

Ingo Arnold, Chief Financial Officer*Stephan Esch, Chief Technical Officer**Christoph Vilanek, Chief Executive Officer**Antonius Fromme, Chief Customer
Experience Officer*

IN 2020

CORONAVIRUS WAS THE TOPIC EVERYONE WAS TALKING ABOUT

AND, OF COURSE, THE VIRUS
WAS ALSO AN ISSUE FOR
US DURING THE PAST YEAR!

*Rickmann v. Platen, Chief Commercial Officer*

Dear shareholders, business partners, customers and friends of freenet AG!

In March in particular, when there were only vague indications of the eventual extent and consequences of the pandemic, we were already working carefully and thoroughly on potential scenarios, including the prospect of a lockdown similar to those already introduced in other countries at that point. When this scenario actually came to pass, we did one thing above all else: we continued working routinely, professionally and according to plan. We did this either in one of the one-third of our shops that remained open by being classed as essential, remotely while working from home or on the move, or even from the office, depending on what was required or permitted under the circumstances.

In doing so, we benefited from several of freenet's specific advantages. Many of the processes within our company are digitalised, while our employees are also accustomed to working independently and in a less hierarchical way. The Group's decentralised structure also enables our individual locations and subsidiaries to react quickly and individually to changing circumstances. Last, but not least, our synchronised and interconnected sales channels can be ramped up and down depending on the situation, enabling our already-strong online retail activities to grow further in lockdown.

This means that our results for the past financial year in no way reflect the fact that 2020 was one of the most exceptional and challenging years in Germany's post-war history, both economically and in social terms:

Revenue of 2,576.2 million euros (–1.3 per cent compared to the 2019 figure as adjusted by the effect of Motion TM), EBITDA of 425.9 million euros (–0.2 per cent) and free cash flow of 237.3 million euros (–4.7 per cent compared to 2019) all remained very stable and within the guidance we communicated at the start of 2020, when all still seemed right with the world.

These figures once again demonstrate the resilience of our business model in times of crisis. We generate the majority of our revenue and margins from subscriptions in both our Mobile Communications and TV and Media segments as well as in the digital lifestyle business. We do this within our traditional core business as a service provider. What's more, every segment within the freenet Group offers services that people find indispensable, crisis or no crisis: Internet access, TV and radio consumption and, in particular, mobile digital interaction, including essential hardware such as smartphones, tablets and notebooks, and value added services.

**“FIRST AND
FOREMOST, FREENET
HAS – AND HAS
ALWAYS HAD – A
STRONG TEAM”**

Christoph Vilanek

As in previous years, we were able to set new standards in each area in which we compete during 2020. For example, in Mobile Communications we introduced 'freenet Flex', our second purely app-based tariff after 'freenet FUNK' was launched in 2019. Our subsidiary klarmobil also introduced new, similarly variable tariff packages for business customers who highly value flexibility, particularly in light of the ongoing coronavirus pandemic. Finally, we relaunched and upgraded several of our 'traditional' tariffs, seamlessly transitioned all legacy tariffs to LTE and introduced numerous special promotions as well as attractive bundles with devices.

Around 56,800 users opted for the freenet FUNK and freenet Flex tariffs by the end of 2020, despite somewhat limited marketing expenses. In what is an important customer group for us, the number of valuable postpaid customers rose by 175,800 during the year to 7.08 million, while ARPU remained fairly stable, not taking into account the negative effects of the coronavirus crisis on roaming revenue (2020: 18.2 euros; 2019: 18.7 euros). As a result, the total number of comparatively highly-profitable mobile communications customers was 7.14 million.

As in previous years, the digital lifestyle portfolio also made another noteworthy contribution to the freenet Group's revenue in 2020. At 188.6 million euros, revenue was roughly on a par with the previous year. Of this figure, 53.4 million euros was generated during the traditionally strong fourth quarter, despite the renewed partial lockdown in the autumn and the full closure of stores from mid-December.

In the TV and Media segment, both of our subsidiaries expanded their content offering. As well as adding a dozen German-speaking channels in 2020, waipu.tv also entered into new partnerships. Its Turkish channel package has been marketed in partnership with Telefónica Deutschland since the first half of the year, while it also began a collaboration with Netflix in August in response to numerous customer requests. For the first time, users can now receive a comprehensive entertainment solution called the “Perfect Plus with Netflix” package, which consists of HD television, including more than 45 pay TV channels, plus Netflix for the price equivalent of an SD cable connection. As a result, the number of waipu.tv subscribers rose to 572,500 as of the end of December 2020 – an increase of 164,200 over the course of the year.

