freenet GROUP

HALF-YEAR REPORT AS OF 30 JUNE 2020

H1/2020

CONTENTS

OVERVIEW OF KEY FINANCIALS[1] GROUP

OPERATIONS

In EUR millions / as indicated	1st half 2020	1st half 2019	Q2/2020	Q1/2020	Q2/2019
Revenue	1,271.0	1,389.0	622.1	648.8	699.1
Revenue exclusive of MOTION TM[2]	1,271.0	1,246.7	622.1	648.8	624.3
Gross profit	425.7	446.7	212.5	213.2	219.4
EBITDA	213.9	215.5	109.7	104.2	107.5
EBIT	135.4	138.2	70.5	64.9	68.8
EBT	123.1	123.1	65.3	57.8	62.0
Consolidated profit	109.3	111.6	58.1	51.2	55.5
Earnings per share in EUR (diluted / basic)	0.88	0.91	0.46	0.41	0.45

BALANCE SHEET

In EUR millions / as indicated	30.6.2020	30.6.2019	30.6.2020	31.3.2020	30.6.2019
Total equity and liabilities	4,721.2	4,911.6	4,721.2	4,764.6	4,911.6
Equity	1,350.7	1,242.0	1,350.7	1,268.4	1,242.0
Equity ratio in %	28.6	25.3	28.6	26.6	25.3

FINANCES AND INVESTMENTS

In EUR millions	1st half 2020	1st half 2019	Q2/2020	Q1/2020	Q2/2019
Free cash flow	140.7	126.7	90.8	49.9	81.5
Depreciation, amortisation and impairment	78.5	77.3	39.2	39.3	38.7
Net investments (CAPEX)	17.3	15.6	9.5	7.8	8.7
Net debt	1,891.5	2,175.1	1,891.5	1,987.4	2,175.1
Adjusted net debt	918.0	1,272.1	918.0	1,153.3	1,272.1

SHARE

As indicated	30.6.2020	30.6.2019	30.6.2020	31.3.2020	30.6.2019
Closing price Xetra in EUR	14.32	17.60	14.32	16.07	17.60
Number of issued shares in ’000s	128,061	128,061	128,061	128,061	128,061
Market capitalisation in EUR million	1,833.8	2,253.2	1,833.8	2,057.3	2,253.2

EMPLOYEES[3]

	30.6.2020	30.6.2019	30.6.2020	31.3.2020	30.6.2019
Employees	4,014	4,141	4,014	4,118	4,141

MOBILE COMMUNICATIONS SEGMENT

CUSTOMER FIGURES[3]

In millions	1st half 2020	1st half 2019	Q2/2020	Q1/2020	Q2/2019
Postpaid	6.939	6.834	6.939	6.925	6.834
Net change postpaid	0.037	–0.062	0.014	0.022	–0.028
freenet FUNK	0.042	0.020	0.042	0.035	0.020
Net change freenet FUNK	0.008	0.020	0.007	0.001	0.020

OPERATIONS

In EUR millions	1st half 2020	1st half 2019	Q2/2020	Q1/2020	Q2/2019
Revenue	1,136.8	1,256.0	554.2	582.6	631.3
Gross profit	326.1	348.5	160.8	165.3	168.9
EBITDA	182.6	186.9	91.0	91.6	90.4

MONTHLY AVERAGE REVENUE PER USER (ARPU)

In EUR	1st half 2020	1st half 2019	Q2/2020	Q1/2020	Q2/2019
Postpaid	18.3	18.8	18.1	18.4	18.8

TV AND MEDIA SEGMENT

CUSTOMER FIGURES[3]

In '000s	1st half 2020	1st half 2019	Q2/2020	Q1/2020	Q2/2019
freenet TV subscribers (RGU)	1,005.0	1,037.5	1,005.0	1,016.9	1,037.5
Net change freenet TV subscribers (RGU)	–16.1	23.2	–11.9	–4.2	17.3
waipu.tv subscribers	504.1	331.9	504.1	452.5	331.9
Net change waipu.tv subscribers	95.8	80.1	51.7	44.2	45.6

OPERATIONS

In EUR millions	1st half 2020	1st half 2019	Q2/2020	Q1/2020	Q2/2019
Revenue	125.9	123.9	65.2	60.7	62.9
Gross profit	81.1	79.8	43.1	38.1	40.7
EBITDA	36.5	33.2	20.9	15.5	18.9

1 Unless indicated otherwise, key financials are defined in the "Corporate management" section of the 2019 Annual Report.
2 Revenue for the first half and the second quarter of 2019 includes hardware revenue of 142.3 million euros and 74.8 million euros, respectively, 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 for these figures.
3 At the end of the period.

TO OUR SHARE-HOLDERS

THE EXECUTIVE BOARD OF FREENET AG

From top left to bottom right:
Christoph Vilanek (CEO), Stephan Esch (CTO), Rickmann v. Platen (CCO), Ingo Arnold (CFO), Antonius Fromme (CCE)

REPORT OF THE EXECUTIVE BOARD

Dear shareholders, business partners, customers and friends of the freenet Group,

As we take stock of the first half of 2020 today, we are reflecting on some of the most exceptional and challenging months for companies in recent economic history for one major reason – coronavirus. Right now, we can say that freenet AG has coped well with lockdown and the accompanying massive disruption so far. In fact, COVID-19 is not immediately apparent in our figures for the first half of the year. What have been the key factors in this success?

Firstly, as a company we reacted very quickly, efficiently and proactively to the emerging developments. As a David among the Goliaths of Germany's major telecommunication providers, we benefited from our flat hierarchies, manageable structures and direct decision-making and communication channels. At the start of March, when the eventual dramatic scale of the situation was only very gradually becoming apparent, freenet had already set up a crisis team formed of representatives from the Human Resources and Legal departments, Executive Board and the managing directors of our shop chains, led by the head of Internal Auditing.

Before long, we reached the second of our four predefined escalation levels, which opened up the option of working from home. Employee groups were defined based on their risk levels and needs and provided with essential IT equipment as required. As a result, more than a third of our employees worked from home or remotely without any major problems, while more than 60 per cent of processes kept running at their respective locations. This not only included logistics specialists and staff for office processes and maintenance but also teams in those of our shops that were able to remain open as part of Germany's critical infrastructure in times of crisis – although unfortunately this only represented around a third of our stores and with restricted opening hours and customer access.

Daily virtual team meetings, podcasts and webinar training sessions all helped to preserve freenet's unique spirit during lockdown. We also continued to deliver training and education programmes digitally – much like the majority of our other company processes. Although we were unable to avoid short-time work, we topped up the net salaries of the affected employees to 100 per cent in each case. This also helped to foster our team spirit and even boosted staff motivation within the Group during the crisis.

Of course, our crisis-resistant business model also helped. We offer our customers services that people find particularly indispensable in times of crisis: digital interaction, Internet access and the consumption of entertainment and information via TV and radio. These are areas in which we generate the majority of our revenue and an even larger share of our margins based on mostly long-term subscriptions.

This is also reflected in the encouraging figures for the first half of the year.

- Revenue reached 1,271.0 million euros in the first six months of 2020. This represents a slight increase of 1.9 per cent compared to the prior-year period adjusted for the MOTION TM equity investment we sold at the turn of the year. The second quarter contributed 622.1 million euros to this figures, which is on a par with the adjusted revenue generated in Q2 / 2019 (624.3 million euros).
- At 109.7 million euros, EBITDA was slightly higher compared to Q2 / 2019 (107.5 million euros). This adds up to a total of 213.9 million euros for the first half of the year – only a slight decrease compared to 215.5 million euros for the equivalent period in 2019, despite the (delayed) regulatory effects in mobile communications and the exceptional overall situation caused by coronavirus.
- Free cash flow rose by 11.0 per cent to 140.7 million euros in the first half of 2020 compared to 2019. Of this figure, 90.8 million euros is attributable to the second quarter, which, due to reporting date effects, was significantly higher than the prior-year quarter.

- The development of our customer figures was also highly positive. In the core Mobile Communications segment, the number of postpaid customers in the second quarter rose by 14,500 to 6.939 million at the end of June – an increase of 36,600 since the start of the year – despite the restrictions. The base of around 42,000 (+7,000 in Q2 / 2020) active freenet FUNK customers generated exclusively via the app have been separately reported so far and are not included in the postpaid customer base.
- In the TV and Media segment, our IPTV service waipu.tv also continued its solid growth, with the number of subscribers exceeding the half-million mark during the most recent quarter. With 504,100 subscribers at the end of June, the customer base has grown by 95,800 since the start of the year and 172,200 over the past 12 months. In the area of antenna-based television, the number of revenue-generating freenet TV users fell only slightly by 11,900 to 1.005 million in the second quarter of 2020, despite the recent price increase and disconnection of some satellite customers.

As a summary for the first half of the year, we can conclude that the freenet Group's business model has proven to be extremely robust when subjected to the stress test of coronavirus.

With this in mind, we can face the next few months and quarters with optimism, confidence and due caution. What entitles us to adopt this attitude? Firstly, our intensive customer development and retention efforts are particularly worthy of note. Today, we already gain one in every two new customers via our online channels, while more than 70 per cent of all transactions are completed via our own "captive channels". We are improving the understanding and service our customers receive every day with the help of artificial intelligence, machine learning, chat bots, self help and digital interaction, undoubtedly making us among the pioneers in our industry. We recently received further recognition for these efforts, this time by being named a "Digital Champion" in our industry by specialist magazine FOCUS MONEY. The digitalisation many are now demanding as a necessary consequence of the coronavirus crisis is already part of everyday life at freenet.

We continue to work steadily on expanding our product and service portfolio, regardless of the crises we face or the awards we receive. Generally speaking, this does not result in real "revolutions" like freenet FUNK, but in the many small pieces of the puzzle that nonetheless come together to create a coherent picture.

- Both freenet TV and waipu.tv have expanded their range of channels and services further over the past six months. The latest additions include enhanced functionality in the app as well as almost a dozen German-speaking channels. In addition, waipu.tv's Turkish channel package is now also being marketed in partnership with Telefónica Deutschland. All of these steps make us confident that waipu.tv will also make a positive EBITDA contribution to the TV and Media segment from the fourth quarter onwards.
- In the core Mobile Communications segment, we are managing to generate almost continuous customer growth in what has been a saturated market segment for quite a while thanks to various special promotions, upgrades and new tariff launches as well as attractive bundles with devices. "Minor" highlights in the last six months include the seamless transition of virtually all legacy tariffs to LTE and the launch of a highly flexible and competitive business customer tariff via our discount subsidiary klarmobil.
- Our main brand mobilcom-debitel also expanded its portfolio further to include sustainable and inclusive product solutions. A telephone helpline for seniors was launched as part of the "Digital dabei!" ("Going digital") initiative. Specially trained shop staff provide older customers with services and advice to make it easier for them to participate in digital life.

