.4	0.0	-	25.7	0.0	-
Free cash flow	87.7	87.3	0.5%	253.6	268.4	-5.5%

Revenue without IFRS 15 effects increased by 22.5 million euros to 902.7 million euros in Q3/2018. Taking into account IFRS 15, revenue in this period amounted to 717.0 million euros.

At 123.2 million euros, **EBITDA exclusive of Sunrise** was 13.0 million euros higher than in the previous-year quarter (Q3/2017: 110.1 million euros). The increase is attributable to a positive one-off effect of 18.4 million euros resulting from a further sale of analogue radio infrastructure. EBITDA exclusive of Sunrise and profits of analogue radio sale amounted to 104.8 million euros, and is thus slightly lower than the corresponding previous-year quarter level. Compared with the first nine months, EBITDA without the above mentioned effects has increased by approximately 1 per cent to 302.2 million euros.

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Based on the sound performance of the core business mobile communications, **free cash flow** shows a stable performance and, at 87.7 million euros, is inline to own expectations for Q3/2018 (85.0 million euros).

Postpaid customer group expanding continuously at 3.4 per cent yoy

Key financials mobile communications segment

In EUR million	Q3/2018	Q3/2017	in %	Q1-Q3/2018	Q1-Q3/2017	in %
Revenue (without IFRS 15 effects)	839.8	803.8	4.5%	2,459.4	2,323.6	5.8%
EBITDA exclusive of Sunrise	99.8	101.9	-2.1%	281.6	282.4	-0.3%
<i>plus Sunrise</i>	9.9	103.6	-90.5%	29.6	123.1	-76.0%
Postpaid customers (in 000's)	6,869	6,646	3.4%	6,869	6,646	3.4%
Postpaid ARPU (in EUR)	21.9	21.7	1.1%	21.6	21.4	1.0%

In an, as expected, highly competitive mobile communication market the freenet Group has even been able to partly expand its market position. This is shown in the development of the strategically most important customer group (postpaid customers), which has increased by 3.4 per cent yoy or 223,000 customers to 6.87 million customers. Postpaid ARPU has been stable, and is slightly higher than the comparison quarter 2017 (Q3/2018: 21.9 euros versus Q3/2017: 21.7 euros). In the No-frills segment, the number of low profitable prepaid customers declined in the third quarter. This was also the reason why customer ownership declined to 9.49 million customers at the end of September 2018 (Q3/2017: 9.60 million customers).

Increasing numbers of customers in the TV and Media segment

Key financials TV and Media segment

In EUR million	Q3/2018	Q3/2017	in %	Q1-Q3/2018	Q1-Q3/2017	in %
Revenue	62.5	69.7	-10.3%	211.3	219.1	-3.6%
EBITDA exclusive of profits of analogue radio sale	7.1	10.7	-34.0%	27.8	24.5	13.4%
<i>plus analogue radio</i>	18.4	0	-	25.7	0	-
In 000's						
waipu.tv registered customers	1,006.9	339.4	196.7%	1,006.9	339.4	196.7%
waipu.tv subscribers	202.4	71.9	181.4%	202.4	71.9	181.4%
freenet TV subscribers (RGU)	901.5	744.9	21.0%	901.5	744.9	21.0%

EXARING AG reached a milestone in the TV and Media segment in the third quarter 2018: The company registered its one millionth customer for the IPTV product waipu.tv in mid-September. Accordingly, this figure at waipu.tv is approximately 667,000 customers higher compared with the same period in 2017. In addition, of the more than one million registered customers, more than 202,000 have already decided to sign up for a subscription model.

freenet TV has also reported rising numbers of customers since the introduction of its TV products (DVB-T2 HD and Sat HD). The number of the so-called 'revenue generating unit' (RGU) amounted to 901,500 customers, and was approximately 21 per cent higher than in the corresponding previous-year quarter (Q3/2017: 744,900 RGU). In the course of the quarter, the freenet Group rearranged the method

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of disclosing freenet TV subscribers for the purpose of achieving greater transparency and better measurability: Until now, the number of customer cards which were sold was considered to be equivalent to the number of freenet TV subscribers. However, some of these customers regularly purchased their vouchers in advance, without activating the cards directly or rather generating the corresponding revenue. In this connection, the freenet Group considers that it is moving directly towards its target of achieving 1 million RGUs for the full twelve-month period and to continue its intended growth. The RGU target figure is equivalent to the forecast target of 1.2 million for freenet TV subscribers.

Foundation laid for expanding the strategic partnership

The partnership with the MediaMarktSaturn Retail Group, which has existed for more than 25 years, is particularly important among the distribution channels of the freenet Group. In order to further expand the co-operation and to focus on enhanced and better collaboration, freenet AG has acquired a 9.1 per cent stake in CECONOMY AG – the parent group of the Media and Saturn stores.

The investment not only represents the basis for continuing the long-standing exclusive distribution arrangement for all mobile tariffs in the D-networks; it also provides the possibility of including further freenet brands from the Digital Lifestyle as well as TV and Media segments in the portfolio of the strongest offline distribution channel in Germany. At the same time, the Media-Saturn Group is the third largest nation-wide online distribution channel.

The initial valuation of the stake in CECONOMY in accordance with IFRS 9 has resulted in a negative one-off effect of 47.1 million euros reflected in other financial result. This figure consists of the difference between the purchase price which was paid (inclusive purchase costs) and the share price on 12 July 2018 (closing date). CECONOMY is subsequently recognised at fair value (share price on the reference day) directly in equity (other comprehensive income).

Unchanged guidance for 2018

The forecast for the current financial year remains unchanged. However, as a result of the exceptional effects relating to the sale of the analogue radio business, the company is now expecting EBITDA exclusive of Sunrise to be at the upper end of the forecast range of between 410 million euros and 430 million euros. Free cash flow exclusive of Sunrise is also forecast to be between 290 million euros and 310 million euros, whereby it has to be noted that the sale of the analogue radio business will only be cash-effective in the course of the next few years.

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

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freenet AG is inviting interested parties to attend the **analyst conference call** on the 8th of November 2018 at 11:00 a.m. (CET). All interested parties can follow the conference call via webcast at <https://webcast.meetyoo.de/reg/llBYsGg6uG7x>. A recording of the conference will be subsequently available.

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