freenet GROUP

INTERIM STATEMENT AS OF 30 SEPTEMBER 2020

Q3/2020

CONTENT

OVERVIEW OF KEY FINANCIALS[1] GROUP

OPERATIONS

In EUR millions/as indicated	Q1–Q3/ 2020	Q1–Q3/ 2019	Q3/2020	Q2/2020	Q3/2019
Revenue	1,905.5	2,130.0	634.5	622.1	741.0
Revenue exclusive of MOTION TM[2]	1,905.5	1,903.0	634.5	622.1	656.3
Gross profit	643.9	666.1	218.1	212.5	219.4
EBITDA	329.2	325.8	115.2	109.7	110.3
EBIT	210.4	210.2	75.0	70.5	72.1
EBT	193.1	189.3	70.0	65.3	66.2
Consolidated profit	169.4	169.3	60.1	58.1	57.6
Earnings per share in EUR (diluted/basic)	1.35	1.38	0.48	0.46	0.46

BALANCE SHEET

In EUR millions/as indicated	30.9.2020	30.9.2019	30.9.2020	30.6.2020	30.9.2019
Total equity and liabilities	4,764.9	4,894.5	4,764.9	4,721.2	4,894.5
Equity	1,409.8	1,281.0	1,409.8	1,350.7	1,281.0
Equity ratio in %	29.6	26.2	29.6	28.6	26.2

FINANCES AND INVESTMENTS

In EUR millions	Q1–Q3/ 2020	Q1–Q3/ 2019	Q3/2020	Q2/2020	Q3/2019
Free cash flow	220.2	199.2	79.5	90.8	72.4
Depreciation, amortisation and impairment	118.8	115.5	40.3	39.2	38.3
Net investments (CAPEX)	31.3	27.0	14.0	9.5	11.4
Net debt	1,840.0	2,102.5	1,840.0	1,891.5	2,102.5
Adjusted net debt	588.7	1,151.1	588.7	918.0	1,151.1

SHARE

as indicated	30.9.2020	30.9.2019	30.9.2020	30.6.2020	30.9.2019
Closing price Xetra in EUR	17.27	18.89	17.27	14.32	18.89
Number of issued shares in ’000s	128,061	128,061	128,061	128,061	128,061
Market capitalisation in EUR millions	2,211.6	2,419.1	2,211.6	1,833.8	2,419.1

EMPLOYEES[3]

	30.9.2020	30.9.2019	30.9.2020	30.6.2020	30.9.2019
Employees	4,062	4,222	4,062	4,014	4,222

MOBILE COMMUNICATIONS SEGMENT

CUSTOMER FIGURES[3]

In millions	Q1–Q3/ 2020	Q1–Q3/ 2019	Q3/2020	Q2/2020	Q3/2019
Postpaid	7.005	6.866	7.005	6.939	6.866
Net change postpaid	0.102	– 0.030	0.066	0.014	0.032
freenet FUNK	0.050	0.031	0.050	0.042	0.031
Net change freenet FUNK and freenet FLEX	0.016	0.031	0.008	0.007	0.010

OPERATIONS

In EUR millions	Q1–Q3/ 2020	Q1–Q3/ 2019	Q3/2020	Q2/2020	Q3/2019
Revenue	1,703.8	1,928.7	567.0	554.2	672.7
Gross profit	489.0	517.8	162.8	160.8	169.3
EBITDA	277.2	281.8	94.6	91.0	94.9

MONTHLY AVERAGE REVENUE PER USER (ARPU)

In EUR	Q1–Q3/ 2020	Q1–Q3/ 2019	Q3/2020	Q2/2020	Q3/2019
Postpaid	18.3	18.8	18.3	18.1	18.8

TV AND MEDIA SEGMENT

CUSTOMER FIGURES[3]

In ’000s	Q1–Q3/ 2020	Q1–Q3/ 2019	Q3/2020	Q2/2020	Q3/2019
freenet TV subscribers (RGU)	942.0	1,036.6	942.0	1,005.0	1,036.6
Net change, freenet TV subscribers (RGU)	– 79.1	22.4	– 63.0	– 11.9	– 0.9
waipu.tv subscribers	509.5	365.8	509.5	504.1	365.8
Net change, waipu.tv subscribers	101.2	114.1	5.4	51.7	33.9

OPERATIONS

In EUR millions	Q1–Q3/ 2020	Q1–Q3/ 2019	Q3/2020	Q2/2020	Q3/2019
Revenue	190.9	187.8	65.0	65.2	63.8
Gross profit	125.2	120.4	44.1	43.1	40.6
EBITDA	59.0	52.6	22.6	20.9	19.4

[1] Unless indicated otherwise, key financials are defined in the “Corporate management” section of the 2019 Annual Report.
[2] Revenue for the period from January to September of 2019 and the third quarter of 2019 includes hardware revenue of 227.0 million euros and 84.7 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.

COURSE OF BUSINESS AND SIGNIFICANT EVENTS

ENCOURAGING PERFORMANCE IN THE FIRST HALF OF THE YEAR CONTINUES IN THE SECOND HALF OF 2020

Despite the coronavirus lockdown in the spring, the freenet Group presented positive interim results for the first half of 2020, with figures that did not directly reflect the massive disruption to economic life. The key factor was the Group's relatively crisis-proof business model, with largely subscription-based telecommunications, Internet, and TV and radio services. These services were and remain indispensable, particularly under crisis and quarantine conditions, and they were guaranteed by freenet's fast, decisive response to changes to the parameters for operational processes. The company also benefited from its omnichannel strategy – and its efficiently interconnected sales channels that make it possible to diversify between bricks-and-mortar shops and online platforms quickly and flexibly.