In October, Media Broadcast as the sole network operator put the second nationally multiplex for the DAB+ digital radio into operation. For this purpose, this freenet subsidiary had planned and rolled out a completely new radio network in recent years. As a result, since the start of 2021 a total of 67 million listeners or 83 per cent of the German population can receive the new channels outside, with 49 million being able to tune in from inside their homes. The radio programmes are marketed via the “Antenna Deutschland” subsidiary – a joint venture with broadcasting company “Absolut Radio”.

By contrast, Media Broadcast’s television business has suffered. During the course of the year, the number of revenue-generating freenet TV users (RGU) fell by 119,200 to 901,900. This is due to the shutdown of satellite customers for profitability reasons and the price increase of around 20 per cent in May 2020. Taking into account the significantly lower customer base, the price increase ensures that the business generates higher profitability even with fewer customers.

“THE FREENET GROUP IS SIGNIFICANTLY BETTER OFF AND MORE ROBUST THAN IT WAS AT THE START OF THE YEAR.”

Ingo Arnold

However, the success of the past financial year is not only reflected in highly positive overall customer figures and robust results but is also evident once again from the various awards collected by companies and brands within the freenet Group. These go far beyond the usual top ratings for our mobile communications products and services:

- FOCUS MONEY, in partnership with the Hamburg Institute of International Economics (HWWI), named us as a “Digital Champion” in the mobile communications sector.
- Our main brand mobilcom-debitel claimed five individual top spots in the Telecom Handel reader survey on retail-specific products and services offered by mobile providers.
- freenet subsidiary GRAVIS was ranked second among specialist computer retailers in an analysis conducted by DEUTSCHLAND TEST in association with Service Value of 900 companies whose value for money was rated by more than 177,000 customer reviews.
- freenet also placed second in FOCUS’s 2020 Careers Atlas for the telecommunications segment. The “Top-Karrierechancen” (“Top Career Opportunities”) study analysed the employee prospects offered by the 22,500 largest companies headquartered in Germany, taking factors such as training, promotion and salary into account.
- waipu.tv received the German Fairness Award from n-TV and the German Institute for Service Quality (DISQ) in the Premium TV Provider category. The criteria for the award were a fair value for money proposition, transparent information about product features and fair overall customer service.
- Media Broadcast was ranked inside the top ten in its industry in an analysis of the most family-friendly employers in Germany conducted by women’s magazine ‘freundin’.
- And, of course, it was a particularly special honour for us to hear the education minister of Schleswig-Holstein referring to our “exemplary commitment to training” during a visit to our Büdelsdorf site – and call us a “highly attractive employer within the region”!

In addition to several awards, however, the long-term strengthening of the freenet Group’s capital base represented another important milestone in the “year of coronavirus”. There were still two significant action areas at the start of 2020: the pending maturity and refinancing of almost 700 million euros – or around 40 per cent – of our debt by the end of March 2021 as well as a high amount of leverage.

With respect to the upcoming refinancing, we refrained from paying the dividend in May – usually paid each year without fail – with the consent of our shareholders on a one-off basis

in order to initially remain liquid on the capital markets and create greater leeway given the uncertainty over the impact of COVID-19. At the start of the third quarter, we were then able to take the first step of refinancing a promissory note loan of 345 million euros with a term of up to six years on relatively good terms while at the same time smoothing out the maturity structure and reducing time-related “cluster risks” from the financing.

We achieved a similarly elegant solution for our second capital-related project. In mid-August, UPC's major shareholder Liberty Global announced its intention to make a public offer to purchase Sunrise shares for 110 Swiss francs per share. We backed this offer and agreed a duty to tender with Liberty Global on the same day, which obligated us to tender all of our more than eleven million Sunrise shares accordingly. The necessary terms of acceptance for the transactions were then met during the course of the autumn, and the freenet Group received around 1.1 billion euros in cash in November.

