Q1/2019

INTERIM STATEMENT AS OF 31 MARCH 2019

freenet GROUP

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

CONTENT

OVERVIEW OF KEY FINANCIALS[1]

OPERATIONS

In EUR million/as indicated	Q1/2019	Q1/2018 adjusted[2]	Q4/2018 adjusted[2]
Revenue	689.9	689.6	794.2
Gross profit	227.3	223.5	235.1
EBITDA	107.9	96.8	113.3
EBIT	69.3	60.2	81.4
EBT	61.1	54.2	71.4
Consolidated profit	56.2	46.7	64.1
Earnings per share in EUR (basic and diluted)	0.47	0.39	0.52

BALANCE SHEET

In EUR million/as indicated	31.3.2019	31.3.2018	31.12.2018
Total equity and liabilities	4,986.3	4,665.7	4,634.7
Equity	1,381.4	1,473.6	1,280.8
Equity ratio in %	27.7	31.6	27.6

FINANCES AND INVESTMENTS

In EUR million	Q1/2019	Q1/2018 adjusted[2]	Q4/2018 adjusted[2]
Free cash flow	45.3	38.3	53.7
Depreciation, amortisation and impairment	38.6	36.6	31.9
Net investments (CAPEX)	6.8	11.0	9.7
Net debt	2,053.6	1,588.1	1,856.8
Adjusted net debt	1,155.4	873.2	904.3

SHARE

	31.3.2019	31.3.2018	31.12.2018
Closing price Xetra in EUR	19.16	24.71	16.95
Number of issued shares in '000s	128,061	128,061	128,061
Market capitalisation in EUR millions	2,453.0	3,164.4	2,170.6

EMPLOYEES[3]

	31.3.2019	31.3.2018	31.12.2018
Employees	4,199	4,108	4,183

OVERVIEW OF KEY FINANCIALS[1]
MOBILE COMMUNICATIONS SEGMENT

CUSTOMER FIGURES

In million	Q1/2019	Q1/2018	Q4/2018
Postpaid[3]	6.862	6.770	6.896
Net change postpaid	– 0.034	0.059	0.027

OPERATIONS

In EUR million	Q1/2019	Q1/2018 adjusted[2]	Q4/2018 adjusted[2]
Revenue	624.7	621.0	714.3
Gross profit	179.6	179.0	178.5
EBITDA	96.5	90.3	84.4

MONTHLY AVERAGE REVENUE PER USER (ARPU)

In EUR	Q1/2019	Q1/2018	Q4/2018
Postpaid ARPU without hardware (IFRS 15)	18.8	19.0	18.9

OVERVIEW OF KEY FINANCIALS[1]
TV AND MEDIA SEGMENT

Customer figures[3]

In '000s	Q1/2019	Q1/2018	Q4/2018
freenet TV subscribers (RGU)	1,020.2	945.1	1,014.2
Net change, freenet TV subscribers (RGU)	5.9	43.1	112.8
waipu.tv subscribers	286.3	133.1	251.8
Net change, waipu.tv subscribers	34.6	30.8	49.4

OPERATIONS

In EUR million	Q1/2019	Q1/2018	Q4/2018
Revenue	61.0	71.5	71.3
Gross profit	39.1	37.4	46.7
EBITDA	14.3	7.8	32.8

[1] Unless indicated otherwise, we refer to the section “Definition of alternative performance measures” in the 2018 Annual Report for the definition of the key figures.
[2] The comparative figures were adjusted due to the refocusing of the internal management system effective from 2019 and the associated redefinition of various performance measures. For information on the changes, see the sections “Internal management system” and “Alternative performance measures” in the 2018 Annual Report.
[3] At the end of the period.

COURSE OF BUSINESS AND SIGNIFICANT EVENTS

2019 KICKS OFF ACCORDING TO PLAN

The freenet Group started the 2019 financial year with solid results. Revenue in the first quarter came to 689.9 million euros, nearly matching the figure for the same quarter of the previous year (689.6 million euros). This bears out the expectation of stable revenue.

Gross profit, at 227.3 million euros, was slightly higher than in the opening quarter of 2018 (223.5 million euros). Year-on-year, EBITDA increased by 11.1 million euros to 107.9 million euros. The EBITDA figure includes an effect of 11.4 million euros arising from the mandatory initial application of IFRS 16 (Leases). EBITDA excluding the restatements required by IFRS 16 would consequently amount to 96.5 million euros and would thus be on a level with the same period of the previous year.