The freenet Group began the second half of 2020 with optimism and maintained its guidance for the full year – and feels validated by the results for the third quarter:

- Revenue decreased slightly by 3.3 per cent to 634.5 million euros compared to the same quarter in 2019 adjusted for the MOTION TM investment sold at the start of the year. Revenue for the first nine months of the year totalled 1,905.5 million euros – which was on a par with the adjusted revenue for the prior-year period.
- As in the previous quarter, EBITDA was higher at 115.2 million euros than in the same quarter in 2019 (110.3 million euros). This adds up to a total of 329.2 million euros for the first nine months of the year, compared to 325.8 million euros for the first three quarters of 2019. Performance here also remained stable, despite the extraordinary coronavirus situation and delayed regulatory effects in the Mobile Communications segment.
- At 79.5 million euros in the third quarter, free cash flow was up compared to the same quarter of 2019 (72.4 million euros) and at the higher end of the guidance range. It totalled 220.2 million euros for the first nine months of the year – an increase of 10.6 per cent compared to 2019.

If macroeconomic conditions do not deteriorate dramatically due to coronavirus in the next few months, the freenet Group remains on track to achieve the targets it has set and communicated for 2020.

CUSTOMER BASE GROWS IN THE MOBILE COMMUNICATIONS SEGMENT…

In the early summer of last year, freenet caused a small revolution in the Mobile Communications market with "freenet FUNK". This innovative, app-based tariff impressed customers from the very start with its fully flexible and inexpensive use, the option to pause or cancel the tariff on a day-to-day basis and the absence of setup costs and minimum terms. This benefits not only the customer but also freenet as the provider of freenet FUNK.

freenet launched another purely digital, app-based product on the same platform – but on Vodafone's network – in August: "freenet Flex". This includes three tariff options with monthly fees of between 10 and 18 euros and data volumes of 5, 10 or 15 gigabytes – with flat rates for telephony and SMS as well as EU data roaming. As with freenet FUNK, orders, administration, tariff changes and cancellation are all done entirely digitally via a dedicated app, while customers can choose between the different data volumes on offer at the start of each month. Customer service is handled via WhatsApp, while invoices are settled via PayPal. freenet also unveiled further upgrades to FUNK during the same period. Since the start of August, FUNK users have been able to use 1 GB of data each day free of charge within the EU for up to 30 days a year.

In addition, freenet once again focused on remaining competitive with special promotions, upgrades, and attractive bundles – in both its main brand mobilcom-debitel and its various other mobile communications brands.

The number of particularly valuable postpaid customers essential to freenet rose by around 65,500 during the quarter to 7.005 million by the end of September. As a result, net new customer growth almost quadrupled compared to the previous quarter, with an increase of just under 102,000 since the start of the year. The number of users of the new freenet FUNK and freenet Flex app-based tariffs previously not included in the postpaid customer base also rose by 8,400 to 50,200 in the third quarter. All in all, this means that the freenet Group has more than seven million mobile communications customers with relatively high profitability.

Due to the lack of roaming revenue in the past two quarters as well as delayed regulatory effects, postpaid ARPU remained below the previous year's figure at 18.3 euros. This is also directly reflected in the development of service revenue, which reached 1,140.5 million euros in the postpaid segment in the first three quarters (Q1 – Q3/2019: 1,159.7 million euros) and 89.7 million euros in the no-frills/prepaid segment (Q1 – Q3/2019: 102.2 million euros). Of these figures, 381.9 million euros in the postpaid segment and 29.7 million euros in the no-frills/prepaid segment was generated in the third quarter.

… WITH REVENUE FROM THE DIGITAL LIFESTYLE PORTFOLIO REMAINING STABLE…

With its products and services for digital living, the digital lifestyle portfolio is proving to be the ideal complement to our core business, even under pandemic conditions. This is partly due to a solid customer base that subscribes to additional services or takes out insurance policies on their mobile phone contracts, for example. There was also increased demand among consumers for digital devices and electronic products during quarantine.

In the third quarter, freenet once again focused on its various special promotions on smartphones, including a broad product portfolio from market leader Samsung – from entry-level devices such as the Samsung A41, through the mid-range segment, all the way to premium smartphones such as the Samsung S20/S20+. Alternatives were also on offer several times at highly competitive prices, including entry-level and new high-end devices from Xiaomi, the Google Pixel 4 or the sustainable Fairphone 3.

Therefore, as in previous quarters and years, the business made a noteworthy contribution to the freenet Group's revenue, contributing 49.4 million euros in the third quarter. Revenue totalled 135.2 million euros in the first nine months of the financial year. This corresponds to a small 1.5 per cent increase compared to the same period in the previous year (133.2 million euros).

… AND POSITIVE EBITDA PERFORMANCE IN THE TV AND MEDIA SEGMENT

With major sporting events such as football's European Championships and the Olympic Games postponed to next year due to the pandemic, television was without its biggest crowd pullers in the recent summer months. The long period of quarantine and several weeks of hot dry weather also understandably encouraged people to spend much of their time outdoors. TV customers' willingness to switch providers was suitably restrained in the third quarter.

