

# Q3/2019

## INTERIM STATEMENT AS OF 30 SEPTEMBER 2019

**freenet** GROUP

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MOBILCOM-DEBITEL / KLARMOBIL.DE / GRAVIS / FREENET.DE / EXARING AG / MEDIA BROADCAST / FREENET DIGITAL / FREENET ENERGY / MOTION TM

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# OVERVIEW OF KEY FINANCIALS<sup>1</sup>

## GROUP

### OPERATIONS

In EUR million/as indicated	Q1-Q3/2019	Q1-Q3/2018 restated <sup>2</sup>	Q3/2019	Q2/2019	Q3/2018 restated <sup>2</sup>
Revenue	2,130.0	2,103.3	741.0	699.1	717.0
Gross profit	666.1	668.6	219.4	219.4	222.9
EBITDA	325.8	327.9	110.3	107.5	123.0
EBIT	210.2	230.6	72.1	68.8	92.4
EBT	189.3	162.6	66.2	62.0	37.5
Consolidated profit	169.3	148.1	57.6	55.5	40.0
Earnings per share in EUR (basic and diluted)	1.38	1.22	0.46	0.45	0.33

### BALANCE SHEET

In EUR million/as indicated	30.9.2019	30.9.2018	30.9.2019	30.6.2019	30.9.2018
Total equity and liabilities	4,894.5	4,799.7	4,894.5	4,911.6	4,799.7
Equity	1,281.0	1,315.3	1,281.0	1,242.0	1,315.3
Equity ratio in %	26.2	27.4	26.2	25.3	27.4

### FINANCES AND INVESTMENTS

In EUR million	Q1-Q3/2019	Q1-Q3/2018 restated <sup>2</sup>	Q3/2019	Q2/2019	Q3/2018 restated <sup>2</sup>
Free cash flow	199.2	210.1	72.4	81.5	75.0
Depreciation, amortisation and impairment	115.5	97.3	38.3	38.7	30.6
Net investments (CAPEX)	27.0	33.7	11.4	8.7	10.1
Net debt	2,102.5	1,902.6	2,102.5	2,175.1	1,902.6
Adjusted net debt	1,151.1	837.1	1,151.1	1,272.1	837.1

### SHARE

	30.9.2019	30.9.2018	30.9.2019	30.6.2019	30.9.2018
Closing price Xetra in EUR	18.89	20.70	18.89	17.60	20.70
Number of issued shares in '000s	128,061	128,061	128,061	128,061	128,061
Market capitalisation in EUR million	2,419.1	2,650.9	2,419.1	2,253.2	2,650.9

### EMPLOYEE

	30.9.2019	30.9.2018	30.9.2019	30.6.2019	30.9.2018
Employee	4,222	4,155	4,222	4,141	4,155

# OVERVIEW OF KEY FINANCIALS<sup>1</sup>

## MOBILE COMMUNICATIONS SEGMENT

### CUSTOMER FIGURES<sup>3</sup>

In millions	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/2019	Q2/2019	Q3/2018
Postpaid	6.866	6.869	6.866	6.834	6.869
Net change, postpaid	-0.030	0.158	0.032	-0.028	0.041
freetnet FUNK	0.031	—	0.031	0.020	—
Net change, freenet FUNK	0.031	—	0.010	0.020	—

### OPERATIONS

In EUR million	Q1-Q3/ 2019	Q1-Q3/ 2018 restated <sup>2</sup>	Q3/2019	Q2/2019	Q3/2018 restated <sup>2</sup>
Revenue	1,928.7	1,892.4	672.7	631.3	654.2
Gross profit	517.8	540.0	169.3	168.9	185.2
EBITDA	281.8	281.6	94.9	90.4	99.8

### MONTHLY AVERAGE REVENUE PER USER (ARPU)

In EUR	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/2019	Q2/2019	Q3/2018
Postpaid ARPU without hardware (IFRS 15)	18.8	19.1	18.8	18.8	19.2

# OVERVIEW OF KEY FINANCIALS<sup>1</sup>

## TV AND MEDIA SEGMENT

### CUSTOMER FIGURES<sup>3</sup>

In '000s	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/2019	Q2/2019	Q3/2018
freenet TV subscribers (RGU)	1,036.6	901.5	1,036.6	1,037.5	901.5
Net change, freenet TV subscribers (RGU)	22.4	-0.6	-0.9	17.3	-99.2
waipu.tv subscribers	365.8	202.4	365.8	331.9	202.4
Net change, waipu.tv subscribers	114.1	100.1	33.9	45.6	28.1

### OPERATIONS

In EUR million	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/2019	Q2/2019	Q3/2018
Revenue	187.8	211.3	63.8	62.9	62.5
Gross profit	120.4	100.8	40.6	40.7	28.6
EBITDA	52.6	53.5	19.4	18.9	25.5

<sup>1</sup> Unless indicated otherwise, we refer to the section "Definition of alternative performance measures" in the 2018 Annual Report for the definition of the key figures.

<sup>2</sup> 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.

<sup>3</sup> At the end of the period.

# COURSE OF BUSINESS AND SIGNIFICANT EVENTS

## SOLID BUSINESS PERFORMANCE CONTINUES IN 2019

Posting stable or slightly improved figures in the third quarter, the freenet Group remains well on course to achieve its targets announced for the 2019 financial year. Revenue reached 741.0 million euros in the third quarter; this represents a slight increase of 3.3 per cent compared with the same period of the previous year. At 219.4 million euros, gross profit was also at a similar level to the third quarter of 2018, whereas EBITDA remained around 12.7 million euros below the prior-year figure at 110.3 million euros. Free cash flow once again reached the level of the same quarter last year at 72.4 million euros.