As a result, we believe we are well equipped for the next few months and quarters. While we will not be among the biggest winners from this crisis – such as video conferencing software providers, for example – we will continue working hard to remain the same reliable partner to our stakeholders that we have always been over the past two decades. As always, we will continue to rely on a blend of innovation and tried-and-tested technology, on flexibility and continuity, and on the energy, expertise and experience of our entire team.

On this basis, we are once again confirming our guidance for 2020 at this time.

Christoph Vilanek   Ingo Arnold   Stephan Esch

Antonius Fromme   Rickmann v. Platen

THE FREENET SHARE

- First half of 2020 trading year overshadowed by the coronavirus pandemic
- freenet shares reach lowest closing price in seven years during the period under review
- Shareholders approve suspension of dividend by a clear majority

CAPITAL MARKET ENVIRONMENT

Capital markets across the globe recorded their heaviest losses since the financial and economic crisis of 2008 / 2009 in the first quarter of 2020. The year began promisingly for the stock markets, with equity indices reaching new record highs in the first six weeks, primarily due to a partial agreement in the trade conflict between China and the USA.

Since then, fears of a prolonged global recession triggered by the COVID-19 pandemic have inflicted significant losses on the equity markets. The leading German DAX index dropped from an all-time high of 13,800 points on 19 February to 8,256 points in mid-March, before recovering to 12,311 points by the end of the first half of 2020. The MDAX, of which freenet AG is also a part, shed around 37 per cent of its value at the peak of the crisis and closed down by almost ten per cent on 30 June compared to the start of the year. Never before have both indices slumped so sharply in such a short space of time and climbed again just as rapidly. Massive government support programmes and far-reaching measures from global central banks aimed at ensuring liquidity are likely to have played a key role in enabling swift stabilisation in the markets.

Although the SXKP Index, as a trend indicator for European telecommunications stocks, also recorded a negative performance in the first and second quarters, this trend was significantly less negative than on the DAX and MDAX. Overall, German mobile communications stocks seem to have shown particularly remarkable resilience in the face of the crisis. As a result, the freenet Group's immediate peers made up any losses triggered by the pandemic compared to their respective closing prices at the end of 2019.

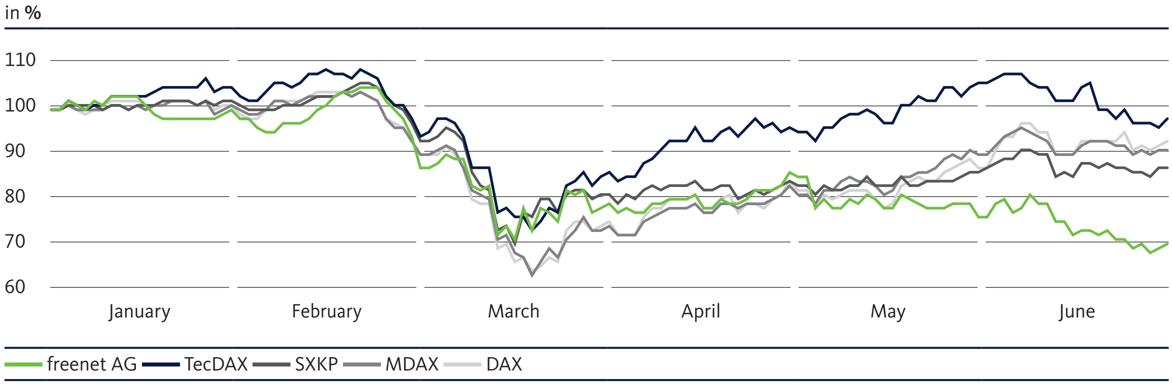
FREENET SHARE PERFORMANCE

freenet's shares were not immune to the turbulence caused by coronavirus in the capital markets and closed the first half of 2020 at 14.32 euros, well below the previous year-to-date high of 21.50 euros recorded on 21 February. freenet shares were also forced to accept heavier losses than their benchmark indices and direct peers in the first half of the year as the share price slumped by almost 30 per cent. As a result, the shares suffered massively from the effects of the coronavirus pandemic, even though the Group's business model showed itself to be almost completely unaffected by the crisis and the guidance for the full-year 2020 has been confirmed. This meant that, while the Group also defied doubts predominantly expressed in English-speaking countries about the resilience of the service provider model, this has not yet been taken into account by the capital markets, as is reflected in the price of freenet shares.

The same is also true of the Executive Board's decision to suspend the dividend for the 2019 financial year. By doing this, management strengthened the freenet Group's fundamentally sound financial base while at the same time counteracting the unforeseeable effects of the coronavirus crisis on the financial sector and ensuring that the Group is equipped for any challenges it may encounter in refinancing two promissory notes totalling 700 million euros. freenet shareholders supported this move and approved the suspension of the dividend by a clear majority (95 per cent) at the virtual annual general meeting on 27 May 2020. Nevertheless, this decision appears to have had a detrimental impact on the shares, including the divestment of passive dividend funds / ETFs.

Figure 1: Performance of the freenet share in the past 6 months

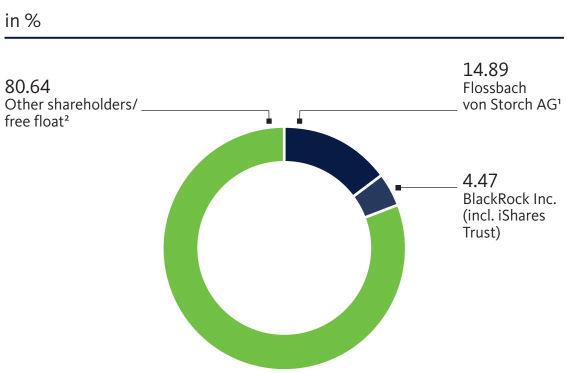
(indexed; 100 = Xetra closing price on 31 December 2019)



CHANGES IN SHAREHOLDER STRUCTURE

The following diagram shows the voting rights last reported by shareholders in accordance with Sections 33 and 34 of the German Securities Trading Act (WpHG), based on the current share capital.

Figure 2: Shareholder structure of freenet AG on 30 June 2020



[1] Incl. attributions according to the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).
[2] The free float according to Deutsche Börse AG amounts to 80.64 per cent.

Holding a share of 14.89 percent as of 30 June 2020, the German asset management company Flossbach von Storch AG remains the largest shareholder of freenet AG. According to a voting rights notification dated 24 June 2020, however, asset manager BlackRock Inc. reduced its shareholding from 7.56 percent to 4.47 percent of the shares issued. The remaining 80.64 per cent was held by institutional or retail investors whose interest in freenet each totals less than 3 per cent (free float according to Deutsche Börse AG's definition).

The aforementioned and other voting rights notifications pursuant to Section 21 of the German Securities Trading Act (WpHG) for the first half of 2020 have been published at www. freenet-group.de/investor-relations.

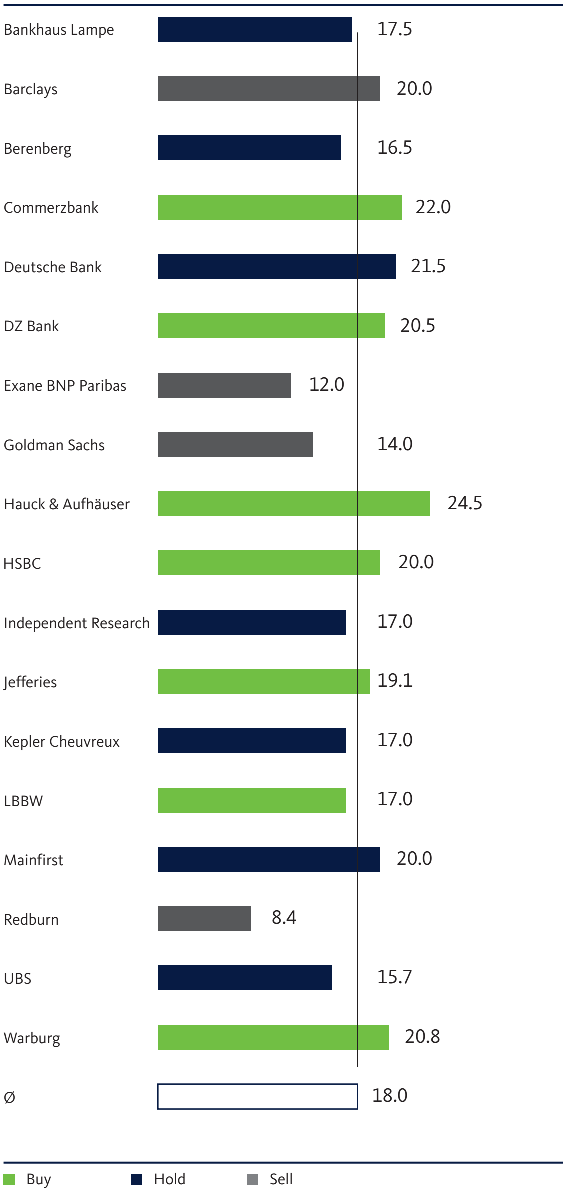
One member of the Executive Board carried out managers' transactions in accordance with Art. 19 of the Market Abuse Regulation (MAR): Ingo Arnold acquired a total of 2,500 shares worth around 45,000 euros on 06 March 2020.

ANALYSTS' RECOMMENDATIONS

The freenet share has been regularly monitored and evaluated by 18 analysts in the first half of 2020. Overall, seven buy recommendations, seven hold recommendations and four sell recommendations were issued. Target prices range from 8.40 to 24.50 euros per share, with an average of 17.97 euros.

Figure 3: Current recommendations for the freenet share

Target prices in EUR



As per 30 June 2020.

2020 ANNUAL GENERAL MEETING

In accordance with Article 2 of the COVID-19 Relief Act, the Annual General Meeting of freenet AG for the 2019 financial year was held as a virtual Annual General Meeting without the physical presence of the shareholders or their authorised representatives on 27 May 2020. The entire Annual General Meeting was broadcast for freenet AG shareholders live over the Internet in a password-protected online area. Shareholders had the opportunity to exercise their voting rights by post or by authorising the proxies appointed by the company. Questions could be asked via the online service for shareholders and were answered by the Supervisory Board and Executive Board on the day of the Annual General Meeting.

Other interested parties could also follow the opening of the Annual General Meeting by the Meeting Chair and the speeches by the CEO and CFO as a live broadcast, while a recording of these was also made available on the company website as an on-demand webcast afterwards.

Overall, 49.66 per cent of the registered share capital was represented at the virtual Annual General Meeting. All of the agenda items proposed by the company's management were adopted by the shareholders by the required majority.

INTERIM GROUP MANAGEMENT REPORT

INTERIM GROUP MANAGEMENT REPORT

CORPORATE MANAGEMENT

The freenet Group uses a standardised and reliable management system to implement its operational and strategic goals both at Group level and within the individual subsidiaries. Performance is measured using financial and non-financial performance indicators and is also supported by established financial management methods. The performance indicators used for corporate management purposes also regularly represent alternative performance measures (APMs) that are not governed by the IFRSs. The main features of the management system are outlined below, together with the development of the relevant key performance indicators compared to the end of 2019 and the prior-year quarter with respect to the financial management system. Please refer to the “Corporate management” section of the 2019 Annual Report (see page 42 onwards) for a detailed presentation of the key figures used.

FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS

In order to measure the short-, medium- and long-term success of freenet’s strategic alignment and its operational implementation, the freenet Group uses the following financial performance indicators:

- Revenue
- EBITDA
- Free cash flow
- Postpaid ARPU

EBITDA, free cash flow, postpaid ARPU, and adjusted EBITDA, which is calculated for information purposes, are also APMs. The financial performance indicator free cash flow is not used for management purposes at the segment level; it is used exclusively at the Group level. Postpaid ARPU is only used in the Mobile Communications segment.

The development of the freenet Group’s operating performance is closely linked to the development of customer numbers. Customer acquisition and retention are therefore essential. The strategically relevant customer group varies depending on the operating segment. The postpaid customer base serves as a non-financial performance indicator for the Mobile Communication segment, and the revenue-generating TV customer base serves as a non-financial performance indicator for the TV and Media segment.

The measurement of the valuable postpaid customers, which comprises strategically important customers with two-year contracts, is used for medium- and long-term corporate management. In conjunction with postpaid ARPU, this figure represents a key indicator of the earnings and liquidity potential shown by the mobile communications business. The development in revenue-generating freenet TV subscriber (RGU) numbers as well as waipu.tv subscribers is used as a key measure for the success in establishing the TV business and thus for market penetration with both TV products. Taken together, the segment-related non-financial performance indicators reflect the subscription customer base of the freenet Group.

FINANCIAL MANAGEMENT

CASH, LIQUIDITY AND CAPITAL STRUCTURE MANAGEMENT

The financial management system essentially comprises cash and liquidity management along with capital structure management, and is handled centrally by the Treasury department, in some cases in cooperation with Financial Control and Accounting.

Two alternative performance measures – equity ratio and leverage – are an integral part of capital structure management and thus of financial management. In addition, an adjusted leverage is also reported for information purposes. This provides a less conservative perspective on debt by including the market values of equity investments in the debt structure.

Table 1: Key figures of capital structure management

as indicated	Target	30.6.2020	31.12.2019	30.6.2019
Equity ratio in %	> 25.0	28.6	27.3	25.3
Leverage	≤ 3.0	4.4	4.8	4.6
Adjusted leverage	≤ 3.0	2.2	2.5	2.7

The equity ratio improved by 1.3 percentage points compared to the end of 2019 and by 3.3 percentage points compared to the prior-year quarter. This rise was primarily due to the suspension of the dividend payment in May 2020 and the resulting increase in the freenet Group's equity base. The leverage, which is calculated as the ratio of net debt to EBITDA generated in the last 12 months, was 4.4 at the end of June 2020 and thus slightly above the medium-term target value of a maximum of 3.0. This figure stands at 2.2 when taking into account the share price of the equity investments in Sunrise and CECONOMY. The improvement in both debt factors is also mainly attributable to the undistributed dividend for the 2019 financial year and the liquidity base strengthened by this measure.

Table 2: Net debt and adjusted net debt

In EUR million	30.6.2020	31.12.2019	30.6.2019
Long-term borrowings	1,000.8	1,428.0	1,650.9
Short-term borrowings	641.7	265.6	180.3
Net lease liabilities	468.1	471.2	497.4
Liquid assets	–219.1	–133.7	–153.6
Net debt	**1,891.5**	**2,031.1**	**2,175.1**
Market value of Sunrise and CECONOMY[1]	–973.5	–953.2	–903.0
Adjusted net debt	**918.0**	**1,078.0**	**1,272.1**

[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 freenet Group's Executive Board pursues a policy of consistent dividend payments aligned with the operational performance of the company. The dividend policy is therefore aligned with the relatively constant liquidity-oriented free cash flow indicator. As a reliable and stable point of reference for estimating the expected dividend, this indicator 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 free cash flow as basic dividend. The basic dividend represents the Executive Board's fundamental commitment to a shareholder-friendly dividend policy based on a reliable and appropriate participation of shareholders coupled with a comparatively high return. Moreover, the Group has not ruled out the possibility of either paying an additional dividend or buying back shares to provide freenet shareholders with a further opportunity to participate in the distribution of the free cash flow remaining after deduction of the basic dividend.

INTERIM GROUP MANAGEMENT REPORT

COURSE OF BUSINESS

REVENUE PILLARS OF THE FREENET GROUP

As a digital lifestyle provider and the largest network-independent telecommunications provider in Germany, the freenet Group operates in three business areas:

- In the core Mobile Communications business, the main mobilcom-debitel brand primarily focuses on high-quality postpaid contractual relationships. In addition, the company operates a specially developed IT platform as the basis for digital and increasingly flexible tariffs – such as freenet FUNK.
- The core business is supplemented by the growing digital lifestyle business, in which the company offers its customers products and solutions for digital living, such as entertainment, infotainment and data security products and services.
- The third key element of the product and service portfolio is modern, high-definition digital television in two technological variants: waipu.tv in the area of IPTV entertainment, and freenet TV for terrestrial television.

The freenet Group's largely subscription-based business model is proving to be sustainable, predictable and relatively crisis-resistant, particularly in view of the disruption to Germany's economic and social life caused by COVID-19. This is demonstrated by the resoundingly positive performance of the Group's three business areas in the first half of 2020.

POSTPAID CUSTOMER BASE GROWS DESPITE SHOP CLOSURES

freenet's individual mobile communications brands began the 2020 financial year with various initiatives and promotional tariffs. These included:

- at mobilcom-debitel, an upgrade to the green LTE tariffs on the Deutsche Telekom and Vodafone networks and the launch of the new MegaSIM online platform to cater for customers on the Telefónica network,
- at klarmobil, the launch of three affordable Allnet flats on the Vodafone network in January, and
- new customer-focused tariffs with a high degree of flexibility on the Telekom network in February – a choice of seven tariffs, a two-year term or a monthly cancellation option, with or without an LTE high-speed option.

mobilcom-debitel also began a sales partnership with Tele Columbus for its Pyur brand at the start of the year, with fibre-based Internet products as well as packages such as Surf & Phone + HDTV with integrated telephone and TV services.

Initiatives and promotions relating to tariffs offered by the main brand and discount brands continued in the second quarter. In may, mobilcom-debitel reduced the price of its 20 GB green LTE tariff with monthly cancellation option to around 16 euros. In June, higher data volumes became an integral part of green LTE tariffs on the Deutsche Telekom network.

Other time-limited special tariff promotions covered a wide range of user requirements, all at competitive rates:

- a 5 GB LTE Allnet flat on the Telekom network from klarmobil for around 10 euros a month,
- an 18 GB LTE option on the Vodafone network for 18 euros a month from mobilcom-debitel, and
- a 60 GB Allnet flat on the O_2 network for 35 euros a month aimed at frequent Internet users.

In addition, mobilcom-debitel regularly launched attractive tariff bundles with top-of-the-range devices. As part of the exclusive sales partnership with Saturn / MediaMarkt, for example, mobilcom-debitel offered the Samsung Galaxy Note 10 with 256 GB for just under 700 euros combined with the Green LTE 10 GB tariff for a two-year term in June. Alternatively, customers could select a Galaxy S10 128 GB with the Green LTE 6 GB tariff for around 570 euros.

At the end of the second quarter, klarmobil launched its own range for business customers. The freenet subsidiary's 5 GB option with a monthly cancellation option for around 25 euros per month caters for start-ups, small-scale entrepreneurs, sole traders and companies with high staff turnover in particular. The same tariff is another 10 euros cheaper over a 24-month term.

The number of particularly valuable postpaid customers rose slightly over the first two quarters of the year to reach 6.939 million by the end of June – an increase of 105,500 compared to the same period in 2019 and 36,600 since the start of the year. Of this figure, 14,500 new customers were gained in the second quarter. Postpaid ARPU also remained relatively stable at 18.3 euros (18.8 euros in the first half of 2019), as did service revenue in the postpaid segment at 758.6 million euros (772.5 million euros in the first half of 2019). At 60.1 million euros, the no-frills / prepaid segment was below the level of the prior-year period (67.2 million euros). Of these figures, 376.2 million euros of service revenue in the postpaid segment and 28.8 million euros in the no-frills / prepaid segment was generated in the second quarter.

REVENUE STABLE IN THE DIGITAL LIFESTYLE PORTFOLIO

With products and services for digital living, the digital lifestyle business is the ideal complement to the core Mobile Communications segment. This portfolio focuses on mobile devices from major manufacturers as well as products and services in the areas of entertainment / infotainment and data security.

As in the first few months of the current year, various promotions in the second quarter focused on smartphones from major manufacturers in particular, including the Galaxy S10, S10+ and S20+ from Samsung, various Apple iPhones, the Xiaomi Mi 10 Pro and the Google Pixel 3a. Free gifts added to individual bundles included the Xbox One S and X, wireless headphones such as Galaxy Buds and Xiaomi Wireless, and smartwatches such as the Galaxy Watch Active.

In this respect, this area of the business made a notable contribution to Group revenue, as in previous quarters and years. It generated 85.8 million euros in revenue in the first six months of the current financial year, of which 42.8 million euros was attributable to the second quarter. This corresponds to a small 1.1 per cent decrease compared to the first half of 2019 (86.7 million euros).

TV AND MEDIA SEGMENT REMAINS A GROWTH DRIVER

With freenet TV's traditional linear television in full HD quality and waipu.tv for IPTV, freenet offers two high-quality TV broadcasting methods with an extensive portfolio of channels. The Group continued to increase the scope of products, quality and number of users across the entire TV and Media segment in the first half of 2020.

EXARING expanded the programme portfolio for waipu.tv further in the first six months of the year. Notable new additions included

- "Spiegel TV Wissen" and "Tempora", which offer a wide array of documentaries, as well as historical programming on "Spiegel Geschichte",
- BILD's football chat show "Reif ist live" with Marcel Reif,
- fishing tips and trips with "Wir Angeln".

One highlight was the launch of "O_2 TV Türkei" at the end of April, based on the partnership formed with Telefónica Deutschland in the previous year. This Turkish-language TV package includes 30 Turkish channels and more than 70 German channels and can be viewed completely wirelessly on up to four devices. The expansion in programming was accompanied by various sales initiatives such as discounted or extended offers in conjunction with Amazon Fire TV and Samsung or via the REWE and Penny card schemes.

