

**INTERIM STATEMENT**

**AS OF 30 SEPTEMBER 2017**

**Q3**  
**2017**

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

## GROUP

### Result

In EUR million / as indicated	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q2/2017	Q3/2016
Revenue	2,557.4	2,424.1	880.1	839.2	867.2
Gross profit	698.1	645.7	239.5	231.6	234.1
EBITDA	423.0	311.7	213.7	108.4	118.2
EBIT	303.2	211.7	174.2	68.3	81.2
EBT	265.9	170.2	161.5	56.0	67.2
Group result	249.0	162.1	157.1	50.2	58.0
Earnings per share in EUR (diluted and undiluted)	2.01	1.30	1.25	0.41	0.47

### Balance Sheet

In EUR million / as indicated	30.9.2017	30.9.2016	30.9.2017	30.6.2017	30.9.2016
Balance sheet total	4,314.3	4,194.0	4,314.3	4,143.2	4,194.0
Shareholders' equity	1,441.4	1,329.5	1,441.4	1,288.9	1,329.5
Equity ratio in %	33.4	31.7	33.4	31.1	31.7

### Finances and investments

In EUR million	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q2/2017	Q3/2016
Free cash flow	268.4	262.7	87.3	124.7	71.3
Depreciation and amortisation	104.2	89.4	34.3	34.9	31.9
Net investments (CAPEX)	43.6	34.2	13.1	8.5	9.5
Net debt	634.9	787.7	634.9	714.2	787.7
Pro forma net debt	1,405.8	1,473.8	1,405.8	1,475.0	1,473.8

### Share

	30.9.2017	30.9.2016	30.9.2017	30.6.2017	30.9.2016
Closing price Xetra in EUR	28.29	26.03	28.29	27.93	26.03
Number of issued shares in `000s	128,061	128,061	128,061	128,061	128,061
Market capitalisation in EUR million	3,622.9	3,332.8	3,622.9	3,576.1	3,332.8

### Employees

	30.9.2017	30.9.2016	30.9.2017	30.6.2017	30.9.2016
Employees	4,151	4,928	4,151	4,156	4,928

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

## MOBILE COMMUNICATIONS SEGMENT

### Customer development

In million	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q2/2017	Q3/2016
Mobile Communications customers/cards <sup>2</sup>	11.88	12.06	11.88	11.99	12.06
Thereof Customer Ownership	9.60	9.47	9.60	9.59	9.47
Thereof Postpaid	6.65	6.43	6.65	6.56	6.43
Thereof No-frills	2.95	3.04	2.95	3.03	3.04
Thereof Prepaid	2.28	2.59	2.28	2.39	2.59
Gross new customers/cards	1.94	2.04	0.58	0.70	0.73
Net change	-0.18	-0.18	-0.11	-0.02	-0.03

### Result

In EUR million	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q2/2017	Q3/2016
Revenue	2,323.6	2,258.6	803.8	756.9	793.5
Gross profit	541.9	540.9	187.8	176.0	187.3
EBITDA	405.5	301.6	205.5	99.9	112.3

### Monthly average revenue per user (ARPU)

In EUR	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q2/2017	Q3/2016
Postpaid	21.4	21.5	21.7	21.4	21.6
No-frills	2.7	2.4	2.9	2.7	2.5
Prepaid	3.1	3.1	3.3	3.1	3.2

## TV AND MEDIA SEGMENT

### Customer Development<sup>2</sup>

In million	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q2/2017	Q3/2016
freenet TV subscribers	874.3	-	874.3	483.8	-
waipu.tv registered customers	339.4	8.2	339.4	255.3	8.2
waipu.tv subscribers	71.9	0.7	71.9	52.1	0.7

### Result

In EUR million	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q2/2017	Q3/2016
Revenue	219.1	148.1	69.7	74.7	70.1
Gross profit	125.8	72.6	42.0	45.4	35.7
EBITDA	24.5	18.4	10.7	10.5	8.3

<sup>1</sup> Unless otherwise identified, definitions of these terms are included in the glossary.

<sup>2</sup> At the end of the period.

