freenet GROUP

INTERIM STATEMENT AS OF 31 MARCH 2020

Q1/2020

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OVERVIEW OF KEY FINANCIALS[1]

OPERATIONS

In EUR million/as indicated	Q1/2020	Q1/2019	Q4/2019
Revenue	648.8	689.9	802.5
Revenue exclusive of MOTION TM[2]	648.8	622.4	706.1
Gross profit	213.2	227.3	230.1
EBITDA	104.2	107.9	101.0
EBIT	64.9	69.3	59.7
EBT	57.8	61.1	48.7
Consolidated profit	51.2	56.2	15.5
Earnings per share in EUR (basic and diluted)[3]	0.41	0.47	0.11

BALANCE SHEET

In EUR million/as indicated	31.3.2020	31.3.2019	31.12.2019
Total equity and liabilities	4,764.6	4,986.3	4,839.6
Equity	1,268.4	1,381.4	1,321.6
Equity ratio in %	26.6	27.7	27.3

FINANCES AND INVESTMENTS

In EUR million	Q1/2020	Q1/2019	Q4/2019
Free cash flow	49.9	45.3	49.8
Depreciation, amortisation and impairment	39.3	38.6	41.3
Net investments (CAPEX)	7.8	6.8	13.6
Net debt	1,987.4	2,053.6	2,031.1
Adjusted net debt	1,153.3	1,155.4	1,078.0

SHARE

as indicated	31.3.2020	31.3.2019	31.12.2019
Closing price Xetra in EUR	16.07	19.16	20.44
Number of issued shares in ’000s	128,061	128,061	128,061
Market capitalisation in EUR millions	2,057.3	2,453.0	2,617.6

EMPLOYEES

	31.3.2020	31.3.2019	31.12.2019
Employees	4,118	4,199	4,238

MOBILE COMMUNICATIONS SEGMENT

CUSTOMER FIGURES [4]

In million	Q1/2020	Q1/2019	Q4/2019
Postpaid	6.925	6.862	6.903
Net change postpaid	0.022	– 0.034	0.037
freenet FUNK	0.035	—	0.034
Net change freenet FUNK	0.001	—	0.004

OPERATIONS

In EUR million	Q1/2020	Q1/2019	Q4/2019
Revenue	582.6	624.7	730.2
Revenue without MOTION TM [2]	582.6	557.1	633.8
Gross profit	165.3	179.6	174.0
EBITDA	91.6	96.5	85.4

MONTHLY AVERAGE REVENUE PER USER (ARPU)

In EUR	Q1/2020	Q1/2019	Q4/2019
Postpaid	18.4	18.8	18.5

TV AND MEDIA SEGMENT

CUSTOMER FIGURES[4]

In '000s	Q1/2020	Q1/2019	Q4/2019
freenet TV subscribers (RGU)	1,016.9	1,020.2	1,021.1
Net change, freenet TV subscribers (RGU)	– 4.2	5.9	– 15.5
waipu.tv subscribers	452.5	286.3	408.3
Net change, waipu.tv subscribers	44.2	34.6	42.5

OPERATIONS

In EUR million	Q1/2020	Q1/2019	Q4/2019
Revenue	60.7	61.0	66.1
Gross profit	38.1	39.1	45.8
EBITDA	15.5	14.3	20.9

1 Unless indicated otherwise, key financials are defined in the "Corporate management" section of the 2019 Annual Report.
2 Revenue for financial year 2019 includes hardware revenue of 323.5 million euros from the subsidiary MOTION TM Vertriebs GmbH (MOTION TM), which was sold and deconsolidated at the end of 2019: The subsidiary was sold for strategic reasons. However, to ensure comparability with the previous year, prior-year revenue is also shown adjusted.
3 Basic and diluted.
4 At the end of the period.

COURSE OF BUSINESS AND SIGNIFICANT EVENTS

UNFORESEEABLE START TO THE 2020 FINANCIAL YEAR

The freenet Group started the financial year with a stable outlook in terms of its planned and communicated goals for 2020 – and operated successfully in line with these plans up to and including February. Since March, however, the coronavirus has caused massive, widely-reported disruptions to the economy and society that are unparalleled in the history of both the Federal Republic of Germany and the world. The freenet Group was and remains unable to escape the effects of this disruption. The majority of mobilcom-debitel and GRAVIS stores were forced to close their doors, while the MediaMarktSaturn Retail Group, in which mobilcom-debitel has exclusive distribution rights for mobile contracts (T-Mobile and Vodafone), closed all of its stores until further notice from 20 March 2020.

Against this backdrop and given the efforts made to redirect the bricks-and-mortar business to online channels, the freenet Group generated respectable figures in the first quarter of 2020.

- Revenue reached 648.8 million euros in the first three months of the year. This is equivalent to a slight increase of 4.3 per cent compared to the prior-year quarter adjusted for MOTION TM.
- Due to the impact of delayed regulatory effects in the Mobile Communications segment, EBITDA was down on the previous year's level at 104.2 million euros (–3.4 per cent compared to Q1/2019).
- Free cash flow finally amounted to 49.9 million euros (+10.1 percent compared to Q1/2019).