In the second half of May, waipu.tv expanded the range of functions in its Comfort package by adding new channels and doubling the recording memory to 50 hours. At the same time, the monthly charge for the package increased by one euro to just under 6 euros.

freenet TV also raised its prices in May from 5.75 euros to 6.99 euros per month. During the first six months of the year, the range of programming available via DVB-T2 HD increased to 21 channels, with "Comedy Central HD" the latest new addition. The channel's programmes include US sitcoms and series, cartoons for adults, sketch shows, specials and local in-house productions. As expected, the number of freenet TV users fell slightly as a result of the price increase, with primarily direct debit customers exercising their right to terminate the agreement for cause. The way in which voucher customers, who make up a substantial part of the customer base, will react to the price increase will only become clear in the second half of the year, when a majority of 12-month prepaid cards come up for renewal. The number of revenue-generating users (RGUs) was 1.005 million subscribers as of the end of June, representing a slight decrease of 16,100 compared to the end of 2019. This is due to the focus on profitability by shutting down satellite customers and a low churn triggered by the price increase.

By contrast, the number of waipu.tv subscribers continued its positive trajectory, as in previous quarters, totalling 504,100 at the end of June. This corresponds to an increase of 95,800 compared to the start of the year and a rise of 172,200 in the last 12 months. 51,700 new customers opted for one of the two packages on offer during the second quarter.

In the area of digital radio, the first quarter brought an important breakthrough for freenet subsidiary Media Broadcast. After an out-of-court settlement between DABP (Digital Audio Broadcasting Platform) and SLM (Saxony State Office for Private Broadcasting and New Media – Sächsische Landesanstalt für privaten Rundfunk und neue Medien), 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.

INTERIM GROUP MANAGEMENT REPORT

SEGMENT-SPECIFIC PERFORMANCE

MOBILE COMMUNICATIONS

POSTPAID CUSTOMERS

The freenet Group's core business is based on customer-focused mobile tariffs and services aimed at steadily increasing the number of customers with a two-year contract. To do this, it was necessary to restructure the product and distribution portfolio in the first half of 2019, which then led to a fall in the number of contract customers. In the second half of 2019, the steps already taken translated into an increase in the postpaid customer base, which has steadily continued until the end of June 2020. As a result, the number of customers in this strategically critical group rose by around 105,500 year-on-year. While the first quarter of 2020 remained almost completely unaffected by the arrival of the coronavirus crisis in Germany in mid-March with approximately 22,100 new customers, the slight decline to around 14,500 customers acquired in the second quarter not only illustrates the impact of shop closures across the country but also reflects the strength and flexibility of our distribution model, even in exceptional times.

The base of around 42,000 (+7,000 in Q2 / 2020) active freenet FUNK customers generated exclusively via the app have been separately reported so far and are not included in the postpaid customer base.

MONTHLY AVERAGE REVENUE PER USER AND REVENUE FROM SERVICES (POSTPAID ARPU)

Conversely, postpaid ARPU fell slightly to 18.3 euros in the first half of 2020, down from 18.8 euros in the first half of the previous year. At 758.6 million euros for the first half of 2020, the associated revenue from services decreased slightly as a result of coronavirus as well as (delayed) regulatory effects (international calls / roaming / mobile communications fee reduction [MNP]) (previous year: 772.5 million euros). The corresponding revenue in the no-frills / prepaid segment is currently 60.1 million euros and is therefore below the figure for the first half of 2019 (67.2 million euros) as expected.

DIGITAL LIFESTYLE

Devices, products and services in the areas of entertainment, security, smart home and e-health have successfully complemented our offering in the Mobile Communications segment for several years in order to boost organic growth in this business. In the first half of 2020, the freenet Group generated flat revenue of 85.8 million euros with the marketing of its digital lifestyle products, after 86.7 million euros in the same prior-year period. The revenue performance is remarkable given the coronavirus crisis, as the marketing of digital lifestyle products has so far been more closely linked to the conclusion of mobile phone contracts in offline retail.

Table 3: Mobile Communications key financials

In EUR millions / as indicated	1st half 2020	1st half 2019	Q2/ 2020	Q1/ 2020	Q2/ 2019
Postpaid customers [1] (in millions)	6.939	6.834	6.939	6.925	6.834
Postpaid ARPU (in EUR)	18.3	18.8	18.1	18.4	18.8
Revenue from services, postpaid	758.6	772.5	376.2	382.5	385.2
Revenue from services, no-frills / prepaid	60.1	67.2	28.8	31.3	33.8
Digital lifestyle revenue	85.8	86.7	42.8	43.0	44.6

[1] At the end of the period.

TV AND MEDIA

CUSTOMER FIGURES IN THE TV AND MEDIA SEGMENT
Another important pillar of the freenet business model, the TV segment supplements the attractive digital lifestyle growth market. We increased the variety and quality of the products on offer further in the first half of 2020, which was also reflected in the encouraging number of subscribers.

Around 504,100 customers opted for one of the two fee-based waipu.tv subscription options (Perfect or Comfort) by the end of June 2020. This equates to an increase of around 52 per cent or 172,200 subscribers in 12 months (30 June 2019: 331,900), of which around 95,800 subscribers were gained in the first half of 2020 and approximately 51,700 in the second quarter of 2020.

The number of revenue-generating users of the traditional linear antenna-based television service freenet TV remains above one million and totalled 1.005 million subscribers at the end of June 2020. As expected, the number of freenet TV users fell slightly in the second quarter of 2020 (–11,900 customers) as a result of the announced shutdown of satellite customers and the price increase in May 2020, with primarily direct debit customers exercising their right to terminate the agreement for cause. The way in which voucher customers, who make up a substantial part of the customer base, will react to the price increase will only become clear in the second half of the year, when a majority of 12-month prepaid cards come up for renewal.

Table 4: TV customers

In ’000s	30.6. 2020	31.3. 2020	31.12. 2019	30.9. 2019	30.6. 2019
freenet TV subscribers (RGU)	1,005.0	1,016.9	1,021.1	1,036.6	1,037.5
waipu.tv subscribers	504.1	452.5	408.3	365.8	331.9

INTERIM GROUP MANAGEMENT REPORT

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

REVENUE AND RESULTS OF OPERATIONS

Table 5: Performance indicators for the Group

In EUR '000s	Q2/2020	Q2/2019	Change
Revenue	622,135	699,112	–76,977
Gross profit	212,538	219,420	–6,882
Overhead	–102,840	–111,886	9,046
EBITDA	109,698	107,534	2,164
EBIT	70,487	68,826	1,661
Financial result	–5,149	–6,788	1,639
EBT	65,338	62,038	3,300
Consolidated profit	**58,094**	**55,455**	**2,639**

In the second quarter of 2020, **consolidated revenue** decreased by 77.0 million euros to 622.1 million euros compared to the prior-year quarter. Of this decline, 74.8 million euros was due to the disposal of the equity investment in MOTION TM for strategic reasons as of 31 December 2019, which means that its revenue is no longer included in consolidated revenue. Revenue remained stable when adjusted for this effect.

The number of strategically important postpaid customers in the Mobile Communications segment (30 June 2020: 6.939 million customers; 30 June 2019: 6.834 million customers) grew moderately, while postpaid ARPU (Q2 / 2020: 18.1 euros, Q2 / 2019: 18.8 euros) fell due to regulatory / coronavirus-related effects. Overall, Mobile Communications revenue decreased to 554.2 million euros in the second quarter of 2020 (Q2 / 2019: 631.3 million euros), due primarily to the sale of the shares in MOTION TM. At 65.2 million euros, revenue in the TV and Media segment for the second quarter of 2020 was above the prior-year quarter (62.9 million euros). Consolidated revenue amounted to 1,271.0 million euros in the first six months of 2020 (H1 / 2019: 1,389.0 million euros).

Gross profit fell by 6.9 million euros to 212.5 million euros during the quarter under review. This was primarily due to regulatory effects in the Mobile Communications segment (international calls / roaming / mobile communications fee reduction [MNP]) as well as the discontinuation of the gross profit contribution from the equity investment in MOTION TM. Independently of this, the gross profit margin rose by 2.8 percentage points to 34.2 per cent, primarily due to the sale of MOTION TM's low-margin hardware business. In the first half of 2020, gross profit amounted to 425.7 million euros (H1 / 2019: 446.7 million euros) and the gross profit margin was 33.5 per cent (H1 / 2019: 32.2 per cent).

Overhead costs as the difference between gross profit and EBITDA decreased by 9.0 million euros to 102.8 million euros compared to the second quarter of 2019. This was due to lower marketing expenses and personnel expenses, including those connected with the reimbursement of short-time work by the Federal Labour Office.

Due to the effects explained above, **EBITDA** amounted to 109.7 million euros (Q2 / 2019: 107.5 million euros). The Mobile Communications segment contributed 91.0 million euros to EBITDA (Q2 / 2019: 90.4 million euros), the TV & Media segment 20.9 million euros (Q2 / 2019: 18.9 million euros) and the Other / Holding segment – 2.3 million euros (Q2 / 2019: – 1.8 million euros). In the first half of 2020, the Group's EBITDA totalled 213.9 million euros, remaining stable compared to the previous year.

Depreciation, amortisation and impairment losses increased slightly by 0.5 million euros year-on-year to 39.2 million euros.

The **financial result** improved by 1.6 million euros to – 5.1 million euros compared to the second quarter of 2019. The decrease in interest expenses included in the financial result (Q2 / 2020: 11.8 million euros, Q2 / 2019: 14.8 million euros) is mainly due to the remeasurement of lease liabilities in connection with contract modifications and lower unwinding of discounts on liabilities.

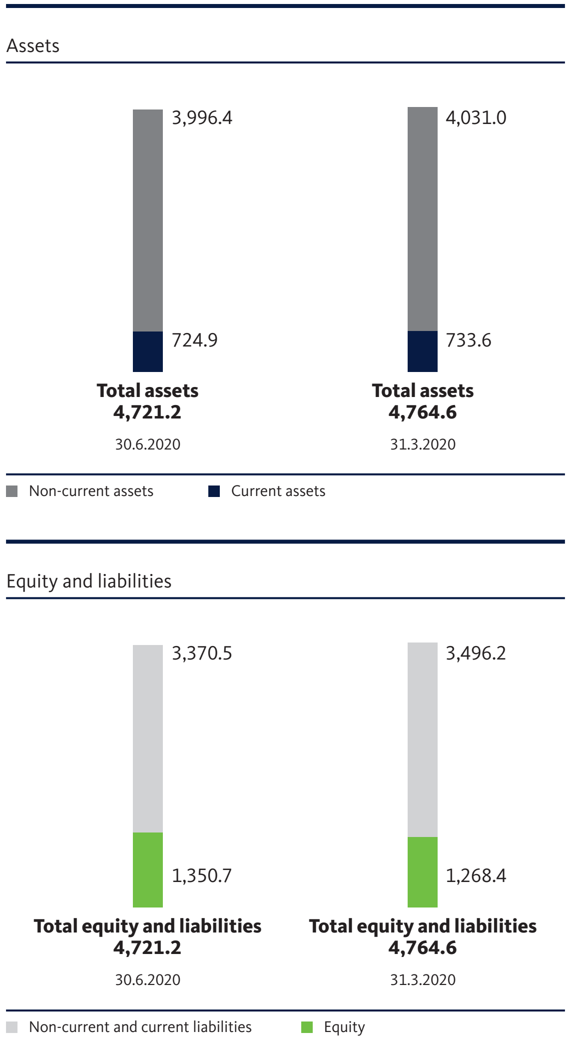
Due to the effects explained above, **earnings before tax (EBT)** amounted to 65.3 million euros, an increase of 3.3 million euros year-on-year. At 123.1 million euros, consolidated profit before tax for the first half of 2020 was on a par with the same period of the previous year (H1 / 2019: 123.1 million euros).