We are using the majority of this figure – around 800 million euros – to directly reduce the Group's debt. 610 million euros was repaid before the end of November, immediately after the Sunrise funds reached our account. The remainder was and is available for reinvestment or for our shareholders in one form or another. As a result, we were able to reduce our leverage from 4.8 at the start of 2020 to below 2.0 at the end of the year, thus significantly improving our debt situation and creating greater financial flexibility for the future.

Even before it became apparent that we would be able to dispose of our interest in Sunrise, the Executive Board adopted a resolution at the end of August to initiate a share buyback programme totalling up to 100 million euros. This is designed to provide shareholders with some form of compensation after the dividend was suspended in May.

If we were to draw a general conclusion from 2020, the “year of coronavirus”, it would be somewhat surprising: overall, the freenet Group is significantly better off and more robust than it was at the start of the year. There are probably not many companies that can make such a statement in light of the global crisis – and that makes us understandably proud of what we have achieved.



“WE ARE CONSTANTLY
OPTIMISING OUR
PROCESSES TO CREATE
MORE FLEXIBILITY.
PERSONAL EXCHANGE IS
PARTICULARLY
IMPORTANT FOR THIS.”

Christoph Vilanek

But does that mean we want these exceptional circumstances to continue this year and beyond? Of course not! First and foremost, freenet has – and has always had – a strong team, one that thrives on togetherness and mutual support, direct, personal one-on-one interaction, intensive dialogue and even the occasional spirited debate. This collaborative approach to the latest tasks, problems and decisions only works to a very limited extent via videoconferencing, emails or telephone calls. What's more, running a company with more than 4,000 employees working like freelancers is unimaginable and completely undesirable for us in the long run.

That's because we also make an especially fantastic team under “normal” working conditions – and we are really looking forward to being able to prove that once again as things hopefully return to something nearer to normal over the coming months and quarters.

Christoph Vilanek

Ingo Arnold

Stephan Esch

Antonius Fromme

Rickmann v. Platen



“RATHER THAN GETTING EMBROILED IN LENGTHY DISCUSSIONS DURING THE “YEAR OF CORONAVIRUS”, WE REACTED QUICKLY AND DECISIVELY TO THE FRESH CHALLENGES IT BROUGHT.”

Christoph Vilanek



IN 2020

CORONA- VIRUS WAS THE TOPIC EVERYONE WAS TALKING ABOUT

– BUT NOT US!



Rather than getting embroiled in lengthy discussions during the “year of coronavirus”, we reacted quickly and decisively to the fresh challenges it brought. Otherwise, we simply kept on working – in the office, from home or even on the move, depending on each employee’s individual situation.

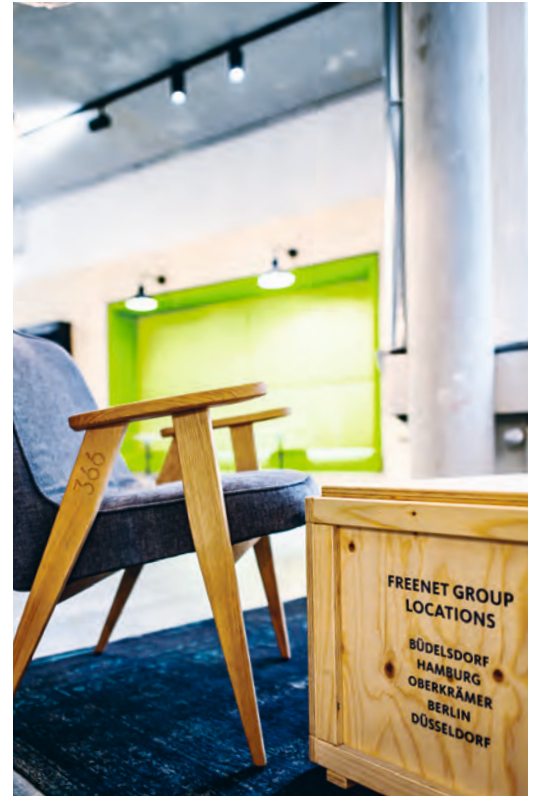
We continued our long track record of customer growth, created innovative new products and improved our services even further.

We very successfully disposed of our interest in Swiss telecoms provider Sunrise – generating hundreds of millions of euros in profit in the process.

IN 2020 BUSINESS AS USUAL UP NORTH!