All of this means that the freenet Group made a satisfactory start to the current financial year. The extent to which imposed lockdowns and contact bans, temporary business closures and imminent insolvencies, subsequent losses of earnings and job losses will impact the economic output and lifestyles of those affected will only become apparent over the coming months and quarters. In any event, it is clear that these are anything but favourable economic conditions when it comes to achieving targets. This applies to the freenet Group as well. Nevertheless, the Company considers itself to be well prepared for changing economic and social paradigms. Action taken by freenet includes establishing a crisis team within the Company at an early stage, implementing precautionary measures at short notice, focusing on automated processes and efficient online marketing. In addition, around 150 mobilcom-debitel shops and 20 GRAVIS stores were exempted from the nationwide business shutdown. This enabled employees to contribute to the country's "critical infrastructure" by providing advice, service and emergency sales, albeit with limited opening hours and customer access.

STABLE PERFORMANCE OF THE MOBILE COMMUNICATIONS SEGMENT

Various initiatives and promotional tariffs from the individual brands contributed to the encouraging start to the year made by the core mobile communications business. The main brand, mobilcom-debitel, completed an upgrade to its green LTE tariffs at the end of January. This means that customers can choose between five Allnet tariffs on the Vodafone network with immediate effect – with data volumes between 1 and 26 GB, surfing speeds of up to 50 MBit/s and monthly fees ranging from around 13 euros to 30 euros. Four tariffs on the Deutsche Telekom network are also available, with monthly prices from around 13 euros to 25 euros and a data volume of either 1, 5, 6 or 14 GB. mobilcom-debitel has also been serving the online market via its new "MegaSIM" platform since the end of January. Three O_2 tariffs were available at launch: the "Allnet 3 GB LTE" for around 7 euros, the "Allnet 5 GB LTE" for just under 10 euros, and the "Allnet 10 GB LTE" for around 15 euros.

mobilcom-debitel also began a sales partnership with Tele Columbus for its Pyur brand in January. Available in selected shops since February, this offering includes fibre-based Internet products as well as packages such as Surf&Phone + HDTV with integrated telephone and TV services.

Our discount brand klarmobil also enjoyed success starting with three new Allnet flats on the Vodafone network in January. New klarmobil tariffs – including several on the Deutsche Telekom network – followed in February under the principles of reliable technology, flexibility, cost transparency and service. The particularly customer-focused smartphone and Allnet flats are tailored precisely to the requirements of each individual customer, who can choose from seven different tariffs as well as either a two-year contract term or a monthly cancellation option. The freenet subsidiary also began implementing its two "Voice over LTE" and "WiFi Calling" services in February.

At the end of the quarter, the number of particularly valuable postpaid customers reached 6.925 million – an increase of 63,400 compared to the same quarter in 2019 and 22,100 since the start of the year. By contrast, postpaid ARPU decreased slightly to 18.4 euros (18.8 euros in Q1/2019, both excluding hardware), while revenue from services in the postpaid segment remained relatively stable at 382.5 million euros (387.2 million euros in Q1/2019). At 31.3 million euros, the no-frills/prepaid segment was also at the level of the previous-year quarter (33.4 million euros).

The reception for the app-based freenet FUNK tariff was also encouraging. Despite the pause function being limited to exactly 30 days per year and the introduction of an activation fee of 10 euros, the number of active users remained stable compared to the end of the year at 35,300 users.

REVENUE FROM THE DIGITAL LIFESTYLE PORTFOLIO REMAINS SOLID

The Group's range of products and services for digital living supplements the Mobile Communications segment, with a focus on devices, entertainment/infotainment and data security. In the first quarter, various campaigns once again focused on smartphones from major manufacturers in particular, including the Galaxy S10 and S20+ from Samsung, the P30 Pro from Huawei and the Google Pixel 4. It is also important to note that mobilcom-debitel has expanded its digital lifestyle portfolio to include the Deezer music streaming service.

As in previous quarters and years, the business made a noteworthy contribution to the freenet Group's revenue, generating 43.0 million euros in the first three months of the current financial year – a slight increase compared to the same quarter in 2019.

TV AND MEDIA SEGMENT CONTINUOUSLY EXPANDING

At the start of the 2020 financial year, the scope of products and services, quality, and the number of users in the TV and Media segment continued to grow. freenet subsidiary EXARING AG added further channels to the portfolio of its waipu.tv streaming service in the first quarter. Notable new additions included

- “Spiegel TV Wissen” and “Tempora”, which offer a wide array of documentaries,
- historical programming on “Spiegel Geschichte” and
- BILD’s football chat show “Reif ist live” with Marcel Reif.

In addition, the “DMAX” and “TLC” channels have been exclusively available in HD to subscribers with the Perfect package since February.

As in previous quarters, the number of waipu.tv subscribers has continued its positive trajectory, totalling 452,500 at the end of March. This corresponds to an increase of 44,200 compared to the end of 2019 and a rise of 166,100 in the last 12 months.

The first quarter also brought an important breakthrough in the area of digital DAB+ radio for freenet subsidiary Media Broadcast. After an out-of-court settlement, the path is now clear for the activation of a second nationwide DAB+ multiplex with up to 16 nationwide digital private radio stations. This means that Antenne Deutschland, a consortium between Media Broadcast and the Absolut Digital radio group, can begin setting up a national radio chain in 2020 that will be highly attractive to advertisers.