As a result, previously strong growth at waipu.tv slowed as expected, with the number of subscribers rising slightly to around 509,500 during the quarter. Nevertheless, as the operator of the IPTV product, EXARING AG has still succeeded in gaining more than 100,000 new customers since the start of the year. At freenet TV, the number of revenue-generating units (RGU) declined. By the end of September, product provider Media Broadcast was recording around 942,000 users, down by 7.7 per cent compared to the start of the year. This trend is primarily due to the shutdown of satellite customers for profitability reasons as well as the price increase of around 20 per cent in May. In the case of the latter, direct debit customers were the first to make use of their exceptional termination rights in the second quarter. In the past quarter, the main effect was expiring and non-extended 12-month vouchers. This effect could reoccur in the fourth quarter.

Nevertheless, both subsidiaries are working steadily on expanding their product range. Since the start of the quarter, subscribers of waipu.tv's "Perfect" package can now watch RTL channels in HD quality. The range of programming also expanded to include four channels at the end of July.

In addition, EXARING announced a collaboration with Netflix in August. This partnership allows video and TV fans to enjoy the best combination of innovative IPTV and video on demand for the first time – flexibly, conveniently and all in one place. The combination of waipu.tv and Netflix satisfies a wish often expressed by customers, particularly in the cord cutter segment. For an introductory price of around 16.50 euros a month for "Perfect Plus with Netflix", users get a complete entertainment solution consisting of HD television and Netflix for the first time for the equivalent price of an SD cable connection.

During the third quarter, Media Broadcast prepared for the launch of the second nationwide digital radio network, DAB+, scheduled for October 2020. At the end of the quarter Antenne Deutschland – a consortium of Media Broadcast and Absolut Digital – finally reached contractual agreements for most of the ten third-party programme channels. Antenne Deutschland had already founded its own national advertising marketing company for Digital Audio with Ströer Media Solutions at the start of the quarter.

CAPITAL BASE STRENGTHENED FOR THE LONG TERM

The freenet Group has also reorganised its funding-related pressure points over the last three quarters. The measures introduced eased the strain on the consolidated balance sheet and gave it a long-term focus. Although this initially meant that our shareholders would not receive a dividend – a one-off event given what is a highly reliable dividend distribution policy – it was not possible at the time to predict the impact of the COVID-19 pandemic on the capital markets. Taking this step was therefore advisable and commercially prudent to ensure that the Group remained liquid even with temporarily non-functioning capital markets. The need to ensure liquidity was not triggered by operational developments, but because around 40 per cent or almost 700 million euros of debt was due within 12 months (by the end of March 2021).

However, the freenet Group succeeded in refinancing this debt early before maturity at the start of the third quarter. The new promissory note loan of 345 million euros with a term of up to six years was also agreed on relatively good terms. The maturity structure was also smoothed out and time-related "cluster risks" from the financing were reduced.

On 12 August 2020, Liberty Global announced its intention to make a public offer to purchase shares for 110 CHF per Sunrise share. On the same day, Liberty Global and the freenet Group agreed a duty to tender in which the freenet Group was obligated to tender all of the Sunrise shares it holds (11,051,578 shares) into the offer. As a result, the freenet Group will receive around 1.1 billion euros in cash if the necessary terms of acceptance are met. The majority of this (around 800 million euros) would be used to reduce more of the company's debt, while the remainder would be reinvested and/or used to benefit freenet shareholders. Overall, the freenet Group is gaining greater financial flexibility and could reduce its leverage from 4.8 at the end of 2019 to below 2.0 after the conclusion of the transaction. This would significantly improve the debt situation within a year!

Irrespective of the Sunrise transaction, the Executive Board of the freenet Group resolved on 31 August to launch a share buy-back programme totalling up to 100 million euros. As a result, the company intends to compensate its shareholders at least partially for the dividend suspended at the start of the year, particularly as the reasons for doing so ceased to apply with the successful refinancing of the promissory notes.

NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

REVENUE AND RESULTS OF OPERATIONS

Table 1: Performance indicators for the Group

In EUR '000s	Q3/2020	Q3/2019	Change
Revenue	634,529	740,961	– 106,432
Gross profit	218,128	219,369	– 1,241
Overhead	– 102,878	– 109,037	6,159
EBITDA	115,250	110,332	4,918
EBIT	74,955	72,082	2,873
Financial result	– 4,976	– 5,879	903
EBT	69,979	66,203	3,776
Consolidated profit	**60,108**	**57,638**	**2,470**

In the third quarter of 2020, **consolidated revenue** decreased by 106.4 million euros to 634.5 million euros compared to the prior-year quarter. This decline was primarily due to the disposal of subsidiary MOTION TM for strategic reasons on 31 December 2019, which means that its revenue is no longer included in consolidated revenue. Revenue adjusted for this effect remained stable.

In the Mobile Communications segment, the number of strategically important postpaid customers (30 September 2020: 7.005 million customers, 30 September 2019: 6.866 million customers) increased, with postpaid ARPU (Q3/2020: 18.3 euros, Q3/2019: 18.8 euros) declining slightly. Overall, Mobile Communications revenue decreased to 567.0 million euros in the third quarter of 2020 (Q3/2019: 672.7 million euros), due primarily to the sale of the shares in MOTION TM. Revenue in the TV and Media segment rose by 1.2 million euros year-on-year to 65.0 million euros.