# BUSINESS PERFORMANCE

In the third quarter of the current year, freenet successfully completed the positive development seen in the first half of 2017. In its core business of Mobile Communications, the number of particularly valuable postpaid customers with two-year contracts increased by round 82,000 to 6.65 million – representing an excellent result for the company in a climate which continues to be extremely competitive. Overall, postpaid and no-frills customer ownership has increased to the current figure of 9.60 million. At the same time, prepaid activations declined by round 113,000, a trend which is currently affecting the entire market due to the fact that the legislative authorities had required users to provide ID since July; this has been having a negative impact on the ability of users to buy a corresponding card online and also in high-street stores. In addition, postpaid-ARPU continues to be stable at 21.7 euros compared with 21.4 euros in the previous quarter and 21.6 euros in the corresponding quarter in 2016.

Higher customer figures in conjunction with stable ARPU as well as stronger hardware sales in core business, and also higher Digital Lifestyle revenue, were also key factors behind stronger revenue in the third quarter of 2017. Compared with the corresponding quarter in 2016, revenue increased by 1.5 percent to 880.1 million euros. Gross profit amounted to 239.5 million euros, and was slightly higher than the corresponding level seen in the equivalent previous year quarter (Q3/2016: 234.1 million euros). Free cash flow significantly rises to 87.3 million euros (Q3/2016: 71.3 million euros). Compared with the third quarter in 2016, EBITDA without recognising the shares of profit of the participation in Sunrise increased by 1.9 percent to 110.1 million euros. With total revenue of 2,557.4 million euros, EBITDA exclusive Sunrise of 299.9 million euros and free cash flow exclusive Sunrise of 234.0 million euros for the first nine months of 2017, freenet AG continues to be very much in line with its guidance for the whole of 2017 – namely EBITDA of somewhat more than 410 million euros and free cash flow of around 310 million euros in conjunction with slightly higher overall revenue. These figures do not take account of the profit share element and dividend payments of the Swiss Sunrise participation of freenet. This one-off profit share element rose to 103.6 million euros in the third quarter 2017 - mainly due to the sale of Swiss Towers AG.

In addition, the acquisitions and equity participations in the field of TV and Media completed in the prior year have also been performing very well. The new broadcasting standard DVB-T2 HD which is operated by the Media Broadcast Group started in May last year, initially as a pilot operation in several German municipal areas. freenet TV then started at the end of the first quarter of 2017 as a new brand and a commercial provider of high-definition TV images via antenna: Initially as part of a soft launch, in which the approximately 20 private channels could be received free of charge. Irrespective of whether the customer purchases a set-top box or a CI+ card, he is able initially to receive the entire range of programs free-of-charge for three months. After three months, every customer automatically changes over to encryption, and is then only able to receive the private channels in encrypted form in full-HD quality in return for a monthly fee, in addition to 20 public free-to-air stations. Accordingly, the beginning of July saw the first customers entering a phase of encrypted and thus pay-TV reception.

Correspondingly, first resulting payments by freenet TV users became due in the third quarter of 2017. The reception received by the service in the market is demonstrated by the sharp increase in customer figures since the start of freenet TV: As of 31 March 2017, the Group reported approximately 160,000 registered users; these figures rose to around 500,000 by the end of June and amounted to almost 875,000 as of 30 September 2017. This means that the company has already exceeded its targets for the whole of 2017 by the end of the third quarter, although the range of private stations is not yet available to be received in all municipal areas due to technical reasons. For instance, in the major regions of Dresden, Freiburg, Kassel and Koblenz, freenet TV will only be available after 8 November 2017. This will increase the potential, although user surveys show that the vast majority of freenet TV customers used DVB-T before the change-over.

The digital motion picture entertainment activities of the freenet majority holding EXARING entered the pre-launch phase at the end of 2016. The product waipu.tv is since then available in two options: As a Comfort version with initially 10 hours memory for 4.99 euros per month and as a Perfect version

with initially 50 hours memory for 14.99 euros per month – each with a monthly termination option. Since the actual launch in March 2017, EXARING continuously improved and expanded the use and contents of waipu.tv. In the third quarter, the company started further innovations and additions on the occasion of the IFA (Internationale Funkausstellung). The number of channels has increased by twelve to the current figure of more than 70 comprising a wide range of genres. In addition, with Rocket Beans and Mediakraft, so-called internet TV stations have been integrated and thus brought into the viewer's home. In addition, the users are able to determine themselves the choice and sequence of their favourite stations in the EPG (Electronic Programme Guide). At the same time, the memory capacities in the Comfort version have increased from ten to 25 hours, and

the corresponding increase in the Perfect version has been from 50 to 100 hours – with no change in monthly fees.