The fan base for traditional linear antenna-based television remains stable in the millions. As of the end of March, the number of revenue-generating freenet TV users was 1.017 million subscribers. It remains to be seen what effect the announced increase in the monthly subscription price from 5.75 euros to 6.99 euros will have on user numbers.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Key performance indicators for the Group

In EUR '000s	Q1/2020	Q1/2019	Change
Revenue	648,845	689,933	– 41,088
Gross profit	213,201	227,305	– 14,104
Overhead	– 108,957	– 119,384	10,427
EBITDA	104,244	107,921	– 3,677
EBIT	64,912	69,334	– 4,422
Financial result	– 7,155	– 8,241	1,086
EBT	57,757	61,093	– 3,336
Consolidated profit	**51,212**	**56,182**	**– 4,970**

In the first quarter of 2020, **consolidated revenue** decreased by 6.0 per cent to 648.8 million euros compared to the prior-year quarter. This decline was primarily due to the disposal of the subsidiary MOTION TM for strategic reasons as of 31 December 2019, which means that its revenue is no longer included in consolidated revenue. In addition, the number of strategically important postpaid customers in the Mobile Communications segment (31 March 2020: 6.925 million customers, 31 March 2019: 6.862 million customers) grew moderately while postpaid ARPU (Q1/2020: 18.4 euros, Q1/2019: 18.8 euros) was down slightly. Overall, Mobile Communications revenue decreased to 582.6 million euros in the first quarter of 2020 (Q1/2019: 624.7 million euros), due primarily to the sale of MOTION TM as of the end of December 2019. At 60.7 million euros, revenue in the TV and Media segment for the first quarter of 2020 was in line with the prior-year quarter (61.0 million euros).

Gross profit fell by 14.1 million euros to 213.2 million euros during the quarter under review. This was primarily due to regulatory effects in the Mobile Communications segment. At 32.9 per cent, the gross profit margin remained unchanged from the prior-year period (32.9 per cent).

Overhead costs as the difference between gross profit and EBITDA decreased by 10.4 million euros compared with the first quarter of 2019 to 109.0 million euros, primarily as a result of lower marketing expenses.

Due to the effects explained above, **EBITDA** amounted to 104.2 million euros (Q1/2019: 107.9 million euros). The Mobile Communications segment contributed 91.6 million euros to EBITDA (Q1/2019: 96.5 million euros), the TV & Media segment 15.5 million euros (Q1/2019: 14.3 million euros) and the Other/Holding segment −2.8 million euros (Q1/2019: −2.9 million euros).

Depreciation, amortisation and impairment losses increased slightly by 0.7 million euros year-on-year to 39.3 million euros.

The **financial result** improved by 1.1 million euros to −7.2 million euros compared to the first quarter of 2019. The decrease in interest expenses included in the financial result (Q1/2020: 12.8 million euros, Q1/2019: 15.6 million euros) is mainly due to the remeasurement of lease liabilities on the one hand and lower interest expenses from financing on the other.

Earnings before tax (EBT) amounted to 57.8 million euros, an decrease of 3.3 million euros year-on-year.

Income tax expenses of 6.5 million euros (Q1/2019: 4.9 million euros) were reported in the quarter under review. Current tax expenses of 6.0 million euros (Q1/2019: 7.2 million euros) and deferred tax expenses of 0.5 million euros (Q1/2019: deferred tax income of 2.3 million euros) were recognised.

As in the prior-year period, **consolidated profit** was attributable exclusively to continuing operations and decreased by 5.0 million euros year-on-year to 51.2 million euros (Q1/2019: 56.2 million euros).

NET ASSETS AND FINANCIAL POSITION

Selected balance sheet figures of the Group

Assets

In EUR millions	31.3.2020
Non-current assets	4,031.0
Current assets	733.6
Total assets	**4,764.6**

In EUR millions	31.12.2019
Non-current assets	4,154.3
Current assets	685.3
Total assets	**4,839.6**

Equity and liabilities

In EUR millions	31.3.2020
Equity	1,268.4
Non-current and current liabilities	3,496.2
Total equity and liabilities	**4,764.6**

In EUR millions	31.12.2019
Equity	1,321.6
Non-current and current liabilities	3,518.0
Total equity and liabilities	**4,839.6**

Total assets/total equity and liabilities amounted to 4,764.6 million euros as at 31 March 2020, a decrease of 75.0 million euros, or 1.5 per cent, compared with 31 December 2019 (4,839.6 million euros).

On the **assets side**, non-current assets fell by 123.4 million euros to 4,031.0 million euros. This decline was predominantly caused by a 115.5 million euro reduction in other financial assets to 153.0 million euros, and is largely explained by the lower carrying amount of the CECONOMY investment (31 March 2020: 64.8 million euros; 31 December 2019: 178.8 million euros).