It is important to note as that EBITDA includes regulatory effects (IFRS 16, international calls/roaming and analogue radio divestment), only limited comparison with the previous year is possible. For the third quarter, revenue from the sale of the analogue radio infrastructure amounting to around 16.5 million euros recorded in the previous year should be highlighted, as well as a negative effect of approximately 6.9 million euros from international calls/roaming and a positive IFRS 16 effect of 11.2 million euros in the third quarter of 2019. When adjusted for these effects, EBITDA remained virtually unchanged on a quarterly basis (Q3/2019: 106.0 million euros; Q3/2018: 106.5 million euros).

The figures for the first nine months of the current financial year are as follows:

- revenue of 2.130 billion euros (Q1 – Q3/2018: 2.103 billion euros or +1.3 per cent),
- gross profit of 666.1 million euros (Q1 – Q3/2018: 668.6 million euros or –0.4 per cent),
- EBITDA (excluding regulatory effects) of 325.8 million euros (Q1 – Q3/2018: 327.9 million euros or –0.6 per cent), and
- free cash flow of 199.2 million euros (Q1 – Q3/2018: 210.1 million euros or –5.2 per cent).

EBITDA adjusted for regulatory effects rose by around 2.0 million euros year-on-year in the first nine months of 2019 to reach 304.8 million euros (Q1 – Q3/2018: 302.9 million euros).

## ENCOURAGING PERFORMANCE OF THE MOBILE COMMUNICATIONS SEGMENT

In its core business focusing on postpaid customers with a two-year contract, the freenet Group completed a quality-related restructuring of the tariff mix and adjusted its product management in its own sales channels in the first half of 2019. The number of highly profitable contract customers decreased slightly for the first time in 26 quarters, although revenue from postpaid services remained stable. The freenet Group returned to the previous years' growth in the third quarter, with the number of postpaid customers rising by 32,200 to 6.866 million. This once again underlines the strong competitive positioning of the Group and the mobilcom-debitel brand in this fiercely competitive customer segment, and the effectiveness of the measures implemented in particular. Otherwise, postpaid ARPU remained stable at 18.8 euros (Q2/2019: 18.8 euros, both excluding hardware) while postpaid revenue from services also remained largely unchanged at 387.2 million euros (Q2/2019: 385.2 million euros; Q3/2018: 395.5 million euros). Revenue from services in the no-frills/prepaid segment was also on a par with the previous quarter at 35.1 million euros (Q2/2019: 33.8 million euros). The reception for freenet FUNK was also highly encouraging, with around 10,000 customers opting to subscribe to the fully digital mobile phone tariff we introduced in May 2019 during the third quarter. As a result, the total number of active cards reached 30,625 at the end-of-quarter reporting date (Q2/2019: 20,392 active customers).

A number of initiatives contributed to the positive performance of the core Mobile Communications segment. At the start of the quarter, mobilcom-debitel reached a partnership agreement with Expert SE, expanding the potential sales network of freenet's main brand to include around 420 of retail partner Expert's electronics stores across Germany. At the same time, the Group is working continually to improve its tariff conditions and proximity to customers.

With this in mind, the freenet Group began activating LTE options for all customers of its key mobile communications brands in the third quarter. In addition to the main brand,

this also includes the no-frills services offered by klarmobil, freenet Mobile and callmobile for both new and existing customers.

klarmobil enjoyed success with its highly attractive offers during the summer, for example with a top LTE tariff including a reasonably-priced Galaxy smartphone and a Samsonite wheeled suitcase for around 8 euros per month, an Allnet flat with 2GB of data for around 5 euros per month, and a reduced-price LTE option on the Deutsche Telekom network. The discount brand also expanded its customer support offering with a special WhatsApp bot that answers users' questions in a matter of seconds. Both klarmobil and mobilcom-debitel once again came out on top in several comparison tests and customer surveys.

### DIGITAL LIFESTYLE PORTFOLIO MAKING STEADY REVENUE CONTRIBUTIONS

The Mobile Communications business is supplemented by the digital lifestyle business. Under this umbrella, the Company offers products and services for digital living in areas such as entertainment, infotainment and data security.

Among the third-quarter highlights were the now traditional Sunday Stunner deals and competitive offers for the new iPhone 11 models shortly after its launch in September. As a result of these activities, the segment made another noteworthy contribution to the freenet Group's revenue, as it did in previous quarters and years (Q3/2019: 46.5 million euros). Revenue in the first nine months of the year amounted to 133.2 million euros, up slightly by 2.2 per cent compared to the same period in 2018 (130.4 million euros).

### TV AND MEDIA SEGMENT CONSTANTLY EXPANDING

The steady growth in the scope, quality and number of TV customers is continuing in the second half of 2019. Since the start of July, waipu.tv can also be used without additional device on Android-based televisions and streaming boxes, while the streaming platform has already been available on Apple TV since May this year. The app for this service can be downloaded via the Play Store on smart TVs and used wirelessly via WiFi. As a result, waipu.tv now serves a very wide range of devices, from Apple TV and Android-based smart TVs to Amazon Fire TV and mobile devices.