AND IN THE WEST, SOUTH AND EAST TOO!

freenet calmly continued to develop its business areas during the 2020 financial year, both at our Hamburg head office, our main brand mobilcom-debitel's headquarters in Büdelsdorf, Schleswig-Holstein, as well as at eight other sites across Germany – just as in previous years. Undeterred by the coronavirus crisis while still reacting quickly and efficiently to the virus – and with “innovative continuity” in our day-to-day work.



NO “BUSINESS AS USUAL”

Our omni channel approach was and is a key factor.



2020 was an exceptional year that could hardly be described as “business as usual”. Yet for freenet, it was. At the start of March, when the eventual dramatic scale of the coronavirus pandemic was only very gradually becoming apparent, freenet had already set up a crisis team formed of representatives from the Human Resources and Legal departments, the individual managing directors of our shop chains, and three members of the Management Board, all led by the head of Internal Auditing. The crisis team defined four escalation levels for dealing with the crisis, and we quickly reached Level 2: the option of working from home, initially for selected groups of employee.

VIRTUAL MEETINGS, PODCASTS AND WEBINAR TRAININGS

Staff were provided with essential professional IT equipment as required, groups were defined based on their risk levels and needs,

and management briefed them accordingly. Essential on-site employee make up around 60 per cent of our workforce: in mobilcom-debitel shops and GRAVIS stores – around 180 of which remained opened throughout the pandemic by being classed as essential – as well as in logistics, office infrastructure, maintenance and the construction crews who enabled the Hamburg site to move to a new building as planned during the first wave. Of the employee whose on-site attendance at work was deemed ‘non-essential’, approximately 90 per cent decided to work away from their offices during the peak of the pandemic. They did this as efficiently as ever, supported by daily virtual meetings, podcasts and webinar-based training sessions.

CONTINUOUS INCREASE IN THE LEVEL OF DIGITALISATION

freenet consciously created the conditions for this a long time ago, continuously increasing the degree of digitalisation within the Group from one quarter and one year to the next – and today we are one of Germany’s most digitalised companies. While this naturally includes internal and external communication, it also encompasses everything from the release systems for projects and IT requirements, budget and sales force planning and staffing requirements, all the way through to regular app-based driving licence checks for company car users.

The successful implementation of the company’s omni channel approach also enables us to serve individual and synchronised customer touchpoints – such as shops, online retail, written communication and telephone calls – in a highly versatile way and without disruption, according to demand. More than half of transactions with customers are now carried out via the Internet. After the majority of shops were closed during the first wave of coronavirus, online retail replaced most physical business in 2020.

LONG-STANDING, PROVEN, FAIR PARTNER

Notwithstanding this, freenet also proved itself to be a fair and trusted long-term partner, even in times of crisis. For example, employee in our directly managed shops continued to receive their average commission for the past 12 months during the months when the shops were closed. In March our franchise and distribution partners were offered rent deferrals and received their average share of revenue for January and February – even if targets were not met – with the same approach taken for the quality bonus usually calculated using staggered targets. In the case of those employee who claimed reduced hours compensation (Kurzarbeitsgeld), freenet topped up their salaries to 100 per cent without exception.



MOBILE WORK & VIRTUAL MEETINGS

No new territory but part of our digital freenet DNA even before COVID-19.



FREENET CAMPUS

Space for creativity, innovation and constructive discussions

IN 2020 TEST THE TIES THAT BIND

NEW ACCENTS IN MOBILE COMMUNICATIONS

Test the ties that bind would be our advice to any customer struggling to find the best mobile tariff on the market. This is all the more important given that the customer does not necessarily have to enter into long-term contracts with mobilcom-debitel or other Group brands. After all, freenet customers can choose from innovative tariffs that offer the greatest possible flexibility and are radically shaking up what traditionally has been a very rigid market.

For more than two-and-a-half decades of mobile phone use, customers in Germany have primarily had two options: to enter into a contract usually lasting two years, or pay in advance for a fixed amount of minutes and data that can then be gradually used over a particular period of time – known as prepaid cards.

REVOLUTIONARY DIGITAL TARIFFS

In early summer 2019, freenet then found success with a tariff that represented a minor revolution for the industry, and was acknowledged as such: With two options and highly competitive terms, customers can use the tariff in a fully flexible way and even pause or cancel their plan on a daily basis. This purely digital product is available to order, activate and manage exclusively via the app, while billing is carried out on a calendar day basis by being debited from the user's PayPal account.