At 45.3 million euros, free cash flow for the first quarter was 7.0 million euros higher than in the prior-year period, which puts it at the upper end of the forecast range communicated for the first three months of 2019.

MOBILE COMMUNICATIONS BUSINESS REMAINS SOLID

The main pillars of the freenet Group's core business are customer-centric tariffs and services as well as a focus on postpaid customers with a two-year contract. The Group's strong foothold in this strategically important customer group – underpinned by stable postpaid ARPU for many years now – will continue in the new financial year. Although the number of highly profitable contract customers decreased slightly by around 34,000 in the first three months of 2019, this merely mirrors a quality-related restructuring of the tariff mix in the customer portfolio. The effectiveness is also reflected in almost unchanged revenue from postpaid services (387.2 million euros) compared with the preceding quarter (389.5 million euros) and also compared with the same quarter of the previous year (382.8 million euros).

Now reporting 6.862 million postpaid customers, the freenet Group thus continues to underscore its strong competitive position in this particularly high-value customer group. Postpaid ARPU excluding hardware also remained stable at 18.8 euros, down from 19.0 euros in Q1/2018 and 18.9 euros in the previous quarter. At 33.4 million euros, revenue from services in the no-frills/prepaid segment remained more or less level with the fourth quarter of 2018 (35.6 million euros).

Using the tagline "Your life tells us what you need", the new mobilcom-debitel advertising campaign kicked off on 8 March with TV advertisements on channels that reach a large audience. This marked the end of the "Costa Fastgarnix" ("That Costa next to nothing") era. The polarizing Greek featured in these commercials had been courting price-sensitive customers since 2015. Although this series raised brand awareness from initially 15 per cent to now 70 per cent, the dominant testimonial with its low-cost offers increasingly stood in the way of a Group-wide focus on satisfied, loyal customers. Attractive rates will still be offered, but the repositioning will be clearly centred on the local consulting and service aspect – a strong differentiator in mobile communications.

Other important initiatives in the Mobile Communications segment at the end of the quarter included the launch of freenet Business as a separate area for business customers plus two new solutions for mobile device management. Going forward, freenet Business will provide companies with a range of cloud-based services such as Infrastructure as a Service, Platform as a Service and Software as a Service. The capacity of our own ISO 27001 certified data centre in Düsseldorf will be used for this purpose. In the mobile device management business, small and medium-sized enterprises in particular can take up a new mobilcom-debitel offer in one of two ways: by purchasing a licence and administrating it in their own IT departments or by using the service as an external service.

Also in March, mobilcom-debitel embarked on a collaborate venture with Clickrepair.de in which the approximately 530 shops were simultaneously listed nationwide as local repair shops for defective smartphones. Clickrepair.de is the leading online marketplace in this business segment with over 1,000 affiliated mobile phone workshops. Based on the partnership with Clickrepair.de, mobilcom-debitel customers can now benefit from the first-class repair and other services provided by the Lower Saxony-based company.

In addition, the company „The Cloud“ joined the group in the first quarter of 2019. The company is a leading public WiFi provider and operates over 20,000 WiFi access points in, for example, city centers, hotels or commercial premises. The Cloud provides the opportunity to give freenet mobile subscribers privileged access to these hotspots.

CONTINUOUS GROWTH IN THE TV AND MEDIA SEGMENT

One important milestone for freenet TV in 2018 was completion of the expansion of the terrestrial transmitter network; a total of 63 transmitter sites now supply around 62 million residents via antenna. With the technical basis established, freenet TV can now focus exclusively on driving growth in specific target groups.

So far, mainly the older generations have been heavy users of traditional linear terrestrial television, which means that the potential for growth in younger target groups is high. This is why freenet TV launched an Instagram campaign in the first quarter targeted at younger viewers. The face of the campaign with the message “linear television in top quality HD” is the actor and pop rapper Jimi Blue Ochsenknecht, who is embedded in a target group-specific look & feel featuring correspondingly aligned messages.