At the start of September, EXARING AG also began a sales collaboration with broadband provider NetCom BW. This was preceded by the joint development of a collaboration

model between EXARING and BREKO, the purchasing group of the Bundesverband für Breitbandkommunikation e.V. (German Federal Broadband Communication Association). This collaboration began in early 2018 with the aim of being able to offer the association's members an attractive IPTV product for private customers. As part of this cooperation, NetCom BW pushed ahead with the implementation of such an IPTV product. At the same time, waipu.tv's channel portfolio expanded to include another three specialist stations.

So far, waipu.tv is significantly exceeding expectations for the year as a whole. The Group originally anticipated 350,000 subscribers by the end of 2019, but this figure was exceeded back in August. By the end of September, waipu.tv already had 365,800 subscribers – an increase of 33,900 users in the third quarter and 114,100 since the start of the year. The sales collaboration with Telefónica Deutschland only began in May and has contributed a relevant number of new users.

In the area of traditional linear television in full HD quality, freenet TV ran a 360-degree campaign under the slogan "So entspannt kann Fernsehen sein" ("This is how relaxing television can be") in the third quarter. Over a ten-week period, a 20-second TV commercial was broadcast on Germany's most popular privately owned channels, particularly those of the ProSiebenSat1 Group and the RTL Deutschland media group. During the campaign, customers received three months free when registering for and activating a 12-month prepaid card.

In parallel with IFA 2019, freenet TV then reduced the new CI module price to around 35 euros in September; this device updates televisions and digital receivers to receive HD programmes via antenna. In addition to around 69 HD channels, the offer also includes freenet TV Connect, the Internet-based supplementary service with access to additional channels, apps and media libraries.

As a result, our expectations for 2019 as a whole also anticipate further growth in the popularity of this product, proving that traditional antenna-based television in brilliant full HD quality still has a loyal fan base numbering in the millions across Germany. By the end of September, the number of revenue-generating users (RGUs) of freenet TV reached 1.037 million subscribers, up 22,400 since the start of the year.

# NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

## REVENUE AND RESULTS OF OPERATIONS

### Key performance indicators for the Group

In EUR '000s	Q3/2019	Q3/2018	Change
Revenue	740,961	717,034	23,927
Gross profit	219,369	222,850	-3,481
Overhead	-109,037	-99,854	-9,183
EBITDA	110,332	122,996	-12,664
EBIT	72,082	92,444	-20,362
Financial result	-5,879	-54,906	49,027
EBT	66,203	37,538	28,665
<b>Consolidated profit</b>	<b>57,638</b>	<b>40,027</b>	<b>17,611</b>

In the third quarter of 2019, **revenue** increased by 3.3 per cent to 741.0 million euros compared to the prior-year quarter. In the Mobile Communications segment, the number of strategically important postpaid customers (30 September 2019: 6.866 million customers, 30 September 2018: 6.869 million customers) and postpaid ARPU without hardware (Q3/2019: 18.8 euros, Q3/2018: 19.2 euros) remained stable. Mobile Communications revenue reported for the third quarter of 2019 increased by 18.6 million euros to 672.7 million euros, primarily as a result of higher hardware revenue with per se low margin. At 63.8 million euros, revenue in the TV and Media segment for the first quarter of 2019 was in line with the prior-year quarter (62.5 million euros). Revenue for the first nine months of 2019 amounted to 2,130.0 million euros, representing a 1.3 per cent increase compared to the same period last year (2,103.3 million euros).

**Gross profit** in the reporting quarter amounts to 219.4 million euros, which is slightly down on the prior-year quarter (222.9 million euros). The gross profit margin fell by 1.5 percentage points to 29.6 per cent, mainly due to the increase in the hardware business mentioned previously. In the first nine months of 2019, gross profit came to 666.1 million euros and the gross profit margin to 31.3 percent – both relatively on a par with the previous year.

**Overhead costs** as the difference between gross profit and EBITDA increased by 9.2 million euros to 109.0 million euros compared to the third quarter of 2018. This rise was primarily due to the other operating income connected with the sale of the analogue radio infrastructure assets recognised in the prior-year quarter (Q3/2018: 18.4 million euros). After adjusting for this one-time effect, overhead costs fell by around 9.0 million euros on a quarterly basis. This decline was predominantly caused by lower marketing expenses and the effects of the first-time application of IFRS 16. As a result, other operating expenses dropped by 12.7 million euros to 77.0 million euros. In the first nine months of 2019, overhead costs amounted to 340.3 million euros, at a similar level to the comparable period in 2018 (340.7 million euros).

Due to the effects explained above, **EBITDA** amounted to 110.3 million euros (Q3/2018: 123.0 million euros). The Mobile Communications segment contributed 94.9 million euros to EBITDA (Q3/2018: 99.8 million euros), the TV & Media segment 19.4 million euros (Q3/2018: 25.5 million euros) and the Other/Holding segment -4.0 million euros (Q3/2018: -2.2 million euros). At 325.8 million euros, EBITDA for the first nine months of 2019 came in on a par with the prior-year period (327.9 million euros).

**Depreciation, amortisation and impairment losses** increased by 7.7 million euros year-on-year to 38.3 million euros, primarily due to the depreciation of lease assets triggered by the initial application of IFRS 16.

The **financial result** improved by 49.0 million euros to -5.9 million euros compared to the third quarter of 2018. This improvement was primarily due to the one-off effect of the initial recognition of shares in CECONOMY (-47.1 million euros) in the previous year.