In August 2020, the company then launched another app-based product called 'freenet Flex'. In this case, the customer can choose from three tariff versions, each with different data volumes, and switch between these options at the start of each month. As with FUNK, ordering, management, tariff changes, customer service and cancellation are all processed via a dedicated app, while billing is also carried out via PayPal

FLEX FOLLOWS FUNK

At the end of 2020, the number of users of both tariffs totalled 56,800. This is a remarkable success when you consider that the freenet Group primarily focuses its sales and marketing activities on its particularly valuable contractual relationships.



FLEX **FUNK**

56,800 APP-BASED CUSTOMERS ALREADY

Simple, digital and flexible mobile communications.





ONE STEP AHEAD
WITH IPTV – MORE
THAN 0.5 MILLION
TV USERS ARE
ALREADY ON
BOARD.

IN 2020 **EVERYTHING HAS ITS PRICE...**

...AND QUALITY IS NO EXCEPTION.

Since they were acquired by freenet five years ago, our two TV subsidiaries Media Broadcast and EXARING AG have continually invested in state-of-the-art transmitter technology and expanding their range of channels and programmes. The monthly fees for their high-tech products and services rose for the first time during the 2020 financial year. After all, these investments should ultimately pay off for both parties: the customer, of course, but also the product provider.

Take Germany's pride and joy – the car. Although cars are becoming increasingly expensive, each new model offers enhanced technology and increased performance as well as improved features and safety. The latest generation of the Golf, for example, now shares little more than its name with the original Golf.

It is a similar story with the TV products offered by freenet's subsidiaries Media Broadcast and EXARING, where both freenet TV's full-HD terrestrial TV and waipu.tv's IPTV entertainment offering has been expanded massively in recent years. In the first half of 2020, freenet TV's portfolio broadcast via DVB-T2 HD increased once again to its current total of 21 channels. In response to this, freenet TV raised its monthly fee from 5.75 euros to 6.99 euros in May. This is also due in no small part to the increase in initial costs.

waipu.tv also continued to steadily expand its portfolio of channels during the course of 2020. Finally, EXARING created an outstanding new entertainment package called 'Perfect Plus' during the fourth quarter. The package comprises 160 channels in total, including more than 135 in HD quality and more than 45 pay TV channels. The 'Perfect Plus with Netflix' bundle offers an additional option, and works out cheaper than if the two subscriptions are ordered separately.



CUSTOMER CENTRICITY

For us, this is more than just meeting customer expectations.

IN 2020

CUSTOMERS AT THE HEART OF EVERYTHING – WHAT'S NEW ABOUT THAT?

MACHINE LEARNING, CHAT BOTS, SELF-HELP UND DIGITALE INTERAKTION

The phrase “customer focus” appears to be an indispensable key element of any company’s public image nowadays – particularly among service providers. Yet these companies are supposed to do one thing above all else: make money. Otherwise, they would eventually disappear – the companies and their customers with them. freenet tries to strike the best possible balance for the benefit of both parties.

Customers are a valuable asset. Companies spend a great deal of money on sales and marketing designed to entice them. This is especially true in mobile communications, as competition is traditionally particularly intense in this market with limited growth prospects. Customer retention should therefore be the next step in this segment given customers’ willingness to switch providers – and this means more than merely making a telephone call to try and win them back after they have already terminated their contract at the end of its term.

At freenet, customer retention and development actually does mean more – and in Antonius Fromme, the company even has its own Chief Customer Experience Officer. His department evaluates all of the information available on each customer and their individual needs and preferences, in line with data protection considerations. This includes all interactions with our very diverse customer base across all business areas and touchpoints – previous purchases and sales, emails, letters, WhatsApp messages, telephone calls and shop visits. Algorithms and artificial intelligence are also used here – tools that freenet does not simply talk about but actually puts into practice. These include machine learning, chat bots, self-help, digital interaction – all concepts and applications that make freenet the frontrunner in its industry.



DIGITAL INNOVATION

We drive digital innovation and set new standards.

INCREASING CUSTOMER SATISFACTION

For example, during the contract term of each and every one of its customers, the company's main brand mobilcom-debitel identifies which services and products are interesting to them and what could therefore prompt them to extend their contract ahead of schedule, be it an upgraded tariff or the latest model of smartphone or tablet from their preferred manufacturer or a cash bonus. In each case, the customer lifetime value determines the conditions under which the device is offered with the contract extension. Countless versions of highly personalised mailings are sent this way.

