

freenet Group reports stable overall performance – management confirms full-year guidance

- Revenue up slightly by 2.8 million euros to 1.389 billion euros
- EBITDA higher than previous year at 215.5 million euros (H1/2018: 204.9 million euros); performance stable when excluding regulatory effects
- Free cash flow of 126.7 million euros within the forecast range of 110.0 to 130.0 million euros
- Subscriber base grows to 8.224 million

Büdelsdorf, 08 August 2019 – The freenet Group [ISIN DE000A0Z2ZZ5] today announced its results for the first half of 2019.

Group: overall performance in line with expectations

Key performance indicators for the Group

In EUR million/as indicated	H1/2019	H1/2018 ²	Change	Q2/2019	Q2/2018 ²	Change
Revenue	1,389.0	1,386.2	2.8	699.1	696.6	2.5
EBITDA	215.5	204.9	10.5	107.5	108.1	-0.6
thereof regulatory effects:						
IFRS 16	22.3	0.0	22.3	10.9	0.0	10.9
International calls/ roaming	-2.0	0.0	-2.0	-2.0	0.0	-2.0
Analogue radio divestment	-3.7	8.5	-12.2	-1.5	7.7	-9.2
EBITDA without regulatory effects	198.8	196.4	2.4	100.2	100.4	-0.2
Free cash flow	126.7	135.1	-8.4	81.5	96.8	-15.4
Subscribers ¹ (in million)	8.224	8.003	0.221	8.224	8.003	0.221

At 1,389.0 million euros, **revenue** in the first half of 2019 was slightly up on the prior-year period (H1/2018: 1,386.2 million euros). **EBITDA** increased by 10.5 million euros to 215.5 million euros compared to the first half of 2018. As this figure includes regulatory effects (IFRS 16, international calls/roaming and analogue radio divestment), comparison with the previous year is limited. EBITDA adjusted for these effects remained virtually stable on both a half-year basis, rising slightly by 2.4 million euros to 198.8 million euros (H1/2018: 196.4 million euros), and a quarterly basis (Q2/2019: 100.2 million euros; Q2/2018: 100.4 million euros).

Free cash flow of 126.7 million euros was within the forecast range of 110.0 to 130.0 million euros for the first half of the year (H1/2018: 135.1 million euros). The Group generated free cash flow of 81.5 million euros in the second quarter of 2019, which was also in line with the quarterly forecast (75.0 to 85.0 million euros). The decline of 15.4 million euros compared to the prior-year quarter (Q2/2018: 96.8 million euros) was primarily due to cash repayments of lease liabilities caused by the initial application of IFRS 16 (Q2/2019: -19.3 million euros; Q2/2018: -5.4 million euros).

The **subscriber base** grew by around 62,000 customers to 8.224 million in the first half of 2019. Compared with 30 June 2018 (8.003 million subscribers), the number of subscribers rose by approximately 221,000. waipu.tv subscribers made up a significant proportion of this subscriber growth.

Mobile Communications: postpaid customer figures dominated by Q1/2019; reversal of trend now apparent

Key performance indicators in the Mobile Communications segment

In EUR million/as indicated	H1/2019	H1/2018 ²	Change	Q2/2019	Q2/2018 ²	Change
Revenue	1,256.0	1,238.2	17.8	631.3	617.2	14.1
EBITDA	186.9	181.8	5.1	90.4	91.5	-1.1
thereof regulatory effects:						
IFRS 16	11.8	0.0	11.8	5.6	0.0	5.6
International calls/ roaming	-2.0	0.0	-2.0	-2.0	0.0	-2.0
thereof inter-segment allocation	-3.8	9.3	-13.1	-2.0	2.4	-4.4
EBITDA without regulatory effects / inter-segment allocation	180.8	172.5	8.4	88.7	89.0	-0.3
Postpaid customers (in million)	6.834	6.828	0.006	6.834	6.828	0.006
Postpaid ARPU without hardware (in EUR)	18.8	19.0	-0.2	18.8	19.0	-0.3
freenet FUNK customers (in millions)	0.020	0.000	0.020	0.020	0.000	0.020

In the first half of 2019, the mobile communications market continued to be shaped by influences such as saturation, EU price regulations and competition restrictions in the mobile hardware market. The freenet Group is actively tackling these challenges with various countermeasures aimed in particular at improving the quality of the customer base and ensuring the stability of key financial figures. While the Group once again reported a slight decline in the strategically important **postpaid customer segment** compared to the previous quarter (- 27,500 customers), this trend is already weakening compared to the first quarter of 2019 (-34,200 customers) as a result of the measures taken. Overall, the postpaid customer base of 6.834 million customers is around 62,000 lower than at the start of the year but above the previous year's figure (30 June 2018: 6.828 million customers). The Group acquired around 20,400 customers in the second quarter of 2019 with the newly introduced, fully digital **freenet FUNK** tariff. Although these customers are not counted in the postpaid customer base, they demonstrate the freenet Group's innovation, market presence and selling power.