In consequence, the number of registered customers of waipu.tv increased to approximately 340,000 by the end of September 2017, and the number of subscribers increased to approximately 70,000 – a figure which major competitors of EXARING have only recorded after several years of operations. With increased advertising activities in the fourth quarter of 2017, the targets of waipu.tv for the whole of 2017 are coming into range – an increase in the number of registered users to approximately 500,000 and an increase in the number of paying customers to approximately 100,000.

# ASSETS, EARNINGS AND FINANCIAL POSITION

## Earnings position

### The Group's key performance indicators

In EUR '000s	Q3/2017	Q3/2016	Change
Revenue	880,150	867,237	12,913
Gross profit	239,520	234,055	5,465
Overhead costs	-25,797	-115,900	90,103
EBITDA	213,723	118,155	95,568
EBITDA exclusive Sunrise	110,143	108,109	2,034
EBIT	174,204	81,183	93,021
EBT	161,521	67,225	94,296
<b>Group result</b>	<b>157,125</b>	<b>57,980</b>	<b>99,145</b>

Compared with the same period last year, **GROUP REVENUE** increased slightly by 1.5 per cent in the third quarter of 2017 to 880.1 million euros. This development was mainly attributable to higher customer ownership numbers in the Mobile Communications segment (9.60 million customers at the end of September 2017 compared with 9.47 million at the end of September 2016) in conjunction with a stable post-paid ARPU (21.7 euros in Q3/2017 compared with 21.6 euros in Q3/2016) as well as higher Digital Lifestyle revenues. At 69.7 million euros, revenue in the TV and Media segment was roughly in line with the corresponding previous year level (Q3/2016: 70.1 million euros).

The **GROSS PROFIT MARGIN** improved by 0.2 percentage points to 27.2 per cent. At 239.5 million euros, gross profit has increased by 5.5 million euros compared with the figure reported for the previous year comparison quarter. Both developments are mainly connected with the TV and Media segment contributing 42.0 million euros of segment gross profit to the gross profit of the Group (Q3/2016: 35.7 million euros).

**OVERHEAD EXPENSES**, which form the difference between gross profit and EBITDA, and which include the items **OTHER OPERATING INCOME, OTHER OWN WORK CAPITALISED, PERSONNEL EXPENSES, OTHER**

**OPERATING EXPENSES, AND THE SHARE OF RESULTS OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD (ONLY PROFIT SHARES)** declined by 90.1 million euros to 25.8 million euros compared with Q3/2016. This considerable decline in overhead expenses is mainly attributable to the share of results of 103.6 million euros relating to the equity participation in Sunrise (Q3/2016: 10.0 million euros). The increase in the share of results of the equity participation in Sunrise is due to the considerable improvement in the Group result of Sunrise after tax in the third quarter of 2017 - mainly due to the one-off profit of Sunrise of 420 million Swiss Francs attributable to the sale of Swiss Towers AG to a syndicate of buyers. In the run-up to this transaction, Sunrise had spin off the passive network infrastructure (antenna masts) to Swiss Towers AG.

In the reporting quarter of 2017, EBITDA is stated at 213.7 million euros, representing an increase of 95.6 million euros compared with the figure reported for the previous year quarter. Without recognising the shares of profit of the participation in Sunrise of 103.6 million euros, EBITDA is reported at 110.1 million euros (Q3/2016: 108.1 million euros). In the third quarter of 2017, the Mobile Communications segment contributed 205.5 million euros to Group EBITDA (including 103.6 million euros relating to the participation in Sunrise, Q3/2016: 112.3 million euros, including 10.0 million euros relating to the participation in Sunrise); the TV and Media segment contributed 10.7 million euros (Q3/2016: 8.3 million euros) and the Other/Holding segment contributed -2.5 million euros (Q3/2016: -2.5 million euros).