These automated contract extension mailings demonstrably enhance customer loyalty and reduce churn. They have now been rolled out by other brands within the Group and are continuously being developed and optimised in terms of both the content and timing of the individual offers. It is also clear that they enhance customers' satisfaction with their provider, with over 70 per cent of transactions now taking place via freenet's own "captive channels".

PERSONALIZED TV OFFERS

As the provider of waipu.tv, our Munich-based subsidiary EXARING also works with data. Its systems anonymously track customers' TV use and improve the services and channel selection based on this analysis, asking questions such as: where and for how long do customers consume which channels; when do they change channels, switch on, switch off, watch recorded programmes or advertisements; and what devices, Internet providers and access speeds do they use?

And what does the customer get out of this? In this case, they get products and services tailored to their preferences. These might include the Turkey package, to name one of the latest examples, or the new waiputhek product that provides access to countless films, as well as improved usability and an enhanced channel sorting function.

**243,300 SUBSCRIBERS
ADDED IN 2020**

The result of our long-standing
dedication to customer experience.



IN 2020 DIVERSITY IN ACTION

GROWN-UP COMPANY WITH A START-UP MENTALITY

Can an established company really have the culture, dynamism and creativity of a start-up? Yes it can! What's more, this can prove extremely helpful even in 'normal' times, but especially under the exceptional working conditions of a lockdown. However, you have to be prepared to tolerate different points of view and even withstand the occasional controversy – and harness all this for the company's benefit. After all, when each individual matters, their uniqueness becomes even more apparent.

WITH 60 NATIONS REPRESENTED, WE ARE AS DIVERSE AS SOCIETY

Different backgrounds, experiences and skills work together to find intelligent solutions.



freenet is already a very special company. This is partly due to the Group's specific history, which is made up of a series of mergers and acquisitions. This has thrown together some dramatically different corporate cultures: those of actual start-ups such as freenet, which was founded at the start of the 21st century, or EXARING AG, which is only a few years old, and those of subsidiaries of global corporations such as Daimler and former state-owned businesses such as Deutsche Telekom, namely debitel and Media Broadcast, which still has some civil servants from the post office days. However, it has also brought together a very diverse range of cultures in geographical terms, as the freenet Group's workforce is currently made up of 60 different nationalities.

UNIQUE CORPORATE CULTURE

Another difference is the special leadership and corporate culture at freenet, as is repeatedly testified not only by the company's first-ever employee and those from various backgrounds but also by new arrivals, whether they have come fresh from university or from other companies.

BUT WHAT EXACTLY IS THIS SPECIAL CULTURE ALL ABOUT?

- Each of the Group's diverse acquisitions has required a shift in perspective from both parties to ensure they can understand one another, something that cannot be achieved without openness, interaction, acceptance and a willingness to learn.
- In turn, this interaction and mutual learning is only possible with communication – something that we do well at freenet. It begins with a genuinely informal culture within the company that sees everyone addressing each other on a first-name basis all the way up to Management Board members. This reduces inhibitions and encourages everyone to coordinate directly with one another. This approach continues via Christoph Vilanek's blog "Ask Christoph", where the CEO provides information about targets, plans and developments within the Group and responds to anonymously submitted questions and points of criticism.

This communication can be quite intense at times. For example, the differences in opinion, dismay and emotional stress seen in the wider population in terms of what are appropriate coronavirus measures were also reflected within the freenet Group.

In addition to the blog, employees regularly engage in open dialogue in virtual town hall meetings with the individual offices of freenet Group companies.

Ultimately, working for freenet primarily means that there is plenty of scope for personal creativity and rapid decision-making, a high degree of flexibility and a great deal of trust in every role. Each individual at freenet is encouraged to think and act like entrepreneurs, which includes having the freedom to make mistakes, learn from them and then either improve processes or abandon things that aren't working. If you want to harness all of this creativity and independent thinking for your company, you cannot encourage or cultivate accommodating yet unremarkable individuals.

Diversity and flexibility, direct, often digital exchanges with one another, entrepreneurial work with demonstrable tolerance for errors, personal responsibility when designing processes and, last, but not least, self-confidence when entering into critical discussions with colleagues and 'superiors' – these are not just key elements of freenet's unique corporate culture but also enabled us to weather the turbulence of coronavirus in 2020 relatively successfully.