In **current assets**, the increase in liquid assets of 89.8 million euros to 223.5 million euros is particularly noteworthy. This change in liquid assets primarily resulted from the free cash flow of 49.9 million euros generated and the 40.0 million euro drawdown on the revolving credit facility as of 31 March 2020. The decrease in trade accounts receivable by 51.0 million euros to 174.7 million euros is mainly due to lower receivables from network operators resulting from annual bonuses, as the respective cash receipts for the 2019 billing period were recorded in the first quarter of 2020.

On the **equity and liabilities side**, equity decreased by 53.2 million euros to 1,268.4 million euros. The change is primarily attributable to the consolidated profit (51.2 million euros) and the change in the fair value of the interest in CECONOMY recognised thorough other comprehensive income (–112.2 million euros). The equity ratio fell from 27.3 per cent at the end of December 2019 to 26.6 per cent at the end of March 2020.

Total **current and non-current liabilities** fell by 21.8 million euros to 3,496.2 million euros. **Borrowings**, still the largest item within current and non-current liabilities, increased by 38.7 million euros to 1,732.3 million euros, primarily triggered by the 40.0 million euro drawdown on the revolving credit facility. For further details on borrowings, please refer to our comments in the section entitled "Financial management". The decline in trade accounts payable by 58.1 million euros to 407.1 million euros had an offsetting effect; it is mainly attributable to balance sheet date-related developments in connection with liabilities to dealers and hardware suppliers.

CASH FLOWS

Key cash flow indicators of the Group

In EUR millions	Q1/2020	Q1/2019	Change
Cash flows from operating activities	78.1	72.7	5.4
Cash flows from investing activities	– 7.9	– 3.8	– 4.1
Cash flows from financing activities	– 20.5	– 35.6	15.1
Net change in cash funds	**49.8**	**33.3**	**16.4**
Free cash flow	**49.9**	**45.3**	**4.6**

Cash flows from operating activities increased by 5.4 million euros year-on-year to 78.1 million euros. With EBITDA down 3.7 million euros, the 11.7 million euro reduction in the increase in net working capital and the 2.6 million euro decrease in interest payments had a positive effect on cash flow from operating activities. The 6.6 million euro decrease in contract acquisition costs (mainly sales commissions paid) compared to the first quarter of 2019 had an offsetting effect.

Cash flows from investing activities amounted to –7.9 million euros in the first quarter of 2020 compared to –3.8 million euros in the prior-year quarter. The change is mainly attributable to cash of 3.1 million euros received in the previous year in connection with the first-time consolidation of The Cloud Group as at 1 January 2019. The cash outflows for investments in intangible fixed assets and in property, plant and equipment, netted out against the cash inflows from the disposal of such assets, increased by 0.9 million euros year-on-year to 7.8 million euros. The cash investments were financed entirely out of the company's retained earnings.

Cash flows from financing activities rose from –35.6 million euros in the prior-year quarter to –20.5 million euros in the period under review – mainly due to the outflow of 15.0 million euros for the repayment of borrowings recorded in the first quarter of 2019.

Free cash flow of 49.9 million euros was generated in the first quarter of 2020 as a result of the aforementioned effects, representing an increase of 4.6 million euros compared with the same quarter of the previous year (45.3 million euros).

FINANCIAL MANAGEMENT

CASH, LIQUIDITY AND CAPITAL STRUCTURE MANAGEMENT

The management of the company's strategy and operations is bolstered by well-established financial management activities. These essentially comprise cash and liquidity management along with capital structure management, and are handled centrally by the Treasury department, in some cases in cooperation with Financial Control and Accounting.

Two alternative performance measures – equity ratio and debt ratio – are an integral part of structuring the Group's capital. In addition, an adjusted debt ratio is also reported for information purposes. This provides a less conservative perspective on the freenet Group's debt by including the market values of equity investments in the debt structure. Target and actual values for the respective key figure are compared in the following table:

Key figures of capital structure management

as indicated	Target	31.3.2020	31.12.2019	31.3.2019
Equity ratio (in %)	> 25.0	26.6	27.3	27.7
Debt ratio	≤ 3.0	4.7	4.8	4.2
Adjusted debt ratio	≤ 3.0	2.7	2.5	2.4

At 26.6 per cent, the equity ratio remained stable compared to both the end of 2019 and the prior-year quarter. The debt ratio, which is calculated as the ratio of net borrowings to EBITDA generated in the last 12 months, was 4.7 at the end of March, above the medium-term target value of a maximum of 3.0. This figure stands at 2.7 when taking into account the equity investments in Sunrise and CECONOMY. The increase in the (adjusted) debt ratio in the first quarter of 2020 compared with the same quarter of the previous year is mainly due to lower contributions to earnings.

Net debt and adjusted net debt

In EUR millions	31.3.2020	31.12.2019	31.3.2019
Long-term borrowings	1,000.7	1,428.0	1,701.3
Short-term borrowings	731.6	265.6	35.1
Net lease liabilities	478.6	471.2	506.9
Liquid assets	– 223.5	– 133.7	– 189.7
Net debt	**1,987.4**	**2,031.1**	**2,053.6**
Equity investments (market value of Sunrise and CECONOMY) [1]	– 834.1	– 953.2	– 898.2
Adjusted net debt	**1,153.3**	**1,078.0**	**1,155.4**

[1] The market value of Sunrise is calculated by multiplying the closing price of the Sunrise share on the Swiss stock exchange by the number of shares held by the freenet Group (11,051,578) as of the relevant reference date. Swiss francs are translated into euros using an officially defined reference date rate based on data of Bloomberg. The market value of Ceconomy is calculated by multiplying the closing price of Ceconomy's ordinary shares on the Frankfurt stock exchange by the number of shares held by the freenet Group (32,633,555) as of the relevant reference date.