Compared with the previous year quarter, depreciation and impairments increased by 2.4 million euros to 34.3 million euros, mainly as a result of slightly

higher depreciation on property, plant and equipment in the TV and Media segment.

**NET INTEREST INCOME**, i.e. the difference between interest income and interest expenses, is disclosed at -12.7 million euros in the reporting quarter (Q3/2016: -14.0 million euros). The positive development in net interest income is essentially attributable to the borrowers' note loan placed in October 2016, which had a positive impact on interest expenses in conjunction with more favourable interest conditions.

As a result of the effects explained above, the **GROUP'S RESULT BEFORE TAXES ON INCOME (EBT)** amounted to 161.5 million euros, representing an increase of 94.3 million euros compared with the previous year.

**INCOME TAX EXPENSES** of 4.4 million euros were reported for the period under review (Q3/2016: 9.2 million euros). Current assets tax expenses of 9.4 million euros (Q3/2016: 8.5 million euros) and latent tax income of 5.0 million euros (Q3/2016 latent tax expenses: 0.8 million euros) were recognised. The increase in the latent tax income is essentially attributable to higher write-ups recognised in relation to latent income tax claims in connection with tax loss carry-forwards as well as income from temporary differences between the figures shown for assets under IFRS and also under tax law.

As was the case in the corresponding period of the previous year, the **GROUP RESULT** reported in the third quarter of 2017 was exclusively attributable to continued operations, and amounted to a total of 157.1 million euros; compared with the figure of 58.0 million euros reported for the previous year comparison quarter, this represents a considerable increase of 99.1 million euros.

## Assets and financial position

### Selected Group balance sheet figures

#### Assets

In EUR million	30.9.2017
Non-current assets	3,445.8
Current assets	868.5
<b>Total assets</b>	<b>4,314.3</b>
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In EUR million	30.6.2017
Non-current assets	3,372.4
Current assets	770.8
<b>Total assets</b>	<b>4,143.2</b>

#### Shareholders' equity and liabilities

In EUR million	30.9.2017
Shareholders' equity	1,441.4
Non-current and current liabilities	2,872.9
<b>Total equity and liabilities</b>	<b>4,314.3</b>
<hr/>	
In EUR million	30.6.2017
Shareholders' equity	1,288.9
Non-current and current liabilities	2,854.3
<b>Total equity and liabilities</b>	<b>4,143.2</b>

The **BALANCE SHEET TOTAL** as of 30 September 2017 amounted to 4,314.3 million euros, and thus increased by 171.1 million euros (+4.1 per cent) compared with 30 June 2017 (4,143.2 million euros).

On the **ASSETS SIDE** of the balance sheet, non-current assets increased by 73.4 million euros to 3,445.8 million euros. This is mainly due to an increase of 93.0 million euros to 809.2 million euros in associates recognised using the equity method, mainly due to the increased share of results after taxes of Sunrise (103.6 million euros).

The minor decline of 11.3 million euros in property, plant and equipment to 467.3 million euros is mainly attributable to current depreciation in conjunction with lower investments.

With regard to current assets, particular mention has to be made of the increase of 73.2 million euros in liquid assets to 333.7 million euros, due mainly to the free cash flow of 87.3 million euros less the outflows of cash from financing activities in the amount of 14.1 million euros. The increase of 31.5 million euros in trade accounts receivable to 419.7 million euros is mainly attributable to the accruing annual bonuses for network operators.

The main items on the **LIABILITIES SIDE OF THE BALANCE SHEET** are shareholders' equity of 1,441.4 million euros (30 June 2017: 1,288.9 million euros) and the financial debt of 1,739.5 million euros (30 June 2017: 1,735.5 million euros).