WORKING AT FREENET MEANS ...

... scope for personal creativity and a high degree of flexibility.

IN 2020 OUR OWN PERSONAL “GRETA’S”

SUSTAINABLE ACTION IS FIRMLY ANCHORED

As well as being vital for protecting our environment and climate, using resources efficiently and saving energy also contributes to a company's economic success. Our new sustainability ambassadors are now providing freenet with additional impetus – from the company for the company. What's more, they are doing this voluntarily outside of normal working hours, driven by pure conviction.



“DO GOOD AND TALK ABOUT IT!”

Sustainability is increasingly becoming part of our corporate and financial market communications.

Sustainable action is part of our corporate policy at the freenet Group. Here are some examples of how we put this policy into practice:

- The Group's data centre in Düsseldorf has been supplied exclusively by renewable energy for years now and focuses on green IT.
- We are also actively involved in electromobility! The company is investing in charging station infrastructure at its sites, adjusting its choice of vehicles accordingly and introducing an eCar policy.
- freenet consistently embraces digital communication when interacting with both its customers and business partners. In Mobile Communications, for example, the proportion of online invoices is as high as 90 per cent.
- The GRAVIS and mobilcom-debitel subsidiaries are helping to extend the lifecycle of old devices by purchasing used smartphones, tablets and CPUs.

Nevertheless, “better is the enemy of good”, as Voltaire once said. A discussion between employee and the Management Board resulted in the idea of “sustainability ambassadors” – staff who are keen to volunteer to make a positive impact on the wider world with small initiatives in addition to their everyday work.

The initiative launched with several employee at almost all freenet locations. Their vision and mission is clear: to make their workplaces and day-to-day work more sustainable in terms of ecological footprint and social responsibility. They are also keen to be points of contact for suggestions of how to improve sustainability at each site, and in doing so promote the issue in their role as disseminators, instructors and idea generators while launching projects that make sense from a cost-benefit perspective. They do all this based on the firm conviction that even the smallest steps can move things forward a long way.

IN 2020 “MIA SAN MIA!”

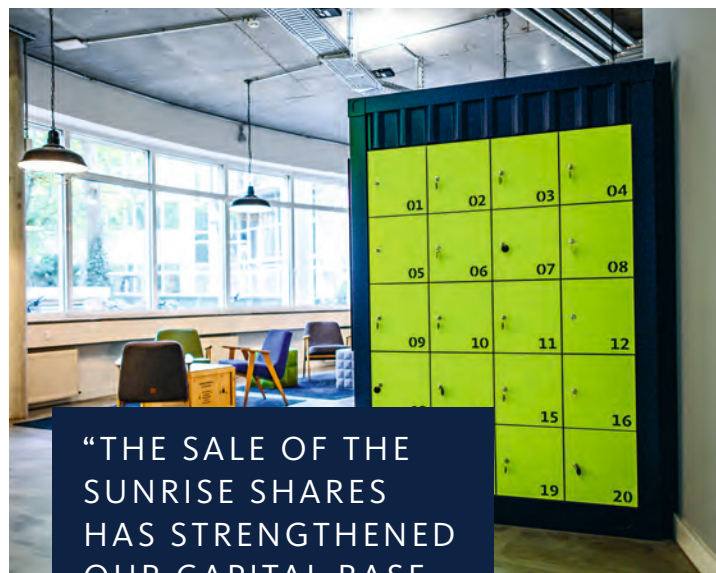
MORE THAN 4 YEARS OF SUNRISE

Victorious battles are not limited to just sport – they happen in the business world too. A fighting spirit, can-do attitude and perseverance are vital in both domains – as well as an appropriate amount of self-assurance about the strength of one's own position. freenet's management harnessed these characteristics to achieve a remarkable victory of their own – in the interests of the Group's shareholders above all else.

As a resident of Munich and avowed fan of Bayern Munich, Christoph Vilanek is no doubt very familiar with the perennial Bundesliga champions' and Champions League winners' recipe for success. Did he also draw inspiration from this when he went with CFO Ingo Arnold into the takeover battle for freenet's interest in Swiss company Sunrise?