Gross profit was 218.1 million euros, on a par with the prior-year figure to 219.4 million euros. The gross profit margin rose by 4.8 percentage points to 34.4 per cent, primarily due to the sale of MOTION TM's low-margin hardware business.

Overhead costs as the difference between gross profit and EBITDA decreased by 6.2 million euros to 102.9 million euros compared to the third quarter of 2019. The reduction in overheads is mainly the result of lower other operating expenses, driven by factors including lower marketing expenses.

Due to the effects explained above, **EBITDA** amounted to 115.2 million euros (Q3/2019: 110.3 million euros). The Mobile Communications segment contributed 94.6 million euros to EBITDA (Q3/2019: 94.9 million euros), the TV & Media segment 22.6 million euros (Q3/2019: 19.4 million euros) and the Other/Holding segment – 2.0 million euros (Q3/2019: – 4.0 million euros).

Depreciation, amortisation and impairment losses increased by 2.0 million euros year-on-year to 40.3 million euros, mainly as a result of remeasuring lease assets in connection with contract modifications.

The financial result improved by 0.9 million euros to – 5.0 million euros compared to the third quarter of 2019. The decrease in interest expenses included in the financial result (Q3/2020: 12.0 million euros, Q3/2019: 14.2 million euros) is mainly due to the remeasurement of lease liabilities and lower unwinding of discounts on liabilities.

Due to the effects explained above, **earnings before tax (EBT)** amounted to 70.0 million euros, an increase of 3.8 million euros year-on-year.

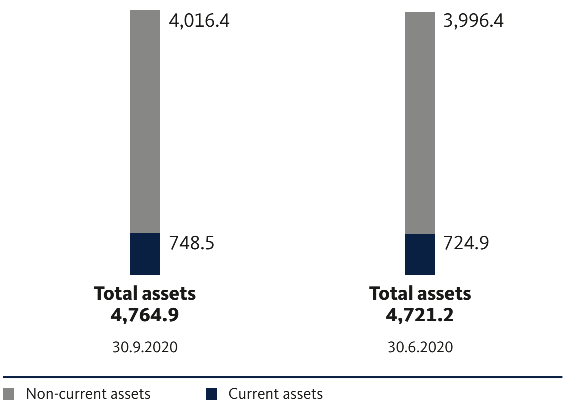
Income tax expenses of 9.9 million euros (Q3/2019: 8.6 million euros) were reported in the quarter under review. Current tax expenses of 6.5 million euros (Q3/2019: 8.2 million euros) and deferred tax expenses of 3.4 million euros (Q3/2019: 0.4 million euros) were recognised, which are mainly due to temporary differences between the carrying amounts of assets under IFRSs and tax law.

As in the prior-year period, **consolidated profit** was attributable exclusively to continuing operations and increased by 2.5 million euros year-on-year to 60.1 million euros.

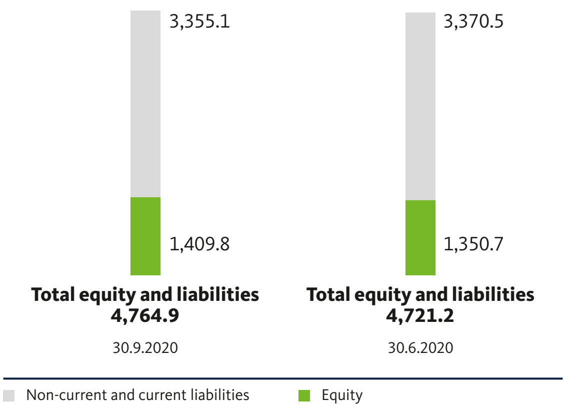
NET ASSETS AND FINANCIAL POSITION

Figure 1: Group balance sheet figures (condensed) in EUR millions

Assets



Equity and liabilities



Total assets/total equity and liabilities amounted to 4,764.9 million euros as at 30 September 2020, an increase of 43.7 million euros, or 0.9 per cent, compared with 30 June 2020 (4,721.2 million euros).

On the **assets side**, non-current assets rose by 20.1 million euros to 4,016.4 million euros. The change is primarily due to the 30.2 million euro increase in other financial assets to 216.6 million euros, which is mainly explained by the higher market value of the CECONOMY investment (30 September 2020: 136.0 million euros; 30 June 2020: 101.2 million euros). Intangible assets declined by 10.1 million euros to 486.4 million euros due predominantly to amortisation charges on the exclusive distribution right with Media-Saturn Holding GmbH. The decrease in goodwill by 1.9 million euros to 1,381.6 million euros is related to the deconsolidation of the freenet digital Group as of 30 September 2020.

In **current assets**, the increase in **liquid assets** of 22.3 million euros to 241.4 million euros is noteworthy. This change mainly resulted from the free cash flow of 79.5 million euros generated, plus the payments of 64.1 million euros received from the promissory note loan with a total volume of 345.0 million euros placed in July 2020, less the scheduled repayment of a promissory note loan in the amount of 100.0 million euros and a 16.3 million euro payment made in connection with the share buyback programme.