**Earnings before tax (EBT)** amounted to 66.2 million euros, an increase of 28.7 million euros year-on-year. As a result of the above, EBT rose by 26.7 million euros to 189.3 million euros compared to the first nine months of 2018.



**Income tax expenses** of 8.6 million euros (Q3/2018: income from income tax of 2.5 million euros) were shown in the quarter under review. Current tax expenses of 8.2 million euros (Q3/2018: tax income of 2.6 million euros) and deferred tax expenses of 0.4 million euros (Q3/2018: 0.1 million euros) were recognised.

As in the prior-year period, **consolidated profit** was attributable exclusively to continuing operations and increased by 17.6 million euros year-on-year to 57.6 million euros (Q3/2018: 40.0 million euros). Consolidated profit for the first nine months of 2019 was 169.3 million euros, after 148.1 million euros in the same period in 2018.

## NET ASSETS AND FINANCIAL POSITION

### Group balance sheet figures (condensed)

#### Assets

In EUR million	30.9.2019
Non-current assets	4,191.6
Current assets	702.9
<b>Total assets</b>	<b>4,894.5</b>

In EUR million	30.6.2019
Non-current assets	4,204.4
Current assets	707.2
<b>Total assets</b>	<b>4,911.6</b>

#### Equity and liabilities

In EUR million	30.9.2019
Equity	1,281.0
Non-current and current liabilities	3,613.5
<b>Total equity and liabilities</b>	<b>4,894.5</b>

In EUR million	30.6.2019
Equity	1,242.0
Non-current and current liabilities	3,669.6
<b>Total equity and liabilities</b>	<b>4,911.6</b>

**Total assets/total equity and liabilities** amounted to 4,894.5 million euros as at 30 September 2019, an increase of 17.1 million euros, or 0.3 per cent, compared with 30 June 2019 (4,911.6 million euros).

On the **assets side**, non-current assets fell by 12.9 million euros to 4,191.6 million euros. This decline was predominantly caused by a 16.4 million euro reduction in other financial assets to 250.5 million euros, and is largely explained by the lower carrying amount of the CECONOMY investment (30 September 2019: 162.7 million euros; 30 June 2019: 177.5 million euros).

In **current assets**, the increase in **liquid assets** of 22.4 million euros to 176.0 million euros is particularly noteworthy. This change in liquid assets primarily resulted from the free cash flow of 72.4 million euros generated, less the 50.0 million euro reduction in the utilisation of the revolving credit facility (30 September 2019: 75.0 million euros; 30 June 2019: 125.0 million euros). The 16.9 million euro decrease in **trade accounts receivable** to 199.2 million euros is mainly due to lower receivables from network operators.

On the **equity and liabilities side**, equity increased by 39.0 million euros to 1,281.0 million euros. The equity ratio rose from 25.3 per cent at the end of June 2019 to 26.2 per cent at the end of September 2019.

Total **current and non-current liabilities** fell by 56.1 million euros to 3,613.5 million euros. **Borrowings**, still the largest item within current and non-current liabilities, decreased from 1,831.2 million euros to 1,784.7 million euros. The main reason for this was the repayment of 50.0 million euros of the revolving credit line to reduce it to 75.0 million euros. For further details on borrowings, please refer to our comments in the section entitled "Financial management".

The decline in **trade accounts payable** of 30.3 million euros to 396.5 million euros is mainly attributable to developments on the balance sheet date relating to liabilities to dealers and distributors. This was offset by the 9.7 million euro increase in **other liabilities and deferrals** to 526.2 million euros, which was primarily caused by the rise in deferrals of bonuses and premium rights received by network operators. **Pension provisions** rose to 108.1 million euros as of 30 September 2019 (30 June 2019: 99.8 million euros) due to the lower discount rate.

## CASH FLOWS

### Key cash flow indicators of the Group

In EUR million	Q3/2019	Q3/2018 restated <sup>1</sup>	Change
Cash flows from operating activities	102.6	90.6	12.1
Cash flows from investing activities	-11.5	-287.7	276.2
Cash flows from financing activities	-18.8	270.0	-288.8
<b>Net change in cash funds</b>	<b>72.4</b>	<b>72.9</b>	<b>-0.6</b>
<b>Free cash flow<sup>1</sup></b>	<b>72.4</b>	<b>75.0</b>	<b>-2.5</b>

<sup>1</sup> Due to a change in the definition of free cash flow, the previous year's figures were restated.

**Cash flows from operating activities** increased by 12.1 million euros year-on-year to 102.6 million euros. With EBITDA down 12.7 million euros, the 18.0 million euro decrease in adjustments for non-cash income from the disposal of non-current assets (prior year: sale of analogue radio infrastructure) and the 5.7 million euro increase in the reduction of net working capital had a positive effect on cash flow from operating activities. In contrast, interest payments increased by 1.5 million euros year-on-year (Q3/2019: -9.0 million euros, Q3/2018: -7.5 million euros).

**Cash flows from investing activities** amounted to -11.5 million euros in the third quarter of 2019 compared to -287.7 million euros in the prior-year quarter. The change essentially results from the payments made in the previous year for the acquisition of the shares in CECONOMY amounting to 277.5 million euros. 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, decreased by 1.3 million euros year-on-year to 11.4 million euros in the third quarter of 2019. The cash investments were financed entirely out of the company's retained earnings.