Income tax expenses of 7.2 million euros (Q2 / 2019: 6.6 million euros) were reported in the quarter under review. Current tax expenses of 6.8 million euros (Q2 / 2019: 9.6 million euros) and deferred tax expenses of 0.5 million euros (Q2 / 2019: deferred tax income of 3.0 million euros) were recognised.

As in the prior-year period, **consolidated profit** was attributable exclusively to continuing operations and increased by 2.6 million euros year-on-year to 58.1 million euros. Consolidated profit for the first six months of 2020 came to 109.3 million euros, after 111.6 million euros in the same period in 2019.

NET ASSETS AND FINANCIAL POSITION

Figure 4: Group balance sheet figures (condensed) in EUR millions



Total assets / total equity and liabilities amounted to 4,721.2 million euros as at 30 June 2020, a decrease of 43.4 million euros, or 0.9 per cent, compared with 31 March 2020 (4,764.6 million euros).

On the **assets side**, non-current assets fell by 34.6 million euros to 3,996.4 million euros. This is primarily due to the dividend payment received from Sunrise in the amount of 46.0 million euros, which led to a decrease in investments accounted for using the equity method by 43.7 million euros to 750.1 million euros (see note 3 of the selected explanatory notes). In addition, lease assets decreased by 10.7 million euros to 448.0 million euros, mainly as a result of depreciation. The 33.4 million euro increase in other financial assets to 186.4 million euros is largely explained by the higher market value of the CECONOMY investment (30 June 2020: 101.2 million euros; 31 March 2020: 64.8 million euros).

In **current assets**, the decrease in liquid assets by 4.4 million euros to 219.1 million euros is noteworthy. This change mainly resulted from the free cash flow of 90.8 million euros generated, less the scheduled repayment of a promissory note loan in the amount of 50.0 million euros and the 40.0 million euro repayment of the revolving credit facility. The 4.9 million euro decrease in **trade accounts receivable** to 169.8 million euros is mainly due to lower receivables from end customers.

On the **equity and liabilities side**, equity increased by 82.4 million euros to 1,350.7 million euros. The positive change is primarily attributable to the consolidated profit (58.1 million euros) and the change in the fair value of the interest in CECONOMY recognised through other comprehensive income (35.7 million euros). The equity ratio as of 30 June 2020 rose from 26.6 per cent to 28.6 per cent.

Total **current and non-current liabilities** fell by 125.7 million euros to 3,370.5 million euros. **Borrowings**, still the largest item within current and non-current liabilities, decreased by 89.8 million euros to 1,642.5 million euros, primarily triggered by the repayment of a promissory note loan (50.0 million euros) and the revolving credit facility (40.0 million euros). Further details on borrowings are presented in the section entitled “Financial management”. In addition, there was a decrease in **other liabilities and deferrals** by 25.0 million euros to 492.9 million euros, mainly due to the reporting date.

CASH FLOWS

Table 6: Cash flow indicators of the Group

In EUR millions	Q2/2020	Q2/2019	Change
Cash flows from operating activities	120.1	109.5	10.6
Cash flows from investing activities	–9.6	–8.8	–0.8
Cash flows from financing activities	–74.9	–231.8	156.9
Change in cash funds	**35.6**	**–131.1**	**166.7**
Free cash flow	**90.8**	**81.5**	**9.3**

Cash flows from operating activities increased by 10.6 million euros year-on-year to 120.1 million euros (Q2 / 2019: 109.5 million euros). In addition to a 2.2 million euro increase in EBITDA, the 17.8 million euro reduction in the net working capital increase and the 4.6 million euro rise in the Sunrise dividend distribution (Q2 / 2020: 46.0 million euros, Q2 / 2019: 41.5 million euros) had a positive effect. The 11.3 million euro increase in tax payments (income tax paid in Q2 / 2020: 7.2 million euros, income tax reimbursed in Q2 / 2019: 4.1 million euros) and the 4.6 million euro decrease in contract acquisition costs (mainly sales commissions paid) in particular had an offsetting effect compared to the second quarter of 2019.

Cash flows from investing activities amounted to –9.6 million euros in the second quarter of 2020 compared to –8.8 million euros in the prior-year quarter. 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 0.8 million euros year-on-year to 9.5 million euros. The cash investments were financed entirely out of the company’s retained earnings.

Cash flows from financing activities improved from −231.8 million euros in the prior-year period to −74.9 million euros in the period under review. Apart from the mandatory minimum dividend of 5.1 million euros, this change was mainly attributable to the one-off suspension of the dividend payment for the 2019 financial year as well as the scheduled repayment of a promissory note loan totalling 50.0 million euros.

Free cash flow of 90.8 million euros was generated in the second quarter of 2020 as a result of the aforementioned effects, representing an increase of 9.3 million euros compared with the same quarter of the previous year (81.5 million euros). Free cash flow for the first six months of 2020 came to 140.7 million euros (H1 / 2019: 126.7 million euros).

INTERIM GROUP MANAGEMENT REPORT

REPORT ON OPPORTUNITIES

The freenet Group's report on opportunities and risks as of 30 June 2020 should be read in conjunction with the comments in the 2019 group management report (see ibid. pages 59 et seq.). In addition to setting out the opportunity and risk management arrangements, this report also outlined the identified opportunities and risks that could impact the net assets, financial position and results of operations as well as the reputation of the freenet Group.

There were no material changes to the identified opportunities as of 30 June 2020. The significance of these opportunities and their resulting effects on the forecast financial and non-financial performance indicators, and therefore on the future development of the freenet Group, continue to be collectively rated as low.

The economic and social impacts that have arisen as a result of COVID-19 and the associated lockdown and could yet arise in the future (e. g. a "second wave") led to the recognition of new risks and assessment adjustments to existing risks. New risks allocated no higher than the "medium" category resulted from the temporary closure of bricks-and-mortar distribution channels as well as any changes in consumer and payment behaviour. It is possible that the bonus / commission payments of network operators could also be affected by limited sales performance. The Group has pushed ahead with countermeasures, in particular by reinforcing online distribution channels (e. g. by reallocating marketing budgets and products relevant to specific target audiences). freenet also applied for short-time work compensation (Kurzarbeitergeld), primarily for employees at mobilcom-debitel shops and GRAVIS stores. In summary, sales risks are now assessed with a medium probability of occurrence and a medium anticipated extent of damage.

Potential changes in customer payment behaviour as a long-term consequence of the coronavirus crisis could result in higher bad debt losses in the existing customer portfolio in future. As a corrective measure, core receivables management processes are being constantly adjusted to take customers' individual circumstances into account as accurately as possible and to prevent bad debt losses.

Based on experience gathered in connection with COVID-19, the impacts in the first half of 2020 and current assumptions, the short and medium-term effects on EBITDA, free cash flow and the number of customers are estimated to be low overall. However, this assessment is always dependent upon the duration and extent of the coronavirus crisis, the economic recovery and the potential for additional lockdowns in the future. At this point, it is not possible to reliably and completely assess this.

Irrespective of the impacts of COVID-19, the following risks were recognised in the risk inventory for the first time and assigned to the "medium" category:

The regulation of value added services is affecting all market players, including the freenet Group (freenet digital). This situation has been recognised as presenting a medium risk (medium probability of occurrence / medium anticipated extent of damage). However, it is only expected to have a low impact on revenue, EBITDA and free cash flow in the current financial year due to the Group's established operating countermeasures.

Buildings at the Group's Büdelsdorf site have been identified as requiring a moderate amount of modernisation and renovation. The decision was made to start this multi-year investment project during the current financial year. At present, there is still uncertainty regarding the precise amount of costs and their distribution over time. As a result, this will only have a low impact on EBITDA and free cash flow during the 2020 financial year (high probability of occurrence / low anticipated extent of damage). Over the coming years, free cash flow will primarily be adversely affected by capital expenditure (CAPEX) associated with this project.

For more information on developments in the mobile communications and the TV / video market, please refer to the comments in the "Course of business" section.

In principle, the other statements on risks made in the 2019 Group management report continue to apply. As of 30 June 2020, there were still no risks in the "high" or "material" categories. In addition, no risks have been identified which, either individually or in combination with other risks, could endanger the continued existence of the freenet Group as a going concern. 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. The potential effects on the current financial year continue to be qualified as minor.

INTERIM GROUP MANAGEMENT REPORT

REPORT ON EXPECTED DEVELOPMENT

On 11 March 2020, the World Health Organisation (WHO) declared the COVID-19 outbreak a pandemic due to its rapid spread. As a result, countries around the world imposed restrictions on movement and contact in addition to other measures aimed at limiting the spread of the virus. Social and economic life virtually came to a complete standstill in some instances, particularly in the second quarter. The lockdown was eased in many places towards the end of the second quarter and social and economic life began to return to normal once again. Countries introduced comprehensive support and stimulus packages to mitigate the serious impact of the pandemic on the economy. For example, the German federal government approved a 130 billion euro recovery package designed to revive consumer spending. Since 21 July, this programme has been supplemented by a further 750 billion euro economic package at a European level.

The information and communication technology sector, which had already proven comparatively robust and less vulnerable to economic fluctuations during the financial crisis more than ten years ago, also seems to be coming through this crisis situation reasonably unscathed. In particular, the subscription-based business model and increased need for mobile working and collaboration during the coronavirus crisis has protected this industry. Nevertheless, the coronavirus crisis is also having an impact on this sector. For example, restrictions on movement and contact have adversely impacted bricks-and-mortar distribution as well as incoming and outgoing roaming.

The freenet Group’s management believes that the risks to its own business primarily relate to sales (see the detailed Report on opportunities and risks). Numerous preventative and corrective measures have been taken to counteract this; their short-term effectiveness and the flexibility of the distribution model are reflected in the comparatively strong quarterly figures. Based on this performance and the current assessment of operating trends, management sees no need to adjust its financial and non-financial performance indicator forecasts and confirms the guidance issued for the 2020 financial year. Although there is now more clarity with regard to the (economic) impact of the coronavirus crisis, the forecast is still subject to greater uncertainty than when the assessment was made at the end of February. This uncertainty remains due to the potential for a second wave of infection in Germany, the impact of which on the economy and society could probably be even more serious.

A detailed explanation of the outlook can be found in the 2019 Annual Report (see ibid. page 71 et seq.).