The **EQUITY RATIO** increased by 31.1 per cent at the end of June 2017 to 33.4 per cent at the end of September 2017. **NET DEBT** declined to 634.9 million euros as of 30 September 2017 (30 June 2017: 714.2 million euros). For this parameter, financial debt is reduced by the liquid assets and the stake in the market value of Sunrise as of 30 September 2017 (11,051,578 shares multiplied by the closing price of 69.75 euros – source: Bloomberg). The decline in net debt is mainly attributable to the free cash flow generated in the past quarter and also to the increase in the share price of Sunrise. Accordingly, the debt ratio, expressed as the ratio of net debt to EBITDA, posted a decrease of 1.6 in June 2017 to 1.2 in September 2017. In this context, please refer to the statements in the chapter „Financial management“.

The trade accounts payable have increased by 24.6 million euros to 511.0 million euros mainly as a result of higher liabilities due to network operators as of the reference date.

## Cash flow

### The Group's key cash flow indicators

In EUR million	Q3/2017	Q3/2016	Change
Cash flow from operating activities	100.4	80.8	19.7
Cash flow from investing activities	-13.1	-8.9	-4.2
Cash flow from financing activities	-14.1	-15.4	1.3
<b>Change in cash and cash equivalents</b>	<b>73.2</b>	<b>56.5</b>	<b>16.7</b>
<b>Free cash flow</b>	<b>87.3</b>	<b>71.3</b>	<b>16.0</b>



In the third quarter of 2017, the **CASH FLOW FROM OPERATING ACTIVITIES** is reported at 100.4 million euros, equivalent to an increase of 19.7 million euros compared with the previous year quarter. In addition to an increase of 2.0 million euros in EBITDA (disregarding the non-cash-effective shares of profit of the associated Company Sunrise of 103.6 million euros), the decline of 16.6 million euros in net working capital compared with Q3/2016 also had a positive impact on the cash flow from operating activities.

**CASH FLOW FROM INVESTING ACTIVITIES** amounted to -13.1 million euros in Q3/2017, compared with -8.9 million euros in the third quarter of 2016. This change is primarily attributable to the inflow received in the third quarter of the previous year from the disposal of assets as part of a sale-and-leaseback transaction of the Media Broadcast Group. The outflows for investments in property, plant and equipment and

intangible assets thus declined by 5.7 million euros to 13.2 million euros, whereby the cash-effective investments were financed entirely out of the Company's own funds.

In the reporting quarter, **CASH FLOW FROM FINANCING ACTIVITIES** improved in the reporting quarter to -14.1 million euros compared with -15.4 million euros in the previous year. Interest payments decreased to 7.9 million euros in the third quarter of 2017, mainly as a result of the refinancing carried out in the previous year. There were also repayments of 6.1 million euros relating to the framework rental agreement of the Media Broadcast Group classified as a finance lease.

As a result of the effects described above, **FREE CASH FLOW** of 87.3 million euros was generated in the third quarter of 2017 – representing an increase of 16.0 million euros compared with the corresponding previous year quarter (71.3 million euros).

## FINANCIAL MANAGEMENT

Strategic corporate management is underpinned by focused financial management, with the capital structure and liquidity development as performance indicators. The strategy is implemented by means of a comprehensive treasury management system based on established controlling structures.

The capital structure is managed primarily through financial KPIs consisting of the debt ratio, interest cover and the equity ratio.

The following overview shows the key indicators of financial management with their current figures compared with the previous year. For all periodic figures such as EBITDA and net interest income, the relevant period is the previous 12 months (i.e. October 2016 to September 2017 and October 2015 to September 2016).

### Key figures of financial management

	Q3/2016	2016	Q3/2017	Target
Debt ratio	1.9	1.7	1.2	1.0 – 2.5
Pro forma debt ratio	3.6	3.2	2.6	-
Interest Cover	7.3	8.0	10.9	> 5
Equity ratio in %	31.7	32.7	33.4	> 50

The debt ratio indicates the relationship between financial debt (1,739.5 million euros) less liquid assets (333.7 million euros), less the Sunrise share of market value as of 30 September 2017 (11,051,578 shares multiplied by the closing price of 69.75 euros - source: Bloomberg) and the EBITDA generated within the past 12 months. It amounted to 1.2 as of 30 September 2017 and, as was also the case as of 30 September 2016, was within the strategic range of 1.0 to 2.5. The debt primarily comprises borrowers' note loans with a total nominal value of 1,129.0 million euros which fall due upon final maturity between 2017 and 2026 as well as bridge financing with a nominal value of 610.0 million euros which was concluded in March 2016.