On the **equity and liabilities side**, equity increased by 59.1 million euros to 1,409.8 million euros. The positive change is mainly attributable to the consolidated profit (60.1 million euros) and the change in the fair value of the interest in CECONOMY recognised through other comprehensive income (34.3 million euros). The share buyback programme, which has been running since 1 September 2020, had an offsetting effect on equity (– 16.3 million euros). As a result, the equity ratio as of 30 September 2020 rose from 28.6 per cent to 29.6 per cent.

Total **current and non-current liabilities** fell by 15.4 million euros to 3,355.1 million euros. **Borrowings**, still the largest item within current and non-current liabilities, decreased by 33.0 million euros to 1,609.5 million euros, primarily due to the repayment of a promissory note loan (100.0 million euros) and the drawdown of a nominal amount of 64.5 million euros from the new promissory note loan. Further details on borrowings are presented in the section entitled “Financial management”.

CASH FLOWS

Table 2: Cash flow indicators of the Group

In EUR millions	Q3/2020	Q3/2019	Change
Cash flows from operating activities	115.1	102.6	12.5
Cash flows from investing activities	– 19.1	– 11.5	– 7.6
Cash flows from financing activities	– 73.7	– 18.8	– 55.0
Change in cash funds	**22.3**	**72.4**	**– 50.1**
Free cash flow	**79.5**	**72.4**	**7.1**

Cash flows from operating activities increased by 12.5 million euros year-on-year to 115.1 million euros (Q3/2019: 102.6 million euros). In addition to a 4.9 million euro increase in EBITDA, the 4.7 million euro change in contract acquisition costs (Q3/2020: decrease of 0.9 million euros, Q3/2019: increase of 3.9 million euros) and the 2.6 million euro reduction in tax payments (Q3/2020: 6.2 million euros, Q3/2019: 8.8 million euros) had a positive effect on cash flows from operating activities.

Cash flows from investing activities amounted to – 19.1 million euros in the third quarter of 2020 compared to – 11.5 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 2.6 million euros year-on-year to 14.0 million euros. The cash investments were financed entirely out of the company’s retained earnings. The deconsolidation of the freenet digital Group as of 30 September 2020 resulted in a decrease in cash funds of 4.4 million euros.

Cash flows from financing activities changed from – 18.8 million euros in the prior-year quarter to – 73.7 million euros in the period under review. This change is mainly attributable to the scheduled repayment of a promissory note loan (100.0 million euros) and the partial drawdown of 64.1 million euros from the new promissory note loan. There were also cash outflows of 16.3 million euros in the third quarter of 2020 under the share buyback programme.

Free cash flow of 79.5 million euros was generated in the third quarter of 2020 as a result of the aforementioned effects, representing an increase of 7.1 million euros compared with the same quarter of the previous year (72.4 million euros).

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, supported Financial Control and Accounting.

Two alternative performance measures – equity ratio and leverage – are an integral part of capital structure 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 3: Key figures of capital structure management

as indicated	Target	30.9.2020	31.12.2019	30.9.2019
Equity ratio in %	> 25.0	29.6	27.3	26.2
Leverage	≤ 3.0	4.3	4.8	4.6
Adjusted leverage	≤ 3.0	1.4	2.5	2.5

The equity ratio improved by 2.3 percentage points compared to the end of 2019 and by 1.0 percentage points compared to the prior-year quarter. In addition to the collection of current profits, 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 share buyback program resolved by the freenet AG Executive Board had a reducing effect on equity since treasury shares are to be deducted from equity in accordance with IAS 32.33. So far, this effect has been minor, though. The programme is to run from 1 September 2020 until 31 December 2020 at the latest and has a total volume of up to 100 million euros, which will be used to repurchase up to 5 million shares.

The leverage, which is calculated as the ratio of net debt to EBITDA generated in the last 12 months, was 4.3 at the end of the third quarter of 2020 and thus initially above the medium-term target value of a maximum of 3.0 times EBITDA. This figure stands at 1.4 when taking into account the market value of the equity investments in Sunrise and CECONOMY. The improvement in the leverage is also mainly attributable to the undistributed dividend for the 2019 financial year and the liquidity base strengthened by this measure. The adjusted leverage improved significantly due to Liberty Global's public takeover bid of CHF 110 per Sunrise share. If the takeover materialises as planned, the freenet Group's leverage could fall from 4.8 at the end of 2019 to below 2.0 at the end of 2020. Taken together with the refinancing of promissory note loans carried out at the beginning of the third quarter, this would massively ease the freenet Group's financing and maturity structure within one year.

Table 4: Net debt and adjusted net debt

In EUR millions	30.9.2020	31.12.2019	30.9.2019
Long-term borrowings	1,065.0	1,428.0	1,635.8
Short-term borrowings	544.5	265.6	148.9
Net lease liabilities	471.9	471.2	493.8
Liquid assets	– 241.4	– 133.7	– 176.0
Net debt	**1,840.0**	**2,031.1**	**2,102.5**
Market value of Sunrise and CECONOMY[1]	– 1,251.3	– 953.2	– 951.5
Adjusted net debt	**588.7**	**1,078.0**	**1,151.1**

[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 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 free cash flow liquidity indicator. As a reliable and stable point of reference for shareholders to estimate 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 defines 80 per cent of free cash flow as a long-term, stable dividend distribution rate. The distribution rate 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 dividend.