The number of revenue-generating users of freenet TV increased marginally during the first quarter: at the end of March, the number of freenet TV subscribers (RGU) amounted to 1.020 million; this represents an increase of around 75,000 customers versus the first quarter of 2018 and 6,000 customers compared with the previous quarter, confirming expectations.

EXARING AG’s IPTV product (waipu.tv) also launched a Germany-wide out-of-home campaign in the first quarter of 2019. Using the motto “I see something” and with a total gross media volume of 10 million euros, it focuses in particular on megalights, info screens, mall and station videos as well as on other digital channels.

In addition, programmatic marketing of connected TV offerings was introduced at the end of February. These give advertising customers of waipu.tv the opportunity to book their moving image advertising as part of event channels, media libraries and special content productions. The inventory includes genres such as feature films, documentaries, lifestyle and popular TV shows. Advertising formats such as the integration of conventional TV commercials into short advertising blocks or pre-roll videos are available for this.

In March waipu.tv also entered into a strategic partnership with Samsung under which buyers of all Samsung TVs delivered in Germany from model year 2019 onwards will receive waipu.tv free of charge for six months in addition to their smart TV. When the device is set up, a screen appears with the registration prompt. waipu.tv will also be prominently placed both on the packaging and in the advertising. Right at the start of the collaboration there was also a special offer for buyers of Samsung 2017 and 2018 series models. Integration into the Samsung Smart Hub and connection via WiFi eliminates any additional wiring and the need to use additional devices such as Google Chromecast.

Thanks to continuous improvements in the offering, the number of waipu.tv subscribers increased further over the first three months of the financial year. At the end of March it stood at around 286,300, up 34,600 on the end of 2018. waipu.tv is thus on track to meet the published guidance for the year.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

REVENUE AND RESULTS OF OPERATIONS

Key performance indicators for the Group

In EUR '000s	Q1/2019	Q1/2018	Change
Revenue	689,933	689,608	325
Gross profit	227,305	223,541	3,764
Overhead	– 119,384	– 126,722	7,338
EBITDA	107,921	96,819	11,102
EBIT	69,334	60,247	9,087
Financial result	– 8,241	– 6,005	– 2,236
EBT	61,093	54,242	6,851
Consolidated profit	**56,182**	**46,695**	**9,487**

At 689.9 million euros, **revenue** in the first quarter of 2019 was on a level with the prior-year period. In the Mobile Communications segment, the number of strategically important postpaid customers with a two-year contract rose to 6.86 million at the end of March 2019 (31 March 2018: 6.77 million customers) and postpaid ARPU excluding hardware remained stable at 18.8 euros (Q1/2018: 19.0 euros). Mobile Communications revenue reported for the first quarter of 2019 increased by 3.7 million euros to 624.7 million euros. Revenue in the TV and Media segment was down 61.0 million euros on the prior-year quarter (71.5 million euros), mainly due to the sale of the analogue radio business in the previous year.

Gross profit, amounting to 227.3 million euros, was up on the prior-year period (223.5 million euros). The gross profit margin rose by 0.5 percentage points to 32.9 per cent. Both developments are largely related to the financial reporting standard IFRS 16 (Leases) that was required to be applied for the first time as at 1 January 2019. IFRS 16 sets out that certain expenses for purchased services do not form part of the cost of materials, but based on the accounting requirements must be disclosed under the depreciation charge and interest expense.

Overhead costs as the difference between gross profit and EBITDA, which include the items other operating income, other own work capitalised, personnel expenses and other operating expenses, decreased by 7.3 million euros compared with the first quarter of 2018 to 119.4 million euros. The reduction in overhead costs is mainly attributable to IFRS 16, according to which operating lease expenses recognised in the past are not a component of other operating expenses, but based on the accounting requirements must be disclosed under the depreciation charge and interest expense.

EBITDA in the quarter under review amounted to 107.9 million euros and increased by 11.1 million euros compared with the same quarter of the previous year, primarily due to the effects of IFRS 16 mentioned above. The Mobile Communications segment contributed 96.5 million euros to EBITDA in the first quarter of 2019 (Q1/2018: 90.3 million euros), the TV & Media segment 14.3 million euros (Q1/2018: 7.8 million euros) and the Other/Holding segment – 2.9 million euros (Q1/2018: – 1.3 million euros).