DIVIDEND POLICY

The dividend policy is another key component of the freenet Group's financial management activities. In principle, the Group pursues a policy of consistent dividend payments aligned with the operational performance of the company. The Executive Board has therefore decided to align the dividend policy with the relatively constant liquidity-oriented free cash flow indicator. As a reliable and stable point of reference for estimating the expected dividend, free cash flow is integral to forecasting and managing the company's performance. In the interest of continuing to regularly pay dividends, management has defined a long-term, stable distribution rate of 80 per cent of freely available funds as the minimum dividend to be distributed. The minimum dividend represents the Executive Board's fundamental commitment to a shareholder-friendly dividend policy based on a reliable dividend coupled with a comparatively high return. Moreover, the Executive Board has not ruled out the possibility of either paying an additional dividend or buying back shares to provide shareholders with the opportunity to participate in the distribution of the free cash flow remaining after deduction of the minimum dividend.

Overall, the Executive Board continues to pursue its present financial strategy and its defined targets. More detailed information on financial management can be found on pages 45 – 47 of the 2019 annual report.

REPORT ON OPPORTUNITIES AND RISKS

The opportunity and risk position of the freenet Group was presented in detail in the 2019 Annual Report (see page 59 et seq. of the Annual Report). As of 31 March 2020, there were no significant changes to the identified opportunities and risks, excluding the effects of coronavirus. Even after including the effects on economic and social life that have arisen and could yet arise as a result of coronavirus, no significant changes have been identified. Taking these possible impacts into account has only led to (what are expected to be temporary) assessment adjustments to existing risks in individual cases.

New risks – particularly with regard to sales – are arising from the temporary closure of bricks-and-mortar distribution channels as well as any changes in consumer and payment behaviour caused by the crisis situation. The Group has pushed ahead with countermeasures, in particular by reinforcing online distribution channels (e.g. by reallocating marketing budgets) and reopening stores promptly. We have supported these efforts by applying for reduced hours compensation (Kurzarbeitergeld), primarily for employees at mobilcom-debitel shops and GRAVIS stores. Based on current assumptions, the short and medium-term effects of coronavirus on EBITDA, free cash flow and the number of customers is currently estimated to be low overall. However, this assessment is always dependent upon the duration and extent of the coronavirus crisis. At this point, it is not yet possible to reliably and completely assess either of these factors. A sustained pandemic could also lead to a longer-term, crisis-related negative impact on the capital markets, which could make it more difficult for companies to access capital. This would make the freenet Group's upcoming refinancing in 2020/2021 more challenging.

Even taking into account the new risk situation caused by coronavirus, no risks have been identified which, either individually or in combination with other risks, could endanger the continued existence of the freenet Group. The potential effects of the identified market, IT, tax, financial, strategic and operating risks on the forecast financial and non-financial performance indicators, and therefore on the future development of the freenet Group, are classified as moderate overall.

REPORT ON EXPECTED DEVELOPMENTS

At the start of the calendar year, the growth forecasts for both the global and German economies were still tentatively positive. However, the coronavirus crisis likely to have originated in China at the end of 2019 has caused massive disruption to social and economic life in almost all developed economies. Quarantine measures, social distancing and bans on gatherings as well as the closure of schools and nurseries to contain the pandemic have brought industrial production and retail to a standstill since March 2020. Most governments have reacted to the effects of this health crisis with comprehensive economic policy measures, while the initial success of individual measures in containing the pandemic has led to an easing of government restrictions (such as the opening of even non-essential retail stores up to a certain size). It is not possible to foresee the extent to which the supply shock triggered by the so-called shutdown will translate into an economic crisis affecting the labour market, banking sector and – even more acutely than before – the financial markets and could thus lead to a deep demand shock.

The telecommunications market previously showed itself to be relatively crisis-proof and thus less susceptible to economic fluctuations during the financial crisis of 2008/2009. Even in the current situation, the sector is proving to be comparatively defensive due to its subscription-based business models. Nevertheless, the coronavirus crisis also having an impact on this industry.

The freenet Group believes that the risks to its own business primarily relate to sales (see the Report on opportunities and risks). The Executive Board is and remains convinced of the resilience of the freenet Group's business model, even under the current circumstances. Based on the current assessment of operating trends and the associated evaluation of sales risks, freenet's management sees no need to adjust its financial and non-financial key performance indicator forecasts and confirms the guidance issued at the end of February 2020. However, this assessment is now subject to considerable uncertainties, as it is not currently possible to estimate the scope and extent of the coronavirus crisis.