Postpaid ARPU without hardware remained stable compared to the first half of 2018 at 18.8 euros (H1/2018: 19.0 euros), as did the corresponding revenue from services at 772.5 million euros (H1/2018: 770.4 million euros). Overall, **revenue** in the Mobile Communications segment rose by 17.8 million euros to 1,256.0 million euros (H1/2018: 1,238.2 million euros), driven by the low-margin hardware business.

EBITDA increased by 5.1 million euros to 186.9 million euros in the first half of 2019 (H1/2018: 181.8 million euros). After deducting the regulatory effects of IFRS 16 and international calls/ roaming as well as inter-segment allocation, EBITDA for the first six months of the year was 180.8 million, up 8.4 million euros on the

previous year due to lower customer acquisition costs (H1/2018: 172.5 million euros). The corresponding EBITDA figure remained stable on a quarterly basis (Q2/2019: 88.7 million euros; Q2/2018: 89.0 million euros).

TV and Media: full-year waipu.tv subscriber target almost reached by end of June 2019

Key performance indicators in the TV and Media segment

In EUR million/as indicated	H1/2019	H1/2018	Change	Q2/2019	Q2/2018	Change
Revenue	123.9	148.7	-24.8	62.9	77.3	-14.3
EBITDA	33.2	28.0	5.2	18.9	20.3	-1.4
thereof regulatory effects:						
IFRS 16	9.5	0.0	9.5	4.8	0.0	4.8
Analogue radio divestment	-3.7	8.5	-12.2	-1.5	7.7	-9.2
thereof inter-segment allocation	-3.5	-14.2	10.6	-1.8	-4.5	2.7
EBITDA without regulatory effects / inter-segment allocation	30.8	33.7	-2.8	17.4	17.0	0.4
waipu.tv subscribers ³ (in '000s)	331.9	174.3	157.6	331.9	174.3	157.6
freenet TV subscribers (RGU) (in '000s)	1,037.5	1,000.6	36.8	1,037.5	1,000.6	36.8

In the TV and Media segment, continued growth in **waipu.tv customers** underlines the significant appeal of our IPTV product. As of 30 June 2019, the number of registered waipu.tv customers rose by 923,900 to around 1.748 million year-on-year (30 June 2018: 0.824 million registered customers). Of those registered customers, around 332,000 are paying customers using one of the subscription models. This equates to almost double the number reported in the previous year (30 June 2018: around 174,000 subscribers), meaning that the Group has already almost achieved its full-year target of 350,000 subscribers for 2019. The number of revenue-generating **freenet TV** users rose by 37,000 customers year-on-year to 1.037 million customers (30 June 2018: 1.000 million customers), slightly above the long-term target of over 1.001 million freenet TV subscribers (RGU).

Revenue in the TV and Media segment does not reflect the positive trend in TV customer figures, falling by 24.8 million euros to 123.9 million euros in the first half of 2019 (H1/2018: 148.7 million euros), primarily due to the sale of the analogue radio business in 2018.

By contrast, **EBITDA** – which was impacted by various one-time effects – rose by 5.2 million euros to 33.2 million euros in the first six months of 2019 (H1/2018: 28.0 million euros). Excluding the regulatory effects of IFRS 16, the analogue radio divestment and inter-segment allocation, EBITDA decreased by 2.8 million euros to 30.8 million euros (H1/2018: 33.7 million euros). This was due to higher content costs in the freenet TV business.

Guidance unchanged for full-year 2019

The freenet Group continues to anticipate stable revenue, EBITDA of between 420.0 and 440.0 million euros and free cash flow of between 240.0 and 260.0 million euros for the full 2019 financial year.

Conference call webcast

freenet AG will host an analysts' conference call at 10:00 CET on 09 August 2019. All those interested in attending can follow the conference call via webcast at <https://webcast.meetyoo.de/reg/PXfNwhniz44p>.

A recording of the conference call will be made available following the event.

The **half-yearly report** for the period ended 30 June 2019 is available for download in the Investor Relations section at <https://www.freenet-group.de/investor/publications/index.html>.

¹ Sum total of postpaid customers, freenet FUNK customers, freenet TV subscribers (RGU) and waipu.tv subscribers.

² The comparative figures were adjusted due to the refocusing of the internal management system effective from 2019 and the associated redefinition of various performance measures. For information on the changes, see the sections "Internal management system" and "Alternative performance measures" in the 2018 Annual Report.

³ Including customer contribution from the sales cooperation with Telefónica Germany (launched in May 2019).

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