Depreciation, amortisation and impairment losses increased by 2.0 million euros year-on-year to 38.6 million euros. On the one hand, around 10 million euros were added due to depreciation of lease assets under IFRS 16. On the other hand, the reduction in the useful lives of property, plant and equipment in connection with the sale of analogue radio had increased the depreciation charge in the previous year, but this effect no longer applied in the first quarter of 2019.

The **financial result** in the period under review amounted to – 8.2 million euros (Q1/2018: – 6.0 million euros). The changes in interest expense (Q1/2019: – 15.6 million euros, Q1/2018: – 10.9 million euros) and interest income (Q1/2019: 0.8 million euros, Q1/2018: 0.0 million euros) included in the financial result can be largely attributed to the new lease accounting. The profit of equity-accounted investments improved by 1.4 million euros to 6.3 million euros.

Due to the effects explained above, **earnings before tax (EBT)** amounted to 61.1 million euros, an increase of 6.9 million euros year-on-year.

Income tax expenses of 4.9 million euros (Q1/2018: 7.5 million euros) were reported in the quarter under review. Current tax expenses of 7.2 million euros (Q1/2018: 9.2 million euros) and deferred tax income of 2.3 million euros (Q1/2018: 1.7 million euros) were recognised. Deferred tax income is mainly attributable to temporary differences between the carrying amounts of assets and liabilities in accordance with IFRS and tax law and also to write-up of deferred tax assets on loss carryforwards.

As in the prior-year period, the **consolidated profit** reported in the first quarter of 2019 is attributable exclusively to continuing operations and adds up to 56.2 million euros, representing an increase of 9.5 million euros compared with the same period of the previous year (Q1/2018: 46.7 million euros).

NET ASSETS AND FINANCIAL POSITION

Selected balance sheet figures of the Group

Assets

In EUR millions	31.3.2019
Non-current assets	4,278.8
Current assets	707.4
Total assets	**4,986.3**

In EUR millions	31.12.2018
Non-current assets	3,885.1
Current assets	749.6
Total assets	**4,634.7**

Equity and liabilities

In EUR millions	31.3.2019
Equity	1,381.4
Non-current and current liabilities	3,604.9
Total equity and liabilities	**4,986.3**

In EUR millions	31.12.2018
Equity	1,280.8
Non-current and current liabilities	3,353.9
Total equity and liabilities	**4,634.7**

Total assets/total equity and liabilities amounted to 4,986.3 million euros as at 31 March 2019, an increase of 351.6 million euros, or 7.6 per cent, compared with 31 December 2018 (4,634.7 million euros).

The sharp rise in various items within **current and non-current assets** is primarily due to the initial application of IFRS 16 as at 1 January 2019. As a result, contractual relationships previously recorded as operating leases are reported for the first time under "Lease assets" and disclosed in the amount of 492.6 million euros as at the end of March 2019. In this connection, a master lease agreement of 248.1 million euros classified as a finance lease until 31 December 2018 was also reclassified from property, plant and equipment to lease assets as at 1 January 2019.

The increase of 142.5 million euros in **other financial assets** to 303.6 million euros is attributable on the one hand to the receivables from finance leases reported in the balance sheet in the amount of 93.5 million euros and on the other to the change in the fair value of the interests in CECONOMY recognised through other comprehensive income in the amount of 50.3 million euros (carrying amount as at 31 March 2019: 154.7 million euros).

The decrease in **trade accounts receivable** by 69.4 million euros to 237.0 million euros is mainly due to lower receivables from network operators resulting from annual bonuses, as cash receipts were already being recorded in the first quarter of 2019.

The increase of 63.3 million euros in **cash funds** to 189.7 million euros primarily results from the free cash flow of 45.3 million euros plus the revolving credit facility drawn down as at 31 March 2019 in the amount of 30.0 million euros, less cash repayments of borrowings amounting to 15.0 million euros.

The **liabilities side** was dominated by equity amounting to 1,381.4 million euros (31 December 2018: 1,280.8 million euros) and borrowings in the amount of 1,736.4 million euros (31 December 2018: 1,722.9 million euros).