The pro-forma debt ratio (financial debt less liquid assets in relation to the EBITDA generated in the last

12 months) is stated as 2.6, due to the acquisitions and equity participations in the previous year.

The interest cover (ratio between EBITDA and interest result) of 10.9 is roughly above the level of the previous year quarter (7.3), and is thus still higher than the defined lower limit of 5.0.

As of 30 September 2017, the equity ratio was below the target of 50 per cent; this is connected with the acquisitions and equity participations carried out in the previous year.

The Executive Board remains committed to its financial strategy and thus also the objectives.

## REPORT OF SUBSEQUENT EVENTS

On 16 October 2017, freenet AG prolonged the existing cooperation agreement for a further period of five years governing the exclusive sales partnership between its wholly owned subsidiary mobilcom-debitel GmbH and Media-Saturn Deutschland GmbH. The agreement starts on 1 October 2017 and ends on 30 September 2022.

In mid-October 2017, in order to achieve long-term assurance with regard to finance, freenet AG replaced the bridge financing arrangement which had been in place since March 2016 by a syndicated five-year bank loan with a nominal value of 710.0 million euros. The transaction was arranged by Bayerische Landesbank, Commerzbank AG, Landesbank Baden-Württemberg as well as UniCredit Bank and was placed entirely within the existing bank syndicate.

The bridge financing arrangement falling due in March 2019 has been replaced by the syndicated bank loan which has been extended until October 2022 - this is applicable for the amortising loan of 610,0 million euros (due upon final maturity) as well as the revolving credit facility of 100.0 million euros which has currently not been drawn. Interest based on EURIBOR is applicable for both tranches - and initial margin of currently 1.6 per cent is now applicable for the amortising loan (previously 2.1 per cent); for the revolving credit facility, the initial margin is 1.4 per cent (previously 1.8 per cent).

No other reportable events of major significance have occurred after the reference date.

## OPPORTUNITIES AND RISK REPORT

Compared with the opportunities and risks described in detail in the "Opportunities and risks report" of our 2016 annual report and updated in the interim report as of 30 June 2017, there have been no significant

changes in the third quarter 2017. The 2016 annual report as well as the interim report as of 30 June 2017 are available online at <http://www.freenet-group.de/investor/publications>.

# FORECAST

## Development of the key performance indicators<sup>1</sup>

In EUR million / as indicated	Forecast of 2015 for financial year 2016	2016	1.1.-30.9.2017	Forecast for financial year 2017 <sup>3</sup>	Forecast for financial year 2018
<b>Financial performance indicators</b>					
Group revenue	moderate increase	3,362.4	2,557.4	slight increase	slight increase
Group EBITDA <sup>2</sup>	slightly above 400	402.3	299.9	slightly above 410	slight increase
Free cash flow <sup>2</sup>	around 300	311.4	234.0	around 310	slight increase
Postpaid ARPU (in EUR)	stable	21.4	21.4	stable	stable
<b>Non-financial performance indicators</b>					
Customers Ownership (in million)	slight increase	9.53	9.60	slight increase	slight increase

<sup>1</sup> Definitions of these terms are included in the glossary.

<sup>2</sup> The profit share of the freenet AG of Sunrise Communications Group AG and the dividend payment of Sunrise Communications Group AG are disregarded for the purpose of managing consolidated EBITDA and the free cash flow.

<sup>3</sup> The figures forecast in the annual report 2016 have now become more concrete.

As part of its corporate management policy, the freenet Group uses financial and non-financial performance indicators for measuring the short-, medium- and long-term success of its strategic alignment and the related operational implementation. The financial performance indicator free cash flow is not used for management purposes at the segment level; it is used exclusively at the group level. The performance indicators postpaid ARPU and customer ownership are used exclusively for management purposes in the Mobile Communications segment.