**Cash flows from financing activities** rose from 270.0 million euros in the prior-year quarter to -18.8 million euros in the period under review - mainly due to the inflows of 276.7 million euros from bridge financing in the third quarter of 2018. Cash repayments of lease liabilities amounted to 18.8 million euros in the third quarter of 2019 (Q3/2018: 5.4 million euros). In the previous year, this item only included the financial leases with DFMG but now also includes repayments from the operating leases.

**Free cash flow** of 72.4 million euros was generated in the third quarter of 2019 as a result of the aforementioned effects, representing a slight decrease of 2.5 million euros compared with the same quarter of the previous year (75.0 million euros). Free cash flow for the first nine months of 2019 was 199.2 million euros (first nine months of 2018: 210.1 million euros), exactly in line with our expectations.

## FINANCIAL MANAGEMENT

Strategic corporate management is underpinned by financial management, which includes the capital structure and liquidity development as control parameters. The strategy is implemented and monitored with the help of a comprehensive treasury management system enhanced by established controlling structures.

As part of the implementation of the financial reporting standards IFRS 15 Revenue from Contracts with Customers in conjunction with IFRS 9 Financial Instruments, and IFRS 16 Leases, management decided, starting with the 2019 financial year, to redesign the control system for both the capital structure and the target structure. The restatements became necessary due to the material effects of these financial reporting standards on the balance sheet structure (especially the presentation of assets and liabilities).

The debt ratio and the equity ratio will continue to be used to manage the capital structure. In addition, an adjusted debt factor is also shown, which takes into account the market values of equity investments in the debt capital structure. The last twelve months (October 2018 to September 2019 or October 2017 to September 2018 for the previous year) are used for the period-related parameter EBITDA.

### Calculation of net debt and adjusted net debt

In EUR '000s	30.9.2019	30.9.2018
Borrowings	1,784.7	1,956.3
Net lease liabilities	493.8	265.6
Liquid assets	176.0	319.4
<b>Net debt</b>	<b>2,102.5</b>	<b>1,902.6</b>
Equity investments (market value of Sunrise and CECONOMY)	951.5	1,065.5
<b>Adjusted net debt</b>	<b>1,151.1</b>	<b>837.1</b>

Due to the initial application of IFRS 16 Leases, the comparability of the debt ratio and adjusted debt ratio figures for the third quarter of 2019 with those of the prior-year period is limited. This limitation is mainly attributable to financial obligations under operating leases that have been recognised since the beginning of the 2019 financial year and are now part of net debt. As a result, the debt ratio as of 30 September 2019 was 4.6, which is above the long-term target value of less than 3.5. The year-on-year increase is mainly due to higher net lease liabilities (operating leases recognised as liabilities), which were up 228.2 million euros. To enhance the figure's informative value, EBITDA for October 2018 to September 2019 takes into account a linear extrapolation of the current IFRS 16 EBITDA effect of the first nine months of 2019. As at 30 September 2019, the equity ratio of 26.2 per cent remained above the target level of 25 per cent.

### Key figures for financial management

	Q3/2018 restated <sup>1</sup>	2018 restated <sup>1</sup>	Q3/2019	Target
Debt ratio	4.4	4.2	4.6	< 3.5
Adjusted debt ratio	1.9	2.0	2.5	—
Equity ratio in %	27.4	27.6	26.2	> 25

<sup>1</sup> Due to a change in the definition of the cash flow, the previous year's figures were restated.

The Executive Board continues to pursue its present financial strategy and thus also its financial management targets.

# REPORT ON POST-BALANCE SHEET DATE EVENTS

No reportable events of material significance occurred after the 30 September 2019 reporting date.

# REPORT ON OPPORTUNITIES AND RISKS

In the third quarter of 2019, there have been no significant changes in relation to the risks associated with future business development. The risks and opportunities to which the

freenet Group is exposed as part of its ongoing business activities were described in detail in the 2018 Annual Report as well as in the Half-year Report 2019 and continue to apply.

# REPORT ON EXPECTED DEVELOPMENTS

Recent developments in the telecommunications and TV/ motion picture markets do not trigger any significant changes compared to the market outlook presented in the 2018 Annual Report. The assumptions made for the forecast of the financial performance indicators of the freenet Group are still considered accurate by company management and are confirmed based on the operating performance in the first nine months of the year. For 2019 as a whole, the freenet Group thus assumes:

- stable revenue;
- EBITDA of between 420 and 440 million euros; and
- free cash flow of between 240 and 260 million euros.

Management also confirms its original guidance for the non-financial performance indicators of postpaid customers, freenet TV subscribers (RGUs) and waipu.tv subscribers.

## Comparison of 2019 forecast and current development

In EUR million/as indicated	Forecast for financial year 2019 (yoy comparison)	Confirmation of guidance for Q1/2019, H1/2019 and Q3/2019	Actual, Q1–Q3/2019	Change compared to previous forecast
<b>Financial performance indicators</b>				
Revenue	stable	stable	2,130.0	▶
EBITDA	420 – 440	420 – 440	325.8	▶
Free cash flow	240 – 260	240 – 260	199.2	▶
Postpaid ARPU <sup>1</sup> (in EUR)	stable	stable	18.8	▶
<b>Non-financial performance indicators</b>				
Postpaid customers (in millions)	moderate increase	moderate increase	6.866	▶
freenet TV subscribers (RGU) (in millions)	> 1.000	>1.000	1.037	▶
waipu.tv subscribers (in millions)	> 0.350	>0.350	0.366	▶

<sup>1</sup> without hardware

▲ Arrow up: above previous guidance

▶ Horizontal arrow: unchanged from previous guidance

▼ Arrow down: below previous guidance

A detailed explanation of the outlook for the current year can be found in the 2018 Annual Report (p. 100 et seq.).