The story started as follows: In February 2019, Sunrise – Switzerland's second-biggest telecoms group, in which freenet held an equity interest of almost 25 per cent – announced its intention to acquire UPC Switzerland, the country's largest cable operator. Its owner, US group Liberty Global, would receive 6.3 billion Swiss francs, including 2.7 billion as a cash payment. Sunrise intended to primarily finance the acquisition with a capital increase of 4.1 billion Swiss francs, in addition to taking on UPC's debt.

The proposed deal did not go down well, neither on the financial markets – where Sunrise shares shed more than 11 per cent of their value immediately after the announcement – nor at freenet, where CFO Ingo Arnold criticised the structure proposed for the deal, suggesting that it did not sufficiently involve the seller, Liberty Global, in the risks and would not deliver the synergies that could be achieved by the takeover. Last, but not least, Ingo Arnold criticised the decision to pay for part of the acquisition in cash. As a result, freenet planned to withhold its consent for the deal at the extraordinary general meeting and thus refuse to support the capital increase, not least in the interests of its own shareholders, as this move would dilute the company's interest in Sunrise.



“THE SALE OF THE
SUNRISE SHARES
HAS STRENGTHENED
OUR CAPITAL BASE
IN THE LONG TERM.”

Ingo Arnold

A SUCCESSFUL FINANCIAL INVESTMENT

Weeks of intensive discussions followed. These occasionally tough negotiations drew on the experience and expertise of the numerous takeovers the freenet Group has successfully completed in the past, and were driven by the kind of self-assurance and fighting spirit that would be vital for success. The eventual outcome was a positive one as the extraordinary general meeting rejected the takeover and Sunrise subsequently made changes to its management team.

The extent to which this battle ultimately paid off for freenet's shareholders became apparent during the 2020 financial year, when freenet sold its interest in Sunrise at a profit to US group Liberty Global for around 1.2 billion Swiss francs – which converts to around 1.1 billion euros. Of this figure, 800 million euros was used to repay freenet Group debt, while the remaining 300 million euros is intended to, and will, benefit its shareholders in one form or another.



“A SHARE
BUYBACK IS
THE BEST WAY
TO RETURN
VALUE TO
SHARE-
HOLDERS”

Christoph Vilanek

IN 2020

NO-ONE IS A PROPHET IN THEIR OWN LAND

NO!

The freenet Group performs well, achieves demonstrable results and meets its forecasts in an exemplary way – year in, year out, even despite the current challenges presented by coronavirus. Was this reflected in rising share prices in 2020? Not necessarily! As a result, freenet began share buy-backs during 2020 in addition to continuing with its intensive investor communications.

Apple and many other US tech companies have been almost continually buying back their own shares for many years now in some cases. This has two main advantages: the additional demand for the shares bolsters prices when markets are weaker and drives their growth in more favourable phases. It also means that any accruing profits and dividends are divided among smaller numbers of shares, which benefits the shareholders.

COVID-19 CRISIS MASTERED

Although freenet AG was not among the outright winners of the coronavirus crisis in 2020, the figures from the past financial year are quite respectable given the prevailing conditions. There were no slumps in revenue and earnings; instead, the Group once again met its previously-announced target figures and recorded rising customer numbers in the core and television business as well as exceptional profit from the sale of the equity interest in Sunrise – resulting in a dramatic reduction in the Group's debt level.

OUR CORPORATE CULTURE...

...includes maintaining an ongoing long-term dialogue with all stakeholder groups based on a spirit of trust.





“WE STAND FOR
TRANSPARENCY
AND INTEGRITY IN
CAPITAL MARKET
COMMUNICATIONS.”

Ingo Arnold

Despite this, freenet shares were repeatedly dragged into a kind of volatile ‘collective punishment’. For example, they endured the wider stock market slump after the introduction of lockdown measures in spring 2020 and, before that, the turbulence surrounding the billions of euros in 5G costs incurred by competitors in the mobile communications sector – even though the freenet Group itself is not an investor in this space. All this despite the significant improvement in the intensity, quality and consistency of freenet’s investor communications over recent years. During 2018, the Management Board and Investor Relations team provided reports on the Group’s economic development and prospects in 380 meetings at international conferences and roadshows, via conference calls and webcasts. The number of investor interactions rose to 420 in 2019 and still reached 350 during the past financial year, despite the challenging conditions surrounding coronavirus and the temporary interruptions to professional lives and business travel.