Amounting to 27.7 per cent at the end March 2019, the **equity ratio** matched the year-end 2018 level (27.6 per cent). The increase in **net debt** to 2,053.6 million euros as at 31 March 2019 (31 December 2018: 1,856.8 million euros) is mainly due to the inclusion of net lease liabilities (lease liabilities less lease receivables) in the calculation of net debt. For more information please refer to the comments on the new definition of net debt in the section entitled "Financial management".

In connection with the transition to IFRS 16, **lease liabilities** are presented separately under non-current and current liabilities for the first time and were reported in the amount of 600.4 million euros as at 31 March 2019. This item now also includes the liabilities relating to the master lease agreement classified as a finance lease, which were recorded under other financial liabilities (237.2 million euros) and trade accounts payable (23.0 million euros) as at 31 December 2018.

Trade accounts payable decreased by 117.0 million euros to 406.2 million euros. In addition to the effect from the transition to IFRS 16, this was mainly due to payments of annual bonuses and changes in liabilities to hardware manufacturers, dealers and distributors at the balance sheet date.

CASH FLOWS

Key cash flow indicators of the Group

In EUR millions	Q1/2019	Q1/2018 adjusted[1]	Change
Cash flows from operating activities	72.7	54.7	18.0
Cash flows from investing activities	– 3.8	– 11.2	7.4
Cash flows from financing activities	– 35.6	– 5.4	– 30.2
Net change in cash funds	**33.3**	**38.1**	**– 4.8**
Free cash flow	**45.3**	**38.3**	**7.0**

[1] Due to a change in the definition of free cash flow, the previous year's figures were adjusted.

Cash flows from operating activities increased by 18.0 million euros year-on-year to 72.7 million euros (Q1/2018: 54.7 million euros). With EBITDA up 11.1 million euros, the decrease of 6.7 million euros in the capitalisation of contract acquisition costs (mainly sales commissions paid) and the 3.4 million euros in proceeds from the repayment of lease receivables reported for the first time in connection with IFRS 16 had a positive effect on cash flows from operating activities. The increase in interest payments of 4.6 million euros compared with the first quarter of 2018, due in part to the new lease accounting and also attributable to the financing banks, had the opposite effect.

Cash flows from investing activities improved in the first quarter of 2019 by 7.4 million euros to – 3.8 million euros (Q1/2018: – 11.2 million euros). The change is mainly attributable to lower cash outflows for investments in fixed assets and to liquid assets of 3.1 million euros received in connection with the first-time consolidation of The Cloud Group as at 1 January 2019.

Cash flows from financing activities changed from – 5.4 million euros in the prior-year period to – 35.6 million euros. As a result of the initial application of IFRS 16, cash repayments of lease liabilities were reported in the amount of 20.6 million euros in the first quarter of 2019 (Q1/2018: cash repayments of liabilities from finance leases in the amount of 5.4 million euros). Repayments of borrowings of 15.0 million euros relate to a partial repayment of the promissory note loan from 2016.

Free cash flow of 45.3 million euros was generated in the first quarter of 2019 as a result of the aforementioned effects, representing an increase of 7.0 million euros compared with the same quarter of the previous year (38.3 million euros).

FINANCIAL MANAGEMENT

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

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

The debt ratio and the equity ratio will continue to be used to manage the capital structure. Along with net lease liabilities, borrowings less liquid assets (together net debt) are now used as input values for the debt ratio. The adjusted debt ratio is calculated by deducting the market values of the equity investments (Sunrise and Ceconomy) from net debt. The last twelve months (i.e. April 2018 to March 2019 or April 2017 to March 2018 for the previous year) are used for the period-related parameter EBITDA (according to the new definition).

Due to the initial application of IFRS 16 Leases, net debt and adjusted net debt for the first quarter of 2019 are comparable with the same period of the previous year only to a limited extent. The increase in (adjusted) net debt is mainly attributable to liabilities from operating leases that have been recognised since the beginning of the 2019 financial year.