Comparison of 2020 guidance and current development

In EUR million/ as indicated	Guidance for financial year 2020	Actual Q1/2020	Change compared to previous forecast
Financial performance indicators			
Revenue	stable[1]	648.8	►
EBITDA	415 – 435	104.2	►
Free cash flow	235 – 255	49.9	►
Postpaid ARPU (EUR)	stable	18.4	►
Non-financial performance indicators			
Postpaid customers (in million)	moderate increase	6.925	►
freenet TV subscribers (RGU) (in million)	stable	1.017	►
waipu.tv subscribers (in million)	solid growth	0.452	►

[1] Revenue for financial year 2019 was 2,932.5 million euros. This included hardware revenue of 323.5 million euros from the subsidiary MOTION TM, which was sold and deconsolidated at the end of 2019. The subsidiary was sold for strategic reasons. On an adjusted basis, revenue for 2019 would be 2,609.1 million euros (basis of the forecast for 2020).
▲ above previous forecast
► unchanged compared to previous forecast
▼ below previous forecast

A detailed explanation of the outlook can be found in the current Annual Report (p. 71 et seq.).

SELECTED FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2020

In EUR '000s/as indicated	Q1/2020 1.1.2020 – 31.3.2020	Q1/2019 1.1.2019 – 31.3.2019
Revenue	648,845	689,933
Other operating income	13,441	13,770
Other own work capitalised	4,306	3,698
Cost of materials	– 435,644	– 462,628
Personnel expenses	– 58,367	– 58,613
Other operating expenses	– 68,337	– 78,239
thereof loss allowances on financial assets and contract assets	– 9,903	– 11,984
thereof without loss allowances on financial assets and contract assets	– 58,434	– 66,255
EBITDA	**104,244**	**107,921**
Depreciation, amortisation and impairment	– 39,332	– 38,587
EBIT	**64,912**	**69,334**
Profit or loss of equity-accounted investments	5,499	6,265
Thereof from share of profit or loss	10,491	11,176
Thereof from subsequent accounting from purchase price allocation	– 4,992	– 4,911
Interest and similar income	617	838
Interest and similar expenses	– 12,789	– 15,606
Other financial result	– 482	262
Financial result	**– 7,155**	**– 8,241**
Earnings before taxes	**57,757**	**61,093**
Income taxes	– 6,545	– 4,911
Consolidated profit	**51,212**	**56,182**
Consolidated profit attributable to shareholders of freenet AG	52,999	59,583
Consolidated profit attributable to non-controlling interests	– 1,787	– 3,401
Earnings per share in EUR (basic)	**0.41**	**0.47**
Earnings per share in EUR (diluted)	**0.41**	**0.47**
Weighted average number of shares outstanding in thousand (basic)	128,011	128,011
Weighted average number of shares outstanding in thousand (diluted)	128,011	128,011

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2020

ASSETS In EUR '000s	31.3.2020	31.12.2019
Non-current assets		
Intangible assets	493,176	501,878
Lease assets	458,701	451,964
Goodwill	1,383,474	1,383,474
Property, plant and equipment	139,429	143,830
Equity-accounted investments	793,731	785,637
Deferred income tax assets	128,998	130,226
Trade accounts receivable	68,846	68,678
Other receivables and other assets	120,508	122,921
Other financial assets	153,023	268,480
Contract acquisition costs	291,092	297,240
	4,030,978	**4,154,328**
Current assets		
Inventories	85,100	75,819
Current income tax assets	2,094	2,084
Trade accounts receivable	174,742	225,753
Other receivables and other assets	203,438	201,734
Other financial assets	44,796	46,187
Liquid assets	223,454	133,692
	733,624	**685,269**
	4,764,602	**4,839,597**

EQUITY AND LIABILITIES In EUR '000s	31.3.2020	31.12.2019
Equity		
Share capital	128,061	128,061
Capital reserves	737,536	737,536
Cumulative other comprehensive income	– 178,717	– 74,282
Consolidated net retained profits	574,030	521,031
Equity attributable to shareholders of freenet AG	**1,260,910**	**1,312,346**
Non-controlling interests in equity	7,468	9,255
	1,268,378	**1,321,601**
Non-current liabilities		
Lease liabilities	476,650	473,272
Other liabilities and deferrals	108,142	107,378
Other financial liabilities	28,683	31,048
Deferred income tax liabilities	1,000,666	1,428,009
Pension provisions	89,895	98,787
Other provisions	41,609	41,206
	1,745,645	**2,179,700**
Current liabilities		
Lease liabilities	81,415	80,004
Trade accounts payable	407,084	465,230
Other liabilities and deferrals	409,732	402,175
Other financial liabilities	60,493	64,546
Current income tax liabilities	43,910	43,991
Borrowings	731,608	265,610
Other provisions	16,337	16,740
	1,750,579	**1,338,296**
	4,764,602	**4,839,597**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2020