Irrespective of the Sunrise transaction, the Executive Board of the freenet Group resolved on 31 August 2020 to initiate a share buyback programme totalling up to 100 million euros. As a result, the company would like to compensate its shareholders at least partially for the dividend suspended at the start of the year, particularly as one of the main reasons for doing so ceased to apply with the successful refinancing of the promissory notes.

REPORT ON POST-BALANCE SHEET DATE EVENTS

On 12 August 2020, freenet AG undertook, under an agreement entered into with Liberty Global plc ("Liberty Global"), to accept a voluntary cash takeover offer submitted by Liberty Global to all shareholders of Sunrise Communications Group AG ("Sunrise") and to sell all Sunrise shares held by freenet to Liberty Global at a cash purchase price of CHF 110.00 per Sunrise share. At the end of the additional offer period on 28 October 2020, more than 96.0 percent of Sunrise shares were tendered – thus exceeding the minimum acceptance rate of 66.66 percent. Furthermore, the Swiss Competition Commission approved the transaction on 29 October 2020 without conditions or restrictions. The closing of the transaction is subject to further conditions and is expected to take place in mid-November. The sale of the 11.05 million Sunrise shares held by freenet AG will generate proceeds of CHF 1.216 billion.

REPORT ON OPPORTUNITIES AND RISKS

In the third quarter of 2020, there have been no significant changes in relation to the risks associated with future business development. The risks and opportunities to which the freenet Group is exposed as part of its ongoing business activities were described in detail in the 2019 Annual Report (page 59 et seq.) and the 2020 half-yearly report (page 22 et seq.) and continue to apply in principle.

The demand for the freenet TV product and thus the number of revenue-generating users (RGUs) saw a stronger decline than expected in the third quarter of 2020 due to vouchers not being renewed following a price increase. Despite the current decline in its customer base, the product's overall profitability is still ensured. No effects on the projected financial performance indicators are expected.

All assessment made continue to be dependent upon the duration and extent of the coronavirus crisis. At this point, it is not possible to reliably and completely assess this.

REPORT ON EXPECTED DEVELOPMENTS

The information and telecommunications sector still seems to be navigating its way through the pandemic relatively unscathed. The subscription-based business model and increased need for mobile working and collaboration during the coronavirus crisis are largely protecting the profitability of the industry. Nevertheless, restrictions on movement and contact are limiting bricks-and-mortar distribution and negatively impacting service revenue from roaming activities, for example.

For the freenet Group, current developments in its core telecommunications as well as TV and video markets, both in general and in relation to the coronavirus pandemic, are not triggering any significant changes to the assessment made in the 2020 half-year report. The freenet Group's management still believes that risks primarily relate to sales (see the detailed Report on opportunities and risks). The measures already implemented, together with the flexibility of the distribution model and sales channel management, are helping to mitigate these risks. As a result, the underlying assumptions for the financial performance indicator forecasts made in the 2019 Annual Report are still considered appropriate and are being confirmed based on operational performance between January and September 2020. This also applies to the non-financial performance indicators with one qualification.

The development of freenet TV subscribers (RGUs) was originally assumed to be stable. The assumption that customer figures would remain unchanged did not take into account the effects of possible price adjustments for the product during the year. The price of the terrestrial freenet TV product was raised by 20 percent in May 2020. Market research studies on the price increase provided a rough indication of our customers' potential cancellation behaviour. Due in large part to the extension of existing contracts, it only became clear at the end of the third quarter that customer numbers are expected to decrease significantly by the end of the year in the wake of the price increase. As the price increase remains profitable overall even when considering the anticipated significant decrease in the customer base, this will not have any impact on the financial performance indicator forecasts.

Irrespective of this, the forecast is still subject to greater uncertainty than when the assessment was made at the end of February due to the coronavirus crisis, even though there is now more clarity about the effects of the pandemic on the business model and certain scenarios appear more or less likely.

A detailed explanation of the outlook can be found in the 2019 Annual Report (see 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	Adjustment of forecast, freenet TV subscribers (RGU), Q3/2020	Actual Q1–Q3/2020	Change compared to previous forecast
Financial performance indicators					
Revenue	stable[1]	stable[1]	stable[1]	1,905.5	▶
EBITDA	415 – 435	415 – 435	415 – 435	329.2	▶
Free cash flow	235 – 255	235 – 255	235 – 255	220.2	▶
Postpaid ARPU (in EUR)	stable	stable	stable	18.3	▶
Non-financial performance indicators					
Postpaid customers (in millions)	moderate increase	moderate increase	moderate increase	7.005	▶
freenet TV subscribers (RGU) (in millions)	stable	stable	significant decrease	0.942	▼
waipu.tv subscribers (in millions)	solid growth	solid growth	solid growth	0.509	▶