Comparison of 2020 forecast and current performance

In EUR millions / as indicated	Forecast for financial year 2020 (yoy comparison)	Conformation of forecast, Q1/2020 and H1/2020	Actual, H1/2020	Change compared to previous forecast
Financial performance indicators				
Revenue	stable[1]	stable[1]	1,271.0	▶
EBITDA	415 – 435	415 – 435	213.9	▶
Free cash flow	235 – 255	235 – 255	140.7	▶
Postpaid ARPU (in EUR)	stable	stable	18.3	▶
Non-financial performance indicators				
Postpaid customers (in millions)	moderate increase	moderate increase	6.939	▶
freenet TV subscribers (RGU) (in millions)	stable	stable	1.005	▶
waipu.tv subscribers (in millions)	solid growth	solid growth	0.504	▶

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

INTERIM GROUP MANAGEMENT REPORT

REPORT ON POST-BALANCE

On 24 July 2020, freenet AG successfully placed a promissory note loan with a total volume of 345.0 million euros to refinance maturing promissory notes. Lead managers Bayerische Landesbank, Norddeutsche Landesbank, Landesbank Baden-Württemberg and UniCredit Bank placed the promissory note loan with a broadly diversified group of institutional investors in Germany and abroad. The bullet financing instrument consists of three tranches with maturities of 3.5 years, 5 years and 6 years. The 3.5-year tranche of 166.5 million euros bears interest at an initial margin (plus 6-month EURIBOR) of 1.50 per cent p. a., while the 5-year tranche of EUR 168.5 million has an initial margin (plus 6-month EURIBOR) of 1.70 per cent p. a. The 6-year tranche of 10.0 million euros bears interest at an initial margin (plus 6-month EURIBOR) of 1.90 per cent p. a. The entire volume was subscribed at the lower end of the respective marketing range. The initial margin is expected to decline by 0.30 percentage points over time based on a step-down mechanism linked to leverage. The inflowing funds are directly offset against due or redeemable tranches.

CONDENSED INTERIM CONSOLI-DATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the period from 1 January to 30 June 2020

In EUR '000s / as indicated	H1/2020 1.1.2020 – 30.6.2020	H1/2019 1.1.2019 – 30.6.2019	Q2/2020 1.4.2020 – 30.6.2020	Q2/2019 1.4.2019 – 30.6.2019
Revenue	1,270,980	1,389,045	622,135	699,122
Other operating income	24,040	32,586	10,599	18,816
Other own work capitalised	9,054	7,832	4,748	4,134
Cost of materials	–845,241	–942,320	–409,597	–479,692
Personnel expenses	–112,382	–116,940	–54,015	–58,327
Other operating expenses	–132,509	–154,748	–64,172	–76,509
Thereof loss allowances on financial assets and contract assets	–20,523	–22,971	–10,620	–10,987
Thereof without loss allowances on financial assets and contract assets	–111,986	–131,777	–53,552	–65,522
EBITDA	**213,942**	**215,455**	**109,698**	**107,534**
Depreciation, amortisation and impairment	–78,543	–77,295	–39,211	–38,708
EBIT	**135,399**	**138,160**	**70,487**	**68,826**
Profit or loss of equity-accounted investments	11,045	13,409	5,546	7,144
Thereof from share of profit or loss	21,029	23,231	10,538	12,055
Thereof from subsequent accounting from purchase price allocation	–9,984	–9,822	–4,992	–4,911
Interest and similar income	1,256	1,575	639	737
Interest and similar expenses	–24,545	–30,450	–11,756	–14,844
Other financial result	–60	437	422	175
Financial result	**–12,304**	**–15,029**	**–5,149**	**–6,788**
EBT	**123,095**	**123,131**	**65,338**	**62,038**
Income taxes	–13,789	–11,494	–7,244	–6,583
Consolidated profit	**109,306**	**111,637**	**58,094**	**55,455**
Consolidated profit attributable to shareholders of freenet AG	112,412	116,943	59,413	57,360
Consolidated profit attributable to non-controlling interests	–3,106	–5,306	–1,319	–1,905
Earnings per share in EUR (basic)	**0.88**	**0.91**	**0.46**	**0.45**
Earnings per share in EUR (diluted)	**0.88**	**0.91**	**0.46**	**0.45**
Weighted average number of shares outstanding in thousand (basic)	128,011	128,011	128,011	128,011
Weighted average number of shares outstanding in thousand (diluted)	128,011	128,011	128,011	128,011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 June 2020

In EUR '000s	H1/2020 1.1.2020 – 30.6.2020	H1/2019 1.1.2019 – 30.6.2019	Q2/2020 1.4.2020 – 30.6.2020	Q2/2019 1.4.2019 – 30.6.2019
Consolidated profit	**109,306**	**111,637**	**58,094**	**55,455**
Currency translation differences	–182	–14	–37	–29
Currency translation differences from subsequent accounting for equity-accounted investments	1,862	–946	–734	–2,055
Income tax recognised in other comprehensive income	–28	14	11	31
Other comprehensive income / to be reclassified to the income statement in future periods	**1,652**	**–946**	**–760**	**–2,053**
Change in fair value of investments in equity instruments	–77,604	73,035	36,358	22,715
Recognition of actuarial gains and losses arising from the accounting for pension plans according to IAS 19 (2011)	2,702	–12,531	–5,027	–4,694
Other shares of the profit or loss of equity-accounted investments	–2,180	–631	–2,180	–631
Income tax recognised in other comprehensive income	391	2,709	1,005	1,091
Other comprehensive income / not to be reclassified to the income statement in future periods	**–76,691**	**62,582**	**30,156**	**18,481**
Other comprehensive income	**–75,039**	**61,636**	**29,396**	**16,428**
Consolidated total comprehensive income	**34,267**	**173,273**	**87,490**	**71,883**
Consolidated total comprehensive income attributable to shareholders of freenet AG	37,373	178,579	88,809	73,788
Consolidated total comprehensive income attributable to non-controlling interests	–3,106	–5,306	–1,319	–1,905

CONSOLIDATED BALANCE SHEET

as of 30 June 2020

ASSETS In EUR '000s	30.6.2020	31.3.2020	31.12.2019
Non-current assets			
Intangible assets	496,509	493,176	501,878
Lease assets	448,044	458,701	451,964
Goodwill	1,383,474	1,383,474	1,383,474
Property, plant and equipment	137,057	139,429	143,830
Equity-accounted investments	750,066	793,731	785,637
Deferred income tax assets	129,632	128,998	130,226
Trade accounts receivable	67,119	68,846	68,678
Other receivables and other assets	113,888	120,508	122,921
Other financial assets	186,405	153,023	268,480
Contract acquisition costs	284,170	291,092	297,240
	3,996,364	**4,030,978**	**4,154,328**
Current assets			
Inventories	82,121	85,100	75,819
Current income tax assets	2,068	2,094	2,084
Trade accounts receivable	169,796	174,742	225,753
Other receivables and other assets	203,364	203,438	201,734
Other financial assets	48,419	44,796	46,187
Liquid assets	219,101	223,454	133,692
	724,869	**733,624**	**685,269**
	4,721,233	**4,764,602**	**4,839,597**

EQUITY AND LIABILITIES In EUR '000s	30.6.2020	31.3.2020	31.12.2019
Equity			
Share capital	128,061	128,061	128,061
Capital reserve	737,536	737,536	737,536
Cumulative other comprehensive income	–149,321	–178,717	–74,282
Consolidated net retained profits	628,323	574,030	521,031
Equity attributable to shareholders of freenet AG	**1,344,599**	**1,260,910**	**1,312,346**
Non-controlling interests in equity	6,149	7,468	9,255
	1,350,748	**1,268,378**	**1,321,601**
Non-current liabilities			
Lease liabilities	463,368	476,650	473,272
Other liabilities and deferrals	103,674	108,142	107,378
Other financial liabilities	26,835	28,683	31,048
Borrowings	1,000,796	1,000,666	1,428,009
Pension provisions	95,264	89,895	98,787
Other provisions	41,812	41,609	41,206
	1,731,749	**1,745,645**	**2,179,700**
Current liabilities			
Lease liabilities	81,792	81,415	80,004
Trade accounts payable	409,007	407,084	465,230
Other liabilities and deferrals	389,179	409,732	402,175
Other financial liabilities	58,160	60,493	64,546
Current income tax liabilities	43,995	43,910	43,991
Borrowings	641,703	731,608	265,610
Other provisions	14,900	16,337	16,740
	1,638,736	**1,750,579**	**1,338,296**
	4,721,233	**4,764,602**	**4,839,597**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 30 June 2019

			Cumulative other comprehensive income								
In EUR '000s	Share capital	Capital reserve	Currency translation differences	Currency translation differences from subsequent accounting for equity-accounted investments	Change in fair value of investments in equity instruments	Revaluation reserve in accordance with IAS 19	Other shares of the profit or loss of equity-accounted investments	Consolidated net retained profits	Equity attributable to shareholders of freenet AG	Non-controlling interests in equity	Equity
As of 1.1.2019 as reported	**128,061**	**737,536**	**943**	**−7,422**	**−125,512**	**−21,083**	**12,954**	**535,124**	**1,260,601**	**20,152**	**1,280,753**
Effects of the transition to IFRS 16, at freenet	0	0	0	0	0	0	0	−774	−774	0	−774
As of 1.1.2019 restated	**128,061**	**737,536**	**943**	**−7,422**	**−125,512**	**−21,083**	**12,954**	**534,350**	**1,259,827**	**20,152**	**1,279,979**
Dividend payment	0	0	0	0	0	0	0	−211,218	−211,218	0	−211,218
Consolidated profit	0	0	0	0	0	0	0	116,943	116,943	−5,306	111,637
Change in fair value of financial instruments measured at fair value through other comprehensive income [1]	0	0	0	0	0	−8,721	0	0	−8,721	0	−8,721
Other shares of the profit or loss of equity-accounted investments [1]	0	0	0	0	71,924	0	0	0	71,924	0	71,924
Recognition of actuarial gains and losses according to IAS 19 (2011) [1]	0	0	0	0	0	0	−621	0	−621	0	−621
Foreign currency translation [1]	0	0	−14	0	0	0	0	0	−14	0	−14
Foreign currency translation from subsequent accounting for equity-accounted investments [1]	0	0	0	−932	0	0	0	0	−932	0	−932
Subtotal: Consolidated total comprehensive income	0	0	−14	−932	71,924	−8,721	−621	116,943	178,579	−5,306	173,273
As of 30.6.2019	**128,061**	**737,536**	**929**	**−8,354**	**−53,588**	**−29,804**	**12,333**	**440,075**	**1,227,188**	**14,846**	**1,242,034**

[1] Figures are shown offset against income tax recognised in other comprehensive income.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 30 June 2020