In EUR '000s	Q1/2020 1.1.2020 – 31.3.2020	Q1/2019 1.1.2019 – 31.3.2019
Earnings before financial result and taxes (EBIT)	**64,912**	**69,334**
Adjustments		
Depreciation, amortisation and impairment of non-current assets	39,332	38,587
Gain/loss on disposal of non-current assets	195	65
Increase in net working capital not attributable to investing or financing activities	– 17,048	– 28,709
Proceeds from the cash repayment of financial assets under leases	3,750	3,364
Capitalisation of contract acquisition costs	– 72,812	– 66,026
Amortisation of contract acquisition costs	78,960	78,807
Tax payments	– 6,511	– 7,642
Income from interest and other financial result	465	593
Interest paid	– 13,096	– 15,654
Cash flows from operating activities	**78,147**	**72,719**
Payments to acquire property, plant and equipment and intangible assets	– 8,285	– 7,848
Proceeds from disposal of intangible assets and property, plant and equipment	533	1,008
Proceeds from the acquisition of subsidiaries	0	3,052
Payments to acquire other equity investments	– 118	0
Cash flows from investing activities	**– 7,870**	**– 3,788**
Cash repayments of borrowings	0	– 15,000
Cash repayments of lease liabilities	– 20,515	– 20,588
Cash flows from financing activities	**– 20,515**	**– 35,588**
Net change in cash funds	**49,762**	**33,343**
Cash funds at beginning of period	**133,692**	**126,332**
Cash funds at end of period	**183,454**	**159,675**

COMPOSITION OF CASH FUNDS

In EUR '000s	31.3.2020	31.3.2019
Liquid assets	223,454	189,675
Liabilities to banks for short-term cash management	– 40,000	– 30,000
	183,454	**159,675**

COMPOSITION OF FREE CASH FLOW [1]

In EUR '000s	31.3.2020	31.3.2019
Cash flows from operating activities	78,147	72,719
Payments to acquire property, plant and equipment and intangible assets	– 8,285	– 7,848
Proceeds from disposal of intangible assets and property, plant and equipment	533	1,008
Cash repayments of lease liabilities	– 20,515	– 20,588
Free cash flow	**49,880**	**45,291**

[1] Free cash flow is a non-GAAP parameter that is defined in the corporate management section of the 2019 Annual Report.

SEGMENT REPORT
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2020

In EUR '000s	Mobile Communica-tions	TV and Media	Other/ Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	**578,342**	**58,442**	**12,061**	**0**	**648,845**
Inter-segment revenue	4,306	2,219	3,924	– 10,449	0
Total revenue	582,648	60,661	15,985	– 10,449	648,845
Cost of materials, third party	**– 412,815**	**– 18,829**	**– 4,000**	**0**	**– 435,644**
Inter-segment cost of materials	– 4,501	– 3,751	– 209	8,461	0
Total cost of materials	– 417,316	– 22,580	– 4,209	8,461	– 435,644
Segment gross profit	**165,332**	**38,081**	**11,776**	**– 1,988**	**213,201**
Other operating income	13,173	142	834	– 708	13,441
Other own work capitalised	2,837	1,073	396	0	4,306
Personnel expenses	– 34,019	– 14,975	– 9,373	0	– 58,367
Other operating expenses	– 55,756	– 8,795	– 6,482	2,696	– 68,337
Thereof loss allowances on financial assets and contract assets	– 9,689	– 203	– 11	0	– 9,903
Thereof without loss allowances on financial assets and contract assets	– 46,067	– 8,592	– 6,471	2,696	– 58,434
Total overhead[1]	**– 73,765**	**– 22,555**	**– 14,625**	**1,988**	**– 108,957**
Thereof inter-segment allocation	– 1,958	– 133	103	1,988	
Segment EBITDA	**91,567**	**15,526**	**– 2,849**	**0**	**104,244**
Depreciation, amortisation and impairment					– 39,332
EBIT					**64,912**
Financial result					– 7,155
Income taxes					– 6,545
Consolidated profit					**51,212**
Consolidated profit attributable to shareholders of freenet AG					52,999
Consolidated profit attributable to non-controlling interests					– 1,787
Net cash investments	**5,403**	**1,694**	**655**		**7,752**

[1] The overhead costs as the difference between gross profit and EBITDA include the items other operating income, other own work capitalised, personnel expenses and other operating expenses

SEGMENT REPORT
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019

In EUR '000s	Mobile Communica-tions	TV and Media	Other/ Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	**620,039**	**58,663**	**11,231**	**0**	**689,933**
Inter-segment revenue	4,637	2,312	3,587	– 10,536	0
Total revenue	624,676	60,975	14,818	– 10,536	689,933
Cost of materials, third party	**– 440,567**	**– 18,129**	**– 3,932**	**0**	**– 462,628**
Inter-segment cost of materials	– 4,555	– 3,750	– 221	8,526	0
Total cost of materials	– 445,122	– 21,879	– 4,153	8,526	– 462,628
Segment gross profit	**179,554**	**39,096**	**10,665**	**– 2,010**	**227,305**
Other operating income	11,011	2,693	841	– 775	13,770
Other own work capitalised	2,099	1,228	371	0	3,698
Personnel expenses	– 33,360	– 16,013	– 9,240	0	– 58,613
Other operating expenses	– 62,825	– 12,668	– 5,531	2,785	– 78,239
Thereof loss allowances on financial assets and contract assets	– 11,790	– 121	– 73	0	– 11,984
Thereof without loss allowances on financial assets and contract assets	– 51,035	– 12,547	– 5,458	2,785	– 66,255
Total overhead[1]	**– 83,075**	**– 24,760**	**– 13,559**	**2,010**	**– 119,384**
Thereof inter-segment allocation	– 1,889	– 284	163	2,010	
Segment EBITDA	**96,479**	**14,336**	**– 2,894**	**0**	**107,921**
Depreciation, amortisation and impairment					– 38,587
EBIT					**69,334**
Financial result					– 8,241
Income taxes					– 4,911
Consolidated profit					**56,182**
Consolidated profit attributable to shareholders of freenet AG					59,583
Consolidated profit attributable to non-controlling interests					– 3,401
Net cash investments	**3,740**	**2,475**	**625**		**6,840**