Net debt and adjusted net debt

In EUR millions	31.3.2019	31.3.2018
Borrowings	1,736.4	1,672.7
Net lease liabilities	506.9	276.5
Liquid assets	– 189.7	– 360.9
Net debt	**2,053.6**	**1,588.3**
Equity investments (market value of Sunrise and CECONOMY)	– 898.2	– 715.1
Adjusted net debt	**1,155.4**	**873.2**

As of 31 March 2019, the debt ratio was 4.2, which is above the long-term target value of less than 3.5. The increase in the (adjusted) debt ratio in the first quarter of 2019 compared with the same quarter of the previous year is also mainly due to the initial application of IFRS 16. The net debt to be taken into account in the calculation of the debt ratio is 230.4 million euros higher due to the net lease liabilities from operating leases. The last twelve months EBITDA for April 2018 to March 2019 include a linear extrapolation of the current IFRS 16 EBITDA effect in order to improve the informative value of the KPI. As at 31 March 2019, the equity ratio was above the target level of 25 per cent.

Key figures of financial management

	Q1/2018 adjusted[1]	2018 adjusted[1]	Q1/2019	Target
Debt ratio	3.8	4.2	4.2	< 3.5
Adjusted debt ratio	2.1	2.0	2.4	–
Equity ratio in %	31.6	27.6	27.7	> 25

[1] Due to a change in the definition of the control parameters, the previous year's figures were adjusted.

REPORT ON POST-BALANCE SHEET DATE EVENTS

No reportable events of material significance occurred after 31 March 2019.

REPORT ON OPPORTUNITIES AND RISKS

Since the beginning of the financial year, there have been no significant changes in relation to the risks associated with future business development. The risks and opportunities to which the freenet Group is exposed as part of its ongoing business activities were described in detail in the 2018 Annual Report and continue to apply (p. 60 et seq.).

REPORT ON EXPECTED DEVELOPMENTS

Recent developments in the telecommunications market and in the media market do not trigger any significant changes compared to the market outlook in the 2018 Annual Report. The assumptions made for the forecast of the financial and non-financial performance indicators of the freenet Group are therefore still considered accurate.

Comparison of 2019 forecast and current development

In EUR million/ as indicated	Forecast for financial year 2019	Actual, Q1/2019	Change compared to previous forecast
Financial performance indicators			
Revenue	stable	689.9	▶
EBITDA	420 – 440	107.9	▶
Free cash flow	240 – 260	45.3	▶
Postpaid ARPU[1]	stable	18.8	▶
Non-financial performance indicators			
Postpaid customers (in million)	moderate increase	6.862	▶
freenet TV subscribers (RGU) (in million)	> 1.000	1.020	▶
waipu.tv subscribers (in million)	> 0.350	0.286	▶

[1] without hardware

▲ Arrow upward: above previous forecast
▶ Arrow across: unchanged compared to previous forecast
▼ Arrow down: below previous forecast

The guidance thus has not changed compared to the forecast for 2019 contained in the 2018 Annual Report and is confirmed by management on the basis of developments in the first three months.

A detailed presentation of the outlook for the 2019 financial year can be found in the 2018 Annual Report (p. 100 et seq.).

SELECTED FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019

In EUR '000s/as indicated	Q1/2019 1.1.2019 – 31.3.2019	Q1/2018 1.1.2018 – 31.3.2018
Revenue	689,933	689,608
Other operating income	13,770	12,682
Other own work capitalised	3,698	3,659
Cost of materials	– 462,628	– 466,067
Personnel expenses	– 58,613	– 54,867
Other operating expenses	– 78,239	– 88,196
thereof loss allowances on financial assets and contract assets	– 11,984	– 14,471
thereof without loss allowances on financial assets and contract assets	– 66,255	– 73,725
EBITDA	**107,921**	**96,819**
Depreciation, amortisation and impairment	– 38,587	– 36,572
EBIT	**69,334**	**60,247**
Profit or loss of equity-accounted investments	6,265	4,908
Thereof from share of profit or loss	11,176	9,672
Thereof from subsequent accounting from purchase price allocation	– 4,911	– 4,764
Interest and similar income	838	6
Interest and similar expenses	– 15,606	– 10,919
Other financial result	262	0
Financial result	**– 8,241**	**– 6,005**
Earnings before taxes	**61,093**	**54,242**
Income taxes	– 4,911	– 7,547
Consolidated profit	**56,182**	**46,695**
Consolidated profit attributable to shareholders of freenet AG	59,583	49,959
Consolidated profit attributable to non-controlling interests	– 3,401	– 3,264
Earnings per share in EUR (basic)	**0.47**	**0.39**
Earnings per share in EUR (diluted)	**0.47**	**0.39**
Weighted average number of shares outstanding in thousand (basic)	128,011	128,011
Weighted average number of shares outstanding in thousand (diluted)	128,011	128,011