			Cumulative other comprehensive income								
In EUR '000s	Share capital	Capital reserve	Currency translation differences	Currency translation differences from subsequent accounting for equity-accounted investments	Change in fair value of investments in equity instruments	Revaluation reserve in accordance with IAS 19	Other shares of the profit or loss of equity-accounted investments	Consolidated net retained profits	Equity attributable to shareholders of freenet AG	Non-controlling interests in equity	Equity
As of 1.1.2020	**128,061**	**737,536**	**966**	**–5,527**	**–52,304**	**–29,127**	**11,710**	**521,031**	**1,312,346**	**9,255**	**1,321,601**
Dividend payment	0	0	0	0	0	0	0	–5,120	–5,120	0	–5,120
Consolidated profit	0	0	0	0	0	0	0	112,412	112,412	–3,106	109,306
Change in fair value of investments in equity instruments[1]	0	0	0	0	–76,428	0	0	0	–76,428	0	–76,428
Other shares of the profit or loss of equity-accounted investments[1]	0	0	0	0	0	0	–2,147	0	–2,147	0	–2,147
Recognition of actuarial gains and losses according to IAS 19 (2011)[1]	0	0	0	0	0	1,884	0	0	1,884	0	1,884
Foreign currency translation[1]	0	0	–182	0	0	0	0	0	–182	0	–182
Foreign currency translation from subsequent accounting for equity-accounted investments[1]	0	0	0	1,834	0	0	0	0	1,834	0	1,834
Subtotal: Consolidated total comprehensive income	0	0	–182	1,834	–76,428	1,884	–2,147	112,412	37,373	–3,106	34,267
As of 30.6.2020	**128,061**	**737,536**	**784**	**–3,693**	**–128,732**	**–27,243**	**9,563**	**628,323**	**1,344,599**	**6,149**	**1,350,748**

[1] Figures are shown offset against income tax recognised in other comprehensive income.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 January to 30 June 2020

In EUR '000s	H1/2020 1.1.2020 – 30.6.2020	H1/2019 1.1.2019 – 30.6.2019
EBIT	**135,399**	**138,160**
Restatements		
Depreciation, amortisation and impairment of non-current assets	78,543	77,295
Dividends received from equity-accounted investments	46,047	41,462
Gain / loss on disposal of non-current assets	386	–328
Increase in net working capital not attributable to investing or financing activities	–45,708	–75,159
Proceeds from the cash repayment of financial assets under leases	7,400	6,374
Capitalisation of contract acquisition costs	–145,052	–132,743
Amortisation of contract acquisition costs	158,122	157,060
Tax payments	–13,712	–3,522
Income from interest and other financial result	943	1,165
Interest paid	–24,078	–27,542
Cash flows from operating activities	**198,290**	**182,222**
Payments to acquire property, plant and equipment and intangible assets	–18,024	–18,231
Proceeds from disposal of intangible assets and property, plant and equipment	728	2,679
Proceeds from the acquisition of subsidiaries	–25	3,052
Payments into equity of equity-accounted investments	250	0
Payments to acquire other equity investments	–368	–100
Cash flows from investing activities	**–17,439**	**–12,600**
Payments to company owners and minority shareholders	–5,120	–211,218
Cash repayments of borrowings	–50,000	–15,000
Cash repayments of lease liabilities	–40,322	–39,928
Payments of other financing costs	0	1,220
Cash flows from financing activities	**–95,442**	**–267,366**
Net change in cash funds	**85,409**	**–97,744**
Cash funds at beginning of period	**133,692**	**126,332**
Cash funds at end of period	**219,101**	**28,588**

Composition of cash funds

In EUR '000s	30.6.2020	30.6.2019
Liquid assets of continuing operations	219,101	153,588
Liabilities to banks for short-term cash management	0	–125,000
	219,101	**28,588**

Composition of free cash flow (FCF)[1]

In EUR '000s	30.6.2020	30.6.2019
Cash flows from operating activities	198,290	182,222
Payments to acquire property, plant and equipment and intangible assets	–18,024	–18,231
Proceeds from disposal of intangible assets and property, plant and equipment	728	2,679
Cash repayments of lease liabilities	–40,322	–39,928
FCF	**140,672**	**126,742**

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SELECTED EXPLANATORY NOTES PURSUANT TO IAS 34

MATERIAL ACCOUNTING POLICIES AND CONSOLIDATION PRINCIPLES

1. These condensed consolidated interim financial statements have been prepared in accordance with Regulation 1606 / 2002 of the European Parliament and of the Council, International Financial Reporting Standards (IFRSs) adopted by the European Union and IAS 34. The Group has taken into account all IFRSs that have been adopted by the EU and are mandatory. These interim consolidated financial statements have not been reviewed by an auditor.

As of 1 January 2020, the Group has adopted all accounting pronouncements required to be applied as of the reporting date, specifically Amendments to IFRS 3 (Definition of a Business), IAS 1 and IAS 8 (Definition of Material), IFRS 9 and IFRS 7 (Interest Rate Benchmark Reform) and Updating References to the Conceptual Framework for Financial Reporting. These amendments have no significant effect on these condensed interim consolidated financial statements of freenet AG.

The material estimates and assumptions have remained unchanged compared with the consolidated financial statements for 2019 – despite the coronavirus crisis.

SIGNIFICANT EVENTS AND TRANSACTIONS

2. As at 30 June 2020, receivables originating from the existing factoring agreement regarding receivables from the mobile phone upgrade option amounting to 99.7 million euros (31 December 2019: 99.8 million euros) were sold and derecognised but not yet paid.

3. On 16 April 2020, freenet AG received a dividend payment of 46.0 million euros as a result of the dividend payment of 4.40 CHF per share adopted by the Annual General Meeting of Sunrise Communications Group AG (“Sunrise”) on 8 April 2020.

4. In May 2020, a promissory note loan in the amount of 50.0 million euros was repaid as scheduled.

5. The following significant transactions took place between the Group and related parties:

In EUR '000s	1.1.2020 – 30.6.2020	1.1.2019 – 30.6.2019
Revenue attributable to billing of services		
Joint ventures		
Jestoro GmbH, Hamburg	222	213
Non-consolidated companies		
Bayern Digital Radio GmbH	214	180
Digital Radio Südwest GmbH	168	140
Hessen Digital Radio GmbH	451	521
Total	**1,055**	**1,054**

In EUR '000s	1.1.2020 – 30.6.2020	1.1.2019 – 30.6.2019
Expenses from the purchase of services		
Joint ventures		
Jestoro GmbH, Hamburg	0	2
Check Tech Service GmbH, Hamburg (subsidiary of Jestoro GmbH)	44	25
Non-consolidated companies		
Bayern Digital Radio GmbH	46	8
Hessen Digital Radio GmbH	17	30
Total	**107**	**65**

The following significant receivables from and liabilities to related parties existed as at 30 June 2020:

In EUR '000s	30.6.2020	30.6.2019
Receivables from current service transactions		
Joint ventures		
Jestoro GmbH, Hamburg	44	43
Non-consolidated companies		
Digital Radio Südwest GmbH	33	0
Hessen Digital Radio GmbH	89	0
Total	**166**	**43**

In EUR '000s	30.6.2020	30.6.2019
Liabilities from current service transactions		
Joint ventures		
Check Tech Service GmbH, Hamburg (subsidiary of Jestoro GmbH)	6	4
Total	**6**	**4**

All transactions were based on market prices. No collateral has been provided.

OTHER DISCLOSURES

6. The following section presents material financial information on the last interim report published by Sunrise as of 31 March 2020 and a reconciliation to the carrying amount of the Sunrise equity investment reported in freenet's consolidated financial statements.

Balance sheet[1]

In EUR '000s	31.03.2020	31.12.2019
Non-current assets	3,150,847	3,111,071
Thereof intangible assets	1,960,114	1,953,974
Current assets	697,691	632,863
Thereof cash	263,156	184,903
Total assets	**3,848,538**	**3,743,934**
Non-current liabilities	1,968,157	1,932,064
Thereof long-term borrowings	1,490,809	1,453,968
Current liabilities	603,126	577,294
Thereof trade accounts payable as well as other liabilities	497,571	487,767
Total liabilities	**2,571,283**	**2,509,358**

[1] The closing rate as of 31 March 2020 was 0.9437 EUR / CHF.

Income statement

In EUR '000s	1.1.2020 – 31.3.2020	1.1.2019 – 31.12.2019
Revenue	430,429	1,697,054
Gross profit	296,103	1,126,357
EBITDA	152,175	528,966
Depreciation, amortisation and impairment	–116,134	–427,075
Interest and similar expenses	–10,495	–44,622
Income taxes	–4,789	–11,426
Consolidated profit after tax	**20,757**	**48,560**

Other comprehensive income[1]

In EUR '000s	1.1.2020 – 31.3.2020	1.1.2019 – 31.12.2019
Consolidated profit after tax	**20,757**	**48,560**
Recognition of actuarial gains and losses arising from the accounting for pension plans acc. to IAS 19 (2011)	–10,749	–5,272
Income taxes	1,872	130
Other comprehensive income / not to be reclassified to the income statement in future periods	**–8,876**	**–5,142**
Other comprehensive income	**11,881**	**43,418**

[1] The average exchange rate for the first quarter of 2020 was 0.9375 EUR / CHF.

The reconciliation to the carrying amount is as follows:

Reconciliation to the carrying amount

In EUR millions	1.1.2020 – 30.6.2020	1.1.2019 – 31.12.2019
Carrying amount as of 1 January, as reported	**783.9**	**810.4**
Current profit share	21.0	34.3
Subsequent accounting from purchase price allocation	–10.0	20.0
Other comprehensive income	–0.3	0.7
Dividend paid to freenet	–46.0	–41.5
Carrying amount as of the reporting date	**748.6**	**783.9**

7. We provide the following information regarding fair values:

The following overview entitled "Fair value hierarchy as at 30 June 2020" shows the major parameters on which the measurement of financial instruments measured at fair value, and of the financial instruments measured at amortised cost whose fair value could be determined, is based. For the definition of the individual levels in accordance with IFRS 13, please refer to the notes to the consolidated financial statements of freenet AG as of 31 December 2019.