[1] The overhead costs as the difference between gross profit and EBITDA include the items other operating income, other own work capitalised, personnel expenses and other operating expenses

FURTHER INFORMATION

GLOSSARY

Adjusted EBITDA EBITDA (see “EBITDA”) adjusted for one-time effects.

Adjusted debt ratio Ratio between adjusted net debt (see “Adjusted net debt”) and EBITDA (see “EBITDA”) generated in the last 12 months.

Adjusted net debt Net debt (see “Net debt”) less equity investments (see “Equity investments").

ARPU (Mobile Communications segment) abbr. Average revenue per user. The customer group-specific usage fee divided by the average number of customers on the relevant reference date.

Debt ratio Ratio between net debt (see “Net debt”) and EBITDA (see “EBITDA”) generated in the last twelve months.

Diluted earnings per share Diluted earnings per share are calculated by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding increased by potentially dilutive shares. The number of potentially dilutive shares is calculated as the difference between the potential ordinary shares attributable to employee incentive programmes measured at the subscription price and the ordinary shares issuable at fair value.

Earnings per share The portion of consolidated profit or loss which is attributable to an individual share. It is calculated by dividing consolidated profit/loss by the weighted average number of issued shares.

EBT Earnings before taxes

EBIT Earnings before interest and taxes.

EBITDA EBIT (see “EBIT”) plus depreciation, amortisation and impairment

Equity investments Market value of Sunrise Communications Group AG and CECONOMY AG on the reporting date. The market value of Sunrise Communications Group AG is calculated by multiplying the closing price of the Sunrise share on the Swiss stock exchange by the number of shares held by the freenet Group (11,051,578) as of the relevant reference date. Swiss francs are translated into euros using an officially defined reference date rate based on data of Bloomberg. The market value of CECONOMY AG is calculated by multiplying the closing price of the CECONOMY share on the Frankfurt stock exchange by the number of CECONOMY AG shares held by the freenet Group (32,633,555 no-par-value shares) as of the relevant reference date.

Equity ratio Ratio between equity to total equity and liabilities.

Free cash flow Cash flows from operating activities less CAPEX (see "Net investments") and cash repayments of lease liabilities.

freenet TV subscribers (RGU) RGU means “revenue generating unit”; it refers to active freenet TV subscribers.

Gross profit Revenue less cost of materials.

Gross profit margin Ratio between gross profit and revenue.

IPTV abbr. Internet protocol television; refers to the transmission of television programmes and films using the Internet Protocol – as opposed to other broadcasting channels such as cable television, DVB-T2 or satellite.

Net debt Long-term and short-term borrowings shown in the balance sheet, less liquid assets, less equity investments (see “Equity investments”).

Net investments (CAPEX) Investments in property, plant and equipment and intangible assets, less proceeds from the disposal of intangible assets and property, plant and equipment.

Net lease liabilities Non-current and current lease liabilities shown in the balance sheet, less non-current and current lease assets.

No-frills No-frills tariffs deliberately have a simple structure, and in general do not include a subsidised device. Traditionally, they are marketed by way of direct distribution (e.g. online) and not via specialist outlets.

Overhead Overhead includes the items other operating income, other own work capitalised, personnel expenses and other operating expenses

Postpaid Mobile services billed subsequently (usually 24-month contracts).

Prepaid Mobile services billed in advance.

TV customers Customers of the freenet Group in the TV and Media segment who are freenet TV subscribers (RGU) (see “freenet TV subscribers (RGU)”) or waipu.tv subscribers (see “waipu.tv subscribers”).

waipu.tv subscribers Customers who use the service of waipu.tv in connection with one of the fee-based tariffs offered (e.g. Comfort or Perfect).

FURTHER INFORMATION

FINANCIAL CALENDAR

Date	Event
4 May 2020	Interim Statement as of 31 March 2020 – First quarter 2020
27 May 2020[1]	Annual General Meeting of freenet AG
13 August 2020[1]	Interim Report as of 30 June 2020 – Second quarter 2020
6 November 2020[1]	Interim Statement as of 30 September 2020 – Third quarter 2020

[1] All dates are subject to change.

The annual report and our interim reports are also available for download on the Internet at:
http://www.freenet-group.de/investor-relations/publikationen

The English version of the interim statement is a convenience translation of the German version.
The German version is legally binding.

Current information regarding freenet AG and the freenet shares is available on our website at:
www.freenet-group.de/en.

If you have installed a QR-Code recognition software on your smartphone, you will be directed to the freenet Group homepage by scanning this code.

FURTHER INFORMATION

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