[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

SELECTED FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2020

In EUR '000s/as indicated	Q1–Q3/2020 1.1.2020 – 30.9.2020	Q1–Q3/2019 1.1.2019 – 30.9.2019	Q3/2020 1.7.2020 – 30.9.2020	Q3/2019 1.7.2019 – 30.9.2019
Revenue	1,905,509	2,130,006	634,529	740,961
Other operating income	38,356	52,638	14,316	20,052
Other own work capitalised	14,949	13,926	5,895	6,094
Cost of materials	– 1,261,642	– 1,463,912	– 416,401	– 521,592
Personnel expenses	– 169,640	– 175,133	– 57,258	– 58,193
Other operating expenses	– 198,340	– 231,738	– 65,831	– 76,990
Thereof loss allowances on financial assets and contract assets	– 29,679	– 33,619	– 9,156	– 10,648
Thereof without loss allowances on financial assets and contract assets	– 168,661	– 198,119	– 56,675	– 66,342
EBITDA	**329,192**	**325,787**	**115,250**	**110,332**
Depreciation, amortisation and impairment	– 118,838	– 115,545	– 40,295	– 38,250
EBIT	**210,354**	**210,242**	**74,955**	**72,082**
Profit or loss of equity-accounted investments	17,407	20,708	6,362	7,299
Thereof from share of profit or loss	32,383	35,441	11,354	12,210
Thereof from subsequent accounting from purchase price allocation	– 14,976	– 14,733	– 4,992	– 4,911
Interest and similar income	1,850	2,393	594	818
Interest and similar expenses	– 36,570	– 44,638	– 12,025	– 14,188
Other financial result	33	629	93	192
Financial result	**– 17,280**	**– 20,908**	**– 4,976**	**– 5,879**
EBT	**193,074**	**189,334**	**69,979**	**66,203**
Income taxes	– 23,660	– 20,059	– 9,871	– 8,565
Consolidated profit	**169,414**	**169,275**	**60,108**	**57,638**
Consolidated profit attributable to shareholders of freenet AG	173,280	176,430	60,868	59,487
Consolidated profit attributable to non-controlling interests	– 3,866	– 7,155	– 760	– 1,849
Earnings per share in EUR (basic)	**1.35**	**1.38**	**0.48**	**0.46**
Earnings per share in EUR (diluted)	**1.35**	**1.38**	**0.48**	**0.46**
Weighted average number of shares outstanding in thousand (basic)	127,950	128,011	127,950	128,011
Weighted average number of shares outstanding in thousand (diluted)	127,950	128,011	127,950	128,011

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2020

ASSETS In EUR '000s	30.9.2020	30.6.2020	31.12.2019
Non-current assets			
Intangible assets	486,366	496,509	501,878
Lease assets	450,515	448,044	451,964
Goodwill	1,381,597	1,383,474	1,383,474
Property, plant and equipment	138,510	137,057	143,830
Equity-accounted investments	757,413	750,066	785,637
Deferred income tax assets	128,018	129,632	130,226
Trade accounts receivable	64,118	67,119	68,678
Other receivables and other assets	109,997	113,888	122,921
Other financial assets	216,610	186,405	268,480
Contract acquisition costs	283,299	284,170	297,240
	4,016,443	**3,996,364**	**4,154,328**
Current assets			
Inventories	69,292	82,121	75,819
Current income tax assets	2,080	2,068	2,084
Trade accounts receivable	176,535	169,796	225,753
Other receivables and other assets	205,777	203,364	201,734
Other financial assets	53,429	48,419	46,187
Liquid assets	241,375	219,101	133,692
	748,488	**724,869**	**685,269**
	4,764,931	**4,721,233**	**4,839,597**

EQUITY AND LIABILITIES In EUR '000s	30.9.2020	30.6.2020	31.12.2019
Equity			
Share capital	128,061	128,061	128,061
Capital reserves	737,536	737,536	737,536
Treasury shares	– 16,316	0	0
Cumulative other comprehensive income	– 119,604	– 149,321	– 74,282
Consolidated net retained profits	674,779	628,323	521,031
Equity attributable to shareholders of freenet AG	**1,404,456**	**1,344,599**	**1,312,346**
Non-controlling interests in equity	5,389	6,149	9,255
	1,409,845	**1,350,748**	**1,321,601**
Non-current liabilities			
Lease liabilities	459,755	463,368	473,272
Other liabilities and deferrals	103,889	103,674	107,378
Other financial liabilities	40,357	26,835	31,048
Borrowings	1,065,024	1,000,796	1,428,009
Pension provisions	102,218	95,264	98,787
Other provisions	42,232	41,812	41,206
	1,813,475	**1,731,749**	**2,179,700**
Current liabilities			
Lease liabilities	84,869	81,792	80,004
Trade accounts payable	406,238	409,007	465,230
Other liabilities and deferrals	391,063	389,179	402,175
Other financial liabilities	59,182	58,160	64,546
Current income tax liabilities	44,185	43,995	43,991
Borrowings	544,452	641,703	265,610
Other provisions	11,622	14,900	16,740
	1,541,611	**1,638,736**	**1,338,296**
	4,764,931	**4,721,233**	**4,839,597**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2020