# SELECTED FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2019

	Q1-Q3/2019 1.1.2019- 30.9.2019	Q1-Q3/2018 1.1.2018- 30.9.2018	Q3/2019 1.7.2019- 30.9.2019	Q3/2018 1.7.2018- 30.9.2018
In EUR '000s/as indicated				
Revenue	2,130,006	2,103,271	740,961	717,034
Other operating income	52,638	73,671	20,052	39,276
Other internal work	13,926	12,937	6,094	5,211
Cost of materials	-1,463,912	-1,434,655	-521,592	-494,184
Personnel expenses	-175,133	-161,268	-58,193	-54,648
Other operating expenses	-231,738	-266,047	-76,990	-89,693
Thereof loss allowances on financial assets and contract assets	-33,619	-38,141	-10,648	-12,532
Thereof without loss allowances on financial assets and contract assets	-198,119	-227,906	-66,342	-77,161
<b>EBITDA</b>	<b>325,787</b>	<b>327,909</b>	<b>110,332</b>	<b>122,996</b>
Depreciation, amortisation and impairment	-115,545	-97,342	-38,250	-30,552
<b>EBIT</b>	<b>210,242</b>	<b>230,567</b>	<b>72,082</b>	<b>92,444</b>
Profit or loss of equity-accounted investments	20,708	15,276	7,299	5,287
Thereof from share of profit or loss	35,441	29,568	12,210	10,051
Thereof from subsequent accounting from purchase price allocation	-14,733	-14,292	-4,911	-4,764
Interest and similar income	2,393	87	818	48
Interest and similar expenses	-44,638	-36,244	-14,188	-13,143
Other financial result	629	-47,098	192	-47,098
<b>Financial result</b>	<b>-20,908</b>	<b>-67,979</b>	<b>-5,879</b>	<b>-54,906</b>
<b>Earnings before taxes</b>	<b>189,334</b>	<b>162,588</b>	<b>66,203</b>	<b>37,538</b>
Income taxes	-20,059	-14,517	-8,565	2,489
<b>Consolidated profit</b>	<b>169,275</b>	<b>148,071</b>	<b>57,638</b>	<b>40,027</b>
Consolidated profit attributable to shareholders of freenet AG	176,430	156,462	59,487	42,297
Consolidated profit attributable to non-controlling interests	-7,155	-8,391	-1,849	-2,270
<b>Earnings per share in EUR (basic)</b>	<b>1.38</b>	<b>1.22</b>	<b>0.46</b>	<b>0.33</b>
<b>Earnings per share in EUR (diluted)</b>	<b>1.38</b>	<b>1.22</b>	<b>0.46</b>	<b>0.33</b>
Weighted average number of shares outstanding in '000s (basic)	128,011	128,011	128,011	128,011
Weighted average number of shares outstanding in '000s (diluted)	128,011	128,011	128,011	128,011

## CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2019

<b>ASSETS</b>			
In EUR '000s	30.9.2019	30.6.2019	31.12.2018
<b>Non-current assets</b>			
Intangible assets	509,973	516,783	525,355
Lease assets	477,274	481,534	0
Goodwill	1,385,484	1,385,621	1,380,056
Property, plant and equipment	142,835	144,947	398,824
Equity-accounted investments	790,820	782,178	811,808
Deferred income tax assets	165,616	164,504	158,094
Trade accounts receivable	63,796	60,990	52,480
Other receivables and other assets	121,480	121,093	128,023
Other financial assets	250,508	266,866	126,218
Contract acquisition costs	283,767	279,921	304,238
	<b>4,191,553</b>	<b>4,204,437</b>	<b>3,885,096</b>
<b>Current assets</b>			
Inventories	80,374	89,082	105,965
Current income tax assets	1,708	2,106	2,046
Trade accounts receivable	199,190	216,097	253,914
Other receivables and other assets	197,194	194,102	226,394
Other financial assets	48,510	52,212	34,905
Liquid assets	175,960	153,588	126,332
	<b>702,936</b>	<b>707,187</b>	<b>749,556</b>
	<b>4,894,489</b>	<b>4,911,624</b>	<b>4,634,652</b>
<b>EQUITY AND LIABILITIES</b>			
In EUR '000s	30.9.2019	30.6.2019	31.12.2018
<b>Equity</b>			
Share capital	128,061	128,061	128,061
Capital reserves	737,536	737,536	737,536
Cumulative other comprehensive income	-97,126	-78,484	-140,120
Consolidated net retained profits	499,562	440,075	535,124
<b>Equity attributable to shareholders of freenet AG</b>	<b>1,268,033</b>	<b>1,227,188</b>	<b>1,260,601</b>
Non-controlling interests in equity	12,997	14,846	20,152
	<b>1,281,030</b>	<b>1,242,034</b>	<b>1,280,753</b>
<b>Non-current liabilities</b>			
Lease liabilities	495,192	509,903	0
Other liabilities and deferrals	102,633	96,720	115,922
Other financial liabilities	56,725	55,062	306,638
Borrowings	1,635,812	1,650,943	1,699,424
Deferred income tax liabilities	1,411	691	0
Pension provisions	108,078	99,787	89,173
Other provisions	43,091	43,248	47,042
	<b>2,442,942</b>	<b>2,456,354</b>	<b>2,258,199</b>
<b>Current liabilities</b>			
Lease liabilities	80,385	71,013	0
Trade accounts payable	396,496	426,768	523,174
Other liabilities and deferrals	423,591	419,826	436,343
Other financial liabilities	57,128	38,596	51,167
Current income tax liabilities	47,862	49,791	34,722
Borrowings	148,914	180,279	23,476
Other provisions	16,141	26,963	26,818
	<b>1,170,517</b>	<b>1,213,236</b>	<b>1,095,700</b>
	<b>4,894,489</b>	<b>4,911,624</b>	<b>4,634,652</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2019