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2019

ASSETS

In EUR '000s	31.3.2019	31.12.2018
Non-current assets		
Intangible assets	523,985	525,355
Lease assets	492,646	0
Goodwill	1,386,389	1,380,056
Property, plant and equipment	148,642	398,824
Equity-accounted investments	819,182	811,808
Deferred income tax assets	160,336	158,094
Trade accounts receivable	57,872	52,480
Other receivables and other assets	132,380	128,023
Other financial assets	265,957	126,218
Contract acquisition costs	291,457	304,238
	4,278,846	**3,885,096**
Current assets		
Inventories	104,083	105,965
Current income tax assets	2,115	2,046
Trade accounts receivable	179,154	253,914
Other receivables and other assets	194,718	226,394
Other financial assets	37,680	34,905
Liquid assets	189,675	126,332
	707,425	**749,556**
	4,986,271	**4,634,652**

EQUITY AND LIABILITIES

In EUR '000s	31.3.2019	31.12.2018
Equity		
Share capital	128,061	128,061
Capital reserves	737,536	737,536
Cumulative other comprehensive income	– 94,912	– 140,120
Consolidated net retained profits	593,933	535,124
Equity attributable to shareholders of freenet AG	**1,364,618**	**1,260,601**
Non-controlling interests in equity	16,751	20,152
	1,381,369	**1,280,753**
Non-current liabilities		
Lease liabilities	520,931	0
Other liabilities and deferrals	106,223	115,922
Other financial liabilities	72,902	306,638
Borrowings	1,701,265	1,699,424
Deferred income tax liabilities	692	0
Pension provisions	94,663	89,173
Other provisions	44,600	47,042
	2,541,276	**2,258,199**
Current liabilities		
Lease liabilities	79,487	0
Trade accounts payable	406,192	523,174
Other liabilities and deferrals	438,382	436,343
Other financial liabilities	45,039	51,167
Current income tax liabilities	35,030	34,722
Borrowings	35,085	23,476
Other provisions	24,411	26,818
	1,063,626	**1,095,700**
	4,986,271	**4,634,652**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019

In EUR '000s	Q1/2019 1.1.2019 – 31.3.2019	Q1/2018 1.1.2018 – 31.3.2018 adjusted[2]
Earnings before financial result and taxes (EBIT)	**69,334**	**60,247**
Adjustments		
Depreciation, amortisation and impairment of non-current assets	38,587	36,572
Gain/loss on disposal of non-current assets	65	– 698
Increase in net working capital not attributable to investing or financing activities	– 28,709	– 27,949
Proceeds from the cash repayment of financial assets under leases	3,364	0
Capitalisation of contract acquisition costs	– 66,026	– 72,676
Amortisation of contract acquisition costs	78,807	78,280
Tax payments	– 7,642	– 8,002
Income from interest and other financial result	593	3
Interest paid	– 15,654	– 11,052
Cash flows from operating activities	**72,719**	**54,725**
Payments to acquire property, plant and equipment and intangible assets	– 7,848	– 11,905
Proceeds from disposal of intangible assets and property, plant and equipment	1,008	920
Proceeds from the acquisition of subsidiaries	3,052	0
Payments to acquire other equity investments	0	– 200
Cash flows from investing activities	**– 3,788**	**– 11,185**
Cash repayments of borrowings	– 15,000	0
Cash repayments of lease liabilities	– 20,588	– 5,438
Cash flows from financing activities	**– 35,588**	**– 5,438**
Net change in cash funds	**33,343**	**38,102**
Cash funds at beginning of period	**126,332**	**322,816**
Cash funds at end of period	**159,675**	**360,918**

Composition of cash funds In EUR '000s	31.3.2019	31.3.2018
Liquid assets	189,675	360,918
Liabilities to banks for short-term cash management	– 30,000	0
	159,675	**360,918**

Composition of free cash flow[1] In EUR '000s	31.3.2019	31.3.2018 adjusted[2]
Cash flows from operating activities	72,719	54,725
Payments to acquire property, plant and equipment and intangible assets	– 7,848	– 11,905
Proceeds from disposal of intangible assets and property, plant and equipment	1,008	920
Cash repayments of lease liabilities	– 20,588	– 5,438
Free cash flow	**45,291**	**38,302**

[1] Free cash flow is a non-GAAP parameter
[2] Due to a change in the definition of free cash flow, the previous year's figures were adjusted.