In EUR ’000s	Q1 – Q3/2020 1.1.2020 – 30.9.2020	Q1 – Q3/2019 1.1.2019 – 30.9.2019
EBIT	**210,354**	**210,242**
Restatements		
Depreciation, amortisation and impairment of non-current assets	118,838	115,545
Dividends received from equity-accounted investments	46,047	41,462
Gains on the sale of subsidiaries	– 634	0
Gain/loss on disposal of non-current assets	564	– 410
Increase in net working capital not attributable to investing or financing activities	– 36,110	– 66,330
Proceeds from the cash repayment of financial assets under leases	11,034	10,956
Capitalisation of contract acquisition costs	– 221,343	– 214,066
Amortisation of contract acquisition costs	235,284	234,537
Tax payments	– 19,908	– 12,290
Income from interest and other financial result	1,370	1,703
Interest paid	– 32,117	– 36,493
Cash flows from operating activities	**313,379**	**284,856**
Payments to acquire property, plant and equipment and intangible assets	– 32,335	– 30,151
Proceeds from disposal of intangible assets and property, plant, and equipment	991	3,196
Proceeds from the acquisition of subsidiaries	– 25	3,052
Payments from deconsolidation of subsidiaries	– 4,423	0
Repayment of contributions of equity-accounted investments	250	0
Payments to acquire other equity investments	– 975	– 173
Cash flows from investing activities	**– 36,517**	**– 24,076**
Payments to company owners and minority shareholders	– 5,120	– 211,218
Payments to acquire own shares	– 16,316	0
Proceeds from new borrowings	64,088	0
Cash repayments of borrowings	– 150,000	– 15,000
Cash repayments of lease liabilities	– 61,831	– 58,714
Payments of other financing costs	0	– 1,220
Cash flows from financing activities	**– 169,179**	**– 286,152**
Net change in cash funds	**107,683**	**– 25,372**
Cash funds at beginning of period	**133,692**	**126,332**
Cash funds at end of period	**241,375**	**100,960**

COMPOSITION OF CASH FUNDS

In EUR '000s	30.9.2020	30.9.2019
Liquid assets of continuing operations	241,375	175,960
Liabilities to banks for short-term cash management	0	– 75,000
	241,375	**100,960**

COMPOSITION OF FREE CASH FLOW[1]

In EUR '000s	30.9.2020	30.9.2019
Cash flows from operating activities	313,379	284,856
Payments to acquire property, plant, and equipment and intangible assets	– 32,335	– 30,151
Proceeds from disposal of intangible assets and property, plant and equipment	991	3,196
Cash repayments of lease liabilities	– 61,831	– 58,714
FCF[1]	**220,204**	**199,187**

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

SEGMENT REPORT
FOR THE PERIOD FROM 1 JANUAR TO 30 SEPTEMBER 2020

In EUR '000s	Mobile Communications	TV and Media	Other/ Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	**1,691,022**	**183,680**	**30,807**	**0**	**1,905,509**
Inter-segment revenue	12,741	7,235	11,992	– 31,968	0
Total revenue	1,703,763	190,915	42,799	– 31,968	1,905,509
Cost of materials, third party	**– 1,200,725**	**– 54,140**	**– 6,777**	**0**	**– 1,261,642**
Inter-segment cost of materials	– 14,070	– 11,558	– 531	26,159	0
Total cost of materials	– 1,214,795	– 65,698	– 7,308	26,159	– 1,261,642
Segment gross profit	**488,968**	**125,217**	**35,491**	**– 5,809**	**643,867**
Other operating income	37,054	545	3,474	– 2,717	38,356
Other own work capitalised	9,502	4,052	1,395	0	14,949
Personnel expenses	– 97,687	– 43,509	– 28,444	0	– 169,640
Other operating expenses	– 160,596	– 27,269	– 19,001	8,526	– 198,340
Thereof loss allowances on financial assets and contract assets	– 28,293	– 1,082	– 304	0	– 29,679
Thereof without loss allowances on financial assets and contract assets	– 132,303	– 26,187	– 18,697	8,526	– 168,661
Overhead [1]	**– 211,727**	**– 66,181**	**– 42,576**	**5,809**	**– 314,675**
Thereof inter-segment allocation	– 5,451	– 722	364	5,809	
Segment EBITDA	**277,241**	**59,036**	**– 7,085**	**0**	**329,192**
Depreciation, amortisation and impairment					– 118,838
EBIT					**210,354**
Financial result					– 17,280
Income taxes					– 23,660
Consolidated profit					**169,414**
Consolidated profit attributable to shareholders of freenet AG					173,280
Consolidated profit attributable to non-controlling interests					– 3,866
Net cash investments	**17,651**	**11,280**	**2,413**		**31,344**

[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 JANUAR TO 30 SEPTEMBER 2019

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

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

FURTHER INFORMATION

GLOSSARY

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

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

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

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

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

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

EBIT Earnings before interest and taxes.

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

EBT Earnings before taxes

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

Equity ratio Ratio between equity and total equity and liabilities.

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

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

Gross profit Revenue less cost of materials.

Gross profit margin Ratio between gross profit and revenue.

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

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

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.

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

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

Prepaid Mobile services billed in advance.

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

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

FINANCIAL CALENDAR

Date	Event
6 November 2020 [1]	Interim Statement as of 30 September 2020 – Third quarter 2020
12 November 2020 [2]	CIC Market Solutions Forum, CIC Market Solutions
16 November 2020 [2]	Deutsches Eigenkapitalforum, Deutsche Börse AG
19 November 2020 [2]	European Technology, Media & Telecom Conference 2020, Morgan Stanley
23 November 2020 [2]	11. DZ Bank Equity Conference, DZ Bank
3 December 2020 [2]	Annual Berenberg European Conference, Berenberg

[1] All dates are subject to change
[2] All virtual

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

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

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

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

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