In EUR '000s	Q1 – Q3/2019 1.1.2019 – 30.9.2019	Q1 – Q3/2018 1.1.2018 – 30.9.2018 restated <sup>2</sup>
<b>Earnings before financial result and taxes (EBIT)</b>	<b>210,242</b>	<b>230,567</b>
<b>Restatements</b>		
Depreciation, amortisation and impairment of non-current assets	115,545	97,342
Dividends received from equity-accounted investments	41,462	36,912
Gain on disposal of non-current assets	-410	-25,283
Increase in net working capital not attributable to investing or financing activities	-66,330	-34,984
Proceeds from the cash repayment of financial assets under leases	10,956	0
Capitalisation of contract acquisition costs	-214,066	-228,946
Amortisation of contract acquisition costs	234,537	233,652
Tax payments	-12,290	-22,039
Income from interest and other financial result	1,703	195
Interest paid	-36,493	-27,332
<b>Cash flows from operating activities</b>	<b>284,856</b>	<b>260,084</b>
Payments to acquire property, plant and equipment and intangible assets	-30,151	-42,259
Proceeds from disposal of intangible assets and property, plant and equipment	3,196	8,608
Proceeds from the acquisition of subsidiaries	3,052	0
Payments into equity of equity-accounted investments	0	-75
Payments to acquire other equity investments	-173	-277,745
<b>Cash flows from investing activities</b>	<b>-24,076</b>	<b>-311,471</b>
Payments to company owners and minority shareholders	-211,218	-211,218
Proceeds from new borrowings	0	276,686
Cash repayments of borrowings	-15,000	0
Cash repayments of lease liabilities	-58,714	-16,315
Cash repayments of finance costs due to the acquisition of other equity investments	0	-1,200
Payments of other financing costs	-1,220	0
<b>Cash flows from financing activities</b>	<b>-286,152</b>	<b>47,953</b>
<b>Net change in cash funds</b>	<b>-25,372</b>	<b>-3,434</b>
<b>Cash funds at beginning of period</b>	<b>126,332</b>	<b>322,816</b>
<b>Cash funds at end of period</b>	<b>100,960</b>	<b>319,382</b>

### Composition of cash funds

In EUR '000s	30.9.2019	30.9.2018
Liquid assets	175,960	319,382
Liabilities to banks for short-term cash management	-75,000	0
	<b>100,960</b>	<b>319,382</b>

### Composition of free cash flow<sup>1</sup>

In EUR '000s	30.9.2019	30.9.2018
Cash flows from operating activities	284,856	260,084
Payments to acquire property, plant and equipment and intangible assets	-30,151	-42,259
Proceeds from disposal of intangible assets and property, plant and equipment	3,196	8,608
Cash repayments of lease liabilities	-58,714	-16,315
<b>Free cash flow</b>	<b>199,187</b>	<b>210,118</b>

<sup>1</sup> Free cash flow is a non-GAAP parameter. In this context please refer to the section „Calculation of alternative performance measures“ in the Group interim management report.

<sup>2</sup> Due to the change in the definition of free cash flow, the previous year's figures were restated.



## SEGMENT REPORT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2019

In EUR '000s	Mobile Com- munications	TV and Media	Other/ Holding	Elimination of inter-segment revenue and costs	Total
<b>Third-party revenue</b>	<b>1,915,150</b>	<b>180,727</b>	<b>34,129</b>	<b>0</b>	<b>2,130,006</b>
Inter-segment revenue	13,559	7,028	10,819	-31,406	0
<b>Total revenue</b>	<b>1,928,709</b>	<b>187,755</b>	<b>44,948</b>	<b>-31,406</b>	<b>2,130,006</b>
<b>Cost of materials, third party</b>	<b>-1,397,355</b>	<b>-56,081</b>	<b>-10,476</b>	<b>0</b>	<b>-1,463,912</b>
Inter-segment cost of materials	-13,582	-11,250	-632	25,464	0
Total cost of materials	-1,410,937	-67,331	-11,108	25,464	-1,463,912
<b>Segment gross profit</b>	<b>517,772</b>	<b>120,424</b>	<b>33,840</b>	<b>-5,942</b>	<b>666,094</b>
Other operating income	40,394	10,067	4,659	-2,482	52,638
Other internal work	9,103	3,408	1,415	0	13,926
Personnel expenses	-100,269	-45,929	-28,935	0	-175,133
Other operating expenses	-185,188	-35,372	-19,602	8,424	-231,738
thereof loss allowances on financial assets and contract assets	-33,046	-471	-102	0	-33,619
thereof without loss allowances on financial assets and contract assets	-152,142	-34,901	-19,500	8,424	-198,119
<b>Total overhead<sup>1</sup></b>	<b>-235,960</b>	<b>-67,826</b>	<b>-42,463</b>	<b>5,942</b>	<b>-340,307</b>
thereof inter-segment allocation	-5,564	-814	436	5,942	
<b>Segment EBITDA</b>	<b>281,812</b>	<b>52,598</b>	<b>-8,623</b>	<b>0</b>	<b>325,787</b>
Depreciation, amortisation and impairment					-115,545
<b>EBIT</b>					<b>210,242</b>
Financial result					-20,908
Income taxes					-20,059
<b>Consolidated profit</b>					<b>169,275</b>
Consolidated profit attributable to shareholders of freenet AG					176,430
Consolidated profit attributable to non-controlling interests					-7,155
<b>Net cash investments</b>	<b>17,307</b>	<b>7,239</b>	<b>2,409</b>		<b>26,955</b>