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

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

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

SEGMENT REPORT
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018[2]

In EUR '000s	Mobile Communica-tions	TV and Media	Other/ Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	**607,177**	**69,731**	**12,700**	**0**	**689,608**
Inter-segment revenue	13,787	1,746	3,926	– 19,459	0
Total revenue	620,964	71,477	16,626	– 19,459	689,608
Cost of materials, third party	**– 436,690**	**– 25,404**	**– 3,973**	**0**	**– 466,067**
Inter-segment cost of materials	– 5,254	– 8,646	– 1,246	15,146	0
Total cost of materials	– 441,944	– 34,050	– 5,219	15,146	– 466,067
Segment gross profit	**179,020**	**37,427**	**11,407**	**– 4,313**	**223,541**
Other operating income	10,986	1,015	1,399	– 718	12,682
Other own work capitalised	2,175	937	547	0	3,659
Personnel expenses	– 30,129	– 16,540	– 8,198	0	– 54,867
Other operating expenses	– 71,730	– 15,086	– 6,411	5,031	– 88,196
Thereof loss allowances on financial assets and contract assets	– 14,297	– 100	– 74	0	– 14,471
Thereof without loss allowances on financial assets and contract assets	– 57,433	– 14,986	– 6,337	5,031	– 73,725
Total overhead[1]	**– 88,698**	**– 29,674**	**– 12,663**	**4,313**	**– 126,722**
Thereof inter-segment allocation	– 1,621	– 2,791	99	4,313	0
Segment EBITDA	**90,322**	**7,753**	**– 1,256**	**0**	**96,819**
Depreciation, amortisation and impairment					– 36,572
EBIT					**60,247**
Financial result					– 6,005
Income taxes					– 7,547
Consolidated profit					**46,695**
Consolidated profit attributable to shareholders of freenet AG					49,959
Consolidated profit attributable to non-controlling interests					– 3,264
Net cash investments	**3,300**	**6,787**	**898**	**0**	**10,985**

[1] Due to a change in the definition, the previous year's figures were adjusted.
[2] 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

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

ARPU (mobile communications) abbr., Average revenue per user; the customer group-specific usage fee divided by the average number of customers on the relevant reference date.

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

EBIT Earnings before financial result and taxes.

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

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

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

Equity ratio Ratio between equity to total equity and liabilities.

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

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

Gross profit Revenue less cost of materials.

Gross profit margin Ratio between revenue and gross profit.

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

Net debt Long-term and short-term borrowings shown in the balance sheet, plus net lease liabilities (see “Net lease liabilities”) and 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 assets.

No-frills Traditionally, no-frills describes the direct distribution of mobile communications contracts (e.g. online) and not via specialist outlets. No-frills tariffs deliberately have a simple structure, and in general do not include a subsidised device.

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 registered customers Customers who use the service of waipu.tv free-of-charge or in connection with one of the fee-based tariffs offered (see “waipu.tv subscribers”).

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

FINANCIAL CALENDAR

Date	Event
9 May 2019	Quarterly Statement as of 31 March 2019 – First quarter 2019
16 May 2019	Annual General Meeting of freenet AG (Hall A4, Messeplatz 1), Hamburg
8 August 2019[1]	Interim Report as of 30 June 2019 – Second quarter 2019
7 November 2019[1]	Quarterly Statement as of 30 September 2019 – Third quarter 2019

[1] All dates are subject to change.

IMPRINT AND CONTACT

CONTACT

freenet AG
Hollerstraße 126
24782 Büdelsdorf, Germany

Phone: +49 (0) 43 31/69-10 00
Internet: www.freenet-group.de

freenet AG
Investor Relations
Deelbögenkamp 4c
22297 Hamburg, Germany

Phone: +49 (0) 40/5 13 06-7 78
Fax: +49 (0) 40/5 13 06-9 70
E-Mail: investor.relations@freenet.ag

CONSULTING, CONCEPT & DESIGN

Silvester Group
www.silvestergroup.com

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

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

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

freenet GROUP

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