Financial instruments by category as of 30 June 2020

in EUR '000s	IFRS 9 measure-ment category	Carrying amount	Measurement				Fair value of financial instruments
		30.6.2020	Amortised cost	Cost	Fair value through profit or loss	Fair value through other comprehen-sive income	30.6.2020
Assets							
Cash / liquid assets	AC	219,101	219,101				—[1]
Trade accounts receivable		236,915					
At amortised cost	AC	125,924	125,924				—[1]
Fair value through profit or loss	FVTPL	110,991			110,991		—[1]
Other financial assets		234,824					
Lease liabilities	n / a	76,836					
Non-derivative financial assets							
At amortised cost	AC	23,235	23,235				—[1]
Other financial assets							
At amortised cost	AC	12,037	12,037				—[1]
Fair value through profit or loss	FVTPL	19,812			19,812		
Other equity instruments							
Fair value through profit or loss	FVTPL	1,220			1,220		—[1]
Fair value through other comprehensive income	FVOCI	101,684				101,684	101,684
Equity and liabilities							
Lease liabilities	n / a	545,160					
Trade accounts payable	AC	409,007	409,007				
Borrowings		1,642,499	1,642,499				
Borrowings from promissory notes	AC	1,027,850	1,027,850				1,029,606
Other borrowings	AC	614,649	614,649				
Other financial liabilities		84,995					
At amortised cost	AC	60,099	60,099				
Fair value through profit or loss	FVTPL	24,896			24,896		—[1]
Thereof aggregated by IFRS 9 measurement category							
Assets							
At amortised cost	AC	380,297	380,297				—[1]
Fair value through profit or loss	FVTPL	132,023			132,023		—[1]
Fair value through other comprehensive income	FVOCI	101,684				101,684	101,684
Equity and liabilities							
At amortised cost	AC	2,111,605	2,111,605				1,029,606[1]
Fair value through profit or loss	FVTPL	24,896			24,896		—[1]

[1] No fair value has been determined for the items; however, the carrying amount is a reasonable approximation of the fair value. This means that the aggregate fair value for the measurement categories LR and FLAC are considerably lower than the corresponding aggregate carrying amounts in the balance sheet.

Fair value hierarchy as of 30 June 2020

in EUR '000s	Total	Level 1	Level 2	Level 3
Assets				
Trade accounts receivable, at fair value through profit or loss	110,991	0	0	110,991
Other financial assets, at fair value through profit or loss	19,812	0	0	19,812
Other equity instruments, at fair value through profit or loss	1,220	0	0	1,220
Other equity instruments, at fair value through other comprehensive income	101,684	101,684	0	0
Equity and liabilities				
Borrowings from promissory notes	1,029,606	0	0	1,029,606
Other financial liabilities, at fair value through profit or loss	24,896	0	0	24,896

There have been no changes regarding levels.

8. Pension provisions were remeasured based on updated interest rates (freenet, debitel programme: 1.66 per cent, Media Broadcast Group programme: 1.11 per cent), with premises remaining unchanged otherwise. The resulting actuarial gain of 2.7 million euros and the offsetting decrease in deferred tax assets by 0.8 million euros were recognised in the statement of comprehensive income. There was a net positive result of 1.9 million euros from items not to be reclassified to the income statement.

9. As in the 2019 consolidated financial statements, the calculation of current and deferred income taxes was based on an average tax rate of 30.30 per cent (previous year: 30.40 percent).

10. The following reportable events have occurred after 30 June 2020:

On 24 July 2020, freenet AG successfully placed a promissory note loan with a total volume of 345.0 million euros to refinance maturing promissory notes. Lead managers Bayerische Landesbank, Norddeutsche Landesbank, Landesbank Baden-Württemberg and UniCredit Bank placed the promissory note loan with a broadly diversified group of institutional investors in Germany and abroad. The bullet financing instrument consists of three tranches with maturities of 3.5 years, 5 years and 6 years. The 3.5-year tranche of 166.5 million euros bears interest at an initial margin (plus 6-month EURIBOR) of 1.50 per cent p. a., while the 5-year tranche of 168.5 million euros has an initial margin (plus 6-month EURIBOR) of 1.70 per cent p. a. The 6-year tranche of 10.0 million euros bears interest at an initial margin (plus 6-month EURIBOR) of 1.90 per cent p. a. The entire volume was subscribed at the lower end of the respective marketing range. The initial margin is expected to decline by 0.30 percentage points over time based on a step-down mechanism linked to leverage. The inflowing funds are directly offset against due or redeemable tranches.

11. As its main decision-making body, the Executive Board organises and manages the company on the basis of the differences between the individual products and services offered by the company. As the Group performs its business operations almost entirely in Germany, its business is not organised or managed based on geographical regions. The Group was active in the following operating segments in the first six months of 2020:

- Mobile Communications:
  - Activities as a mobile communications service provider – marketing of mobile communications services (voice and data services) from the mobile communications network operators Deutsche Telekom, Vodafone and Telefónica
  - Based on the network operator agreements entered into with these network operators, a range of the company's own network-independent services and tariffs as well as a range of network operator tariffs
  - Sale / distribution of mobile communications devices as well as additional services for mobile data communications and digital lifestyle
  - Rendering of sales services
  - Sunrise activities (areas of activity of Sunrise: mobile communications, landline, Internet as well as digital TV)
- TV and Media:
  - Rendering of services, mainly to end users, in the field of IPTV
  - Planning, project management, installation, operation, service and marketing of broadcast-related solutions for business clients in the radio and media sectors
  - Rendering of services to end users in the field of DVB-T2
- Other / Holding:
  - Rendering of portal services such as e-commerce / advertising services (these essentially comprise the offer of online shopping and the marketing of advertising space on websites), of payment services for end customers as well as various digital products and entertainment formats for downloading and displaying and use on mobile devices
  - Development of communication solutions, IT solutions and other services for corporate customers
  - Range of narrowband voice services (call-by-call, preselection) and data services
  - Rendering of sales services

The "Other / Holding" segment includes other business activities in addition to operating activities. This mainly comprises the holding activities of freenet AG (with the centralised rendering of services within the Group, such as legal, human resources and finance) as well as areas which cannot be clearly allocated to operating segments. The segment revenue of 29.5 million euros (previous year: 30.2 million euros) reported for the "Other / Holding" segment in the first six months of 2020 is attributable to operating activities (29.9 million euros; previous year: 30.7 million euros) and other business activities (–0.4 million euros; previous year: –0.5 million euros). Of the figure of 22.3 million euros (previous year: 22.5 million euros) reported as gross profit for the first six months of 2020 for the "Other / Holding" segment, 22.9 million euros (previous year: 23.1 million euros) is attributable to the operating activities and –0.6 million euros (previous year: –0.6 million euros) is attributable to the other business activities. The EBITDA of –5.1 million euros (previous year: –4.7 million euros) reported for the "Other / Holding" segment for the first six months of 2020 was accounted for by operating activities to the extent of 7.0 million euros (previous year: 6.3 million euros) and by other business activities in the amount of –12.1 million euros (previous year: –11.0 million euros).

Segment report
for the period from 1 January to 30 June 2020

in EUR '000s	Mobile Communications	TV and Media	Other/ Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	**1,128,286**	**121,200**	**21,494**	**0**	**1,270,980**
Inter-segment revenue	8,516	4,691	8,026	–21,233	0
Total revenue	1,136,802	125,891	29,520	–21,233	1,270,980
Cost of materials, third party	**–801,374**	**–36,953**	**–6,914**	**0**	**–845,241**
Inter-segment cost of materials	–9,294	–7,803	–351	17,448	0
Total cost of materials	–810,668	–44,756	–7,265	17,448	–845,241
Segment gross profit	**326,134**	**81,135**	**22,255**	**–3,785**	**425,739**
Other operating income	23,795	469	1,637	–1,861	24,040
Other own work capitalised	5,876	2,328	850	0	9,054
Personnel expenses	–63,950	–29,749	–18,683	0	–112,382
Other operating expenses	–109,248	–17,715	–11,192	5,646	–132,509
Thereof loss allowances on financial assets and contract assets	–19,974	–453	–96	0	–20,523
Thereof without loss allowances on financial assets and contract assets	–89,274	–17,262	–11,096	5,646	–111,986
Overhead [1]	**–143,527**	**–44,667**	**–27,388**	**3,785**	**–211,797**
Thereof inter-segment allocation	–3,517	–478	210	3,785	
Segment EBITDA	**182,607**	**36,468**	**–5,133**	**0**	**213,942**
Depreciation, amortisation and impairment					–78,543
EBIT					**135,399**
Financial result					–12,304
Income taxes					–13,789
Consolidated profit					**109,306**
Consolidated profit attributable to shareholders of freenet AG					112,412
Consolidated profit attributable to non-controlling interests					–3,106
Net cash investments	**10,006**	**5,843**	**1,447**		**17,296**

[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 30 June 2019

in EUR '000s	Mobile Communications	TV and Media	Other/ Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	**1,246,939**	**119,276**	**22,830**	**0**	**1,389,045**
Inter-segment revenue	9,030	4,641	7,362	–21,033	0
Total revenue	1,255,969	123,917	30,192	–21,033	1,389,045
Cost of materials, third party	**–898,480**	**–36,575**	**–7,265**	**0**	**–942,320**
Inter-segment cost of materials	–9,020	–7,500	–425	16,945	0
Total cost of materials	–907,500	–44,075	–7,690	16,945	–942,320
Segment gross profit	**348,469**	**79,842**	**22,502**	**–4,088**	**446,725**
Other operating income	22,908	7,656	3,715	–1,693	32,586
Other own work capitalised	4,561	2,536	735	0	7,832
Personnel expenses	–66,274	–32,220	–18,446	0	–116,940
Other operating expenses	–122,770	–24,598	–13,161	5,781	–154,748
Thereof loss allowances on financial assets and contract assets	–22,541	–346	–84	0	–22,971
Thereof without loss allowances on financial assets and contract assets	–100,229	–24,252	–13,077	5,781	–131,777
Overhead [1]	**–161,575**	**–46,626**	**–27,157**	**4,088**	**–231,270**
Thereof inter-segment allocation	–3,771	–646	329	4,088	
Segment EBITDA	**186,894**	**33,216**	**–4,655**	**0**	**215,455**
Depreciation, amortisation and impairment					–77,295
EBIT					**138,160**
Financial result					–15,029
Income taxes					–11,494
Consolidated profit					**111,637**
Consolidated profit attributable to shareholders of freenet AG					116,943
Consolidated profit attributable to non-controlling interests					–5,306
Net cash investments	**9,431**	**4,916**	**1,205**		**15,552**

[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.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Büdelsdorf, 11 August 2020

freenet AG

The Executive Board

Christoph Vilanek   Ingo Arnold   Stephan Esch

Antonius Fromme   Rickmann v. Platen

FURTHER INFOR-MATION

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FURTHER INFORMATION

GLOSSARY

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

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

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

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.

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.

EBIT Earnings before financial result and income taxes.

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

EBT Earning before taxes.

Equity ratio Ratio between equity and total equity and liabilities.

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.

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.

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

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.

MNP Mobile number portability enables mobile phone users to retain their mobile phone number when changing mobile network operators.

Net debt Long-term and short-term borrowings shown in the balance sheet, less liquid assets.

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 receivables.

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.

Gross profit Revenue less cost of materials.

Gross profit margin Ratio between gross profit and revenue.

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”).

Leverage 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.

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
11 August 2020	Interim Report as of 30 June 2020 – Second quarter 2020
6 November 2020[1]	Quarterly Statement as of 30 September 2020 – Third quarter 2020

[1] Dates are subject to change.

The English version of the half-yearly report is a convenience translation of the German version.
The German version is legally binding.

All reports can also be found on our website at https://www.freenet-group.de/investor/publications/index.html

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, scanning this code will take you directly to the freenet Group website.

FURTHER INFORMATION

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