<sup>1</sup> The overhead costs as the difference between gross profit and EBITDA include the items other operating income, other internal work, personnel expenses and other operating expenses

**SEGMENT REPORT FOR THE PERIOD  
FROM 1 JANUARY TO 30 SEPTEMBER 2018<sup>1</sup>**

In EUR '000s	Mobile Com- munications	TV and Media	Other/ Holding	Elimination of inter-segment revenue and costs	<b>Total</b>
<b>Third-party revenue</b>	<b>1,859,158</b>	<b>205,549</b>	<b>38,564</b>	<b>0</b>	<b>2,103,271</b>
Inter-segment revenue	33,216	5,702	10,475	-49,393	0
<b>Total revenue</b>	<b>1,892,374</b>	<b>211,251</b>	<b>49,039</b>	<b>-49,393</b>	<b>2,103,271</b>
<b>Cost of materials, third party</b>	<b>-1,337,235</b>	<b>-85,510</b>	<b>-11,910</b>	<b>0</b>	<b>-1,434,655</b>
Inter-segment cost of materials	-15,147	-24,988	-3,899	44,034	0
Total cost of materials	-1,352,382	-110,498	-15,809	44,034	-1,434,655
<b>Segment gross profit</b>	<b>539,992</b>	<b>100,753</b>	<b>33,230</b>	<b>-5,359</b>	<b>668,616</b>
Other operating income	38,180	34,831	2,775	-2,115	73,671
Other internal work	6,551	4,902	1,484	0	12,937
Personnel expenses	-91,667	-44,774	-24,827	0	-161,268
Other operating expenses	-211,481	-42,214	-19,826	7,474	-266,047
thereof loss allowances on financial assets and contract assets	-37,593	-443	-105	0	-38,141
thereof without loss allowances on financial assets and contract assets	-173,888	-41,771	-19,721	7,474	-227,906
<b>Total overhead<sup>2</sup></b>	<b>-258,417</b>	<b>-47,255</b>	<b>-40,394</b>	<b>5,359</b>	<b>-340,707</b>
thereof inter-segment allocation	-4,941	-733	315	5,359	
<b>Segment EBITDA</b>	<b>281,575</b>	<b>53,498</b>	<b>-7,164</b>	<b>0</b>	<b>327,909</b>
Depreciation, amortisation and impairment					-97,342
<b>EBIT</b>					<b>230,567</b>
Financial result					-67,979
Income taxes					-14,517
<b>Consolidated profit</b>					<b>148,071</b>
Consolidated profit attributable to shareholders of freenet AG					156,462
Consolidated profit attributable to non-controlling interests					-8,391
<b>Net cash investments</b>	<b>13,804</b>	<b>15,823</b>	<b>4,024</b>		<b>33,651</b>

<sup>1</sup> Due to a change in the definition, the previous year's figures were restated.

<sup>2</sup> The overhead costs as the difference between gross profit and EBITDA include the items other operating income, other internal work, personnel expenses and other operating expenses

# GLOSSARY

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

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

**ARPU (Mobile Communications)** 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.

**EBIT** Earnings before interest and taxes.

The definition has been changed as of financial year 2019: see the sections “Internal management system” and “Alternative performance measures” in the current Group management report.

**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 Bloomberg data. 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 interest expense** Interest and similar income less interest and similar expenses.

**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.

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

**Prepaid** Mobile services billed in advance.

**waipu.tv registered customers** Customers who have registered free of charge and/or subscribed to one of the fee-based tariffs (see “waipu.tv subscribers”).

**waipu.tv subscribers** Customers who use subscribed to one of the fee-based tariffs (e.g. Comfort or Perfect).

# FINANCIAL CALENDAR

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Date	Event
7 November 2019	Quarterly Statement as of 30 September 2019 – Third quarter 2019
13 November 2019	TMT Conference 2019 (Morgan Stanley) Barcelona   Spain
18 November 2019	Equity Conference (DZ Bank) Frankfurt   Germany
5 Dezember 2019	17 <sup>th</sup> Annual European Conference (Berenberg) Surrey   Great Britain

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Further dates, schedule updates and information on roadshows is available at <https://www.freenet-group.de/investor/financial-calendar/index.html>

All dates are subject to change.

# IMPRINT AND CONTACT

## CONTACT

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## CONSULTING, CONCEPT & DESIGN

Silvester Group, Hamburg  
[www.silvestergroup.com](http://www.silvestergroup.com)

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](http://www.freenet-group.de/en).