For the financial year 2017 and, going forward, for the financial year 2018, freenet AG is predicting slightly higher consolidated revenue, in comparison with the previous year in each case. In the opinion of the Executive Board, consolidated EBITDA in 2017 will rise to just above 410 million euros, and will report further slight growth in 2018 compared with the previous year. In addition, the company is expecting to see free cash flow of approximately 310 million euros for the whole of 2017. In the financial year 2018, the Executive Board expects that free cash flow will again increase slightly compared with the previous year.

For the TV and Media segment, taking account of the different consolidation periods of the Media Broadcast Group (9.5 months in the financial year 2016 and 12 months in the current financial year), the company expects to see slightly higher revenue and also slightly higher EBITDA in 2017, both compared with the previous year.

In the opinion of freenet AG, the number of connected DVB-T2 reception devices will rise to more than 2.5 million by the end of 2017, and will also achieve further slight growth in 2018. By the end of 2017, freenet AG expects to see the number of freenet TV subscribers increase to around 950,000, and also expects to see a further slight increase in 2018 compared with the previous year. The average monthly revenue per paying freenet TV user (freenet TV ARPU) will be approximately 4.5 euros in 2017 according to the Executive Board, and will also be roughly in line with this figure in 2018.

With regard to the new IPTV product of freenet AG, which will be marketed under the brand waipu.tv, the company is anticipating more than 500,000 registered

subscribers for the whole of 2017, including more than 100,000 paying users. For the year 2018, the Executive Board expects that the number of registered and paying waipu.tv users will increase significantly compared with the previous year. The average monthly revenue per waipu.tv user (waipu.tv ARPU) will be approximately 6.0 euros in 2017 in the opinion of freenet AG, and there is expected to be a slight increase in the financial year 2018.

In the Mobile Communications segment, the Executive Board expects to see stable revenue and stable EBITDA for the financial year 2017, compared with the previous year in both cases. The targets for the development in postpaid ARPU and customer ownership are unchanged for the financial year 2017 and also for the financial year 2018. In the Mobile Communications segment, the company still expects

that postpaid ARPU will stabilise at the level of the respective previous year, and that there will be a slight increase in customer-ownership numbers, compared with the previous year in each case.

The Group EBITDA and free cash flow are managed without taking account of the interest of freenet AG in the earnings of Sunrise Communications Group AG and also without taking account of the dividend payment of Sunrise Communications Group AG, as these are not actively controllable elements. Accordingly, neither the anticipated EBITDA contribution from the holding of freenet AG in Sunrise Communications Group AG nor any contribution resulting from this holding to the free cash flow of freenet AG are included in guidance or rather prospects for the financial year 2017 or for 2018.

# SELECTED

# FINANCIAL INFORMATION

## Consolidated income statement for the period from 1 January to 30 September 2017

In EUR '000s/as indicated	Q1-Q3/2017 1.1.2017- 30.9.2017	Q1-Q3/2016 1.1.2016- 30.9.2016	Q3/2017 1.7.2017- 30.9.2017	Q3/2016 1.7.2016- 30.9.2016
Revenue	2,557,377	2,424,093	880,150	867,237
Other operating income	39,790	48,773	12,425	16,407
Other own work capitalised	13,085	11,766	4,217	4,453
Cost of material	-1,859,252	-1,778,382	-640,630	-633,182
Personnel expenses	-167,277	-159,303	-53,489	-57,698
Depreciation and amortisation	-104,218	-89,363	-34,337	-31,903
Other operating expenses	-282,813	-251,531	-91,578	-89,170
<b>Operating result</b>	<b>196,692</b>	<b>206,053</b>	<b>76,758</b>	<b>76,144</b>
Share of results of associates accounted for using the equity method	106,521	5,659	97,446	5,039
Thereof profit share	122,067	16,268	102,628	10,108
Thereof subsequent recognition from purchase price allocation	-15,546	-10,609	-5,182	-5,069
Interest receivable and similar income	330	665	2	145
Interest payable and similar expenses	-37,612	-42,149	-12,685	-14,103
<b>Result before taxes on income</b>	<b>265,931</b>	<b>170,228</b>	<b>161,521</b>	<b>67,225</b>
Taxes on income	-16,945	-8,174	-4,396	-9,245
<b>Group result</b>	<b>248,986</b>	<b>162,054</b>	<b>157,125</b>	<b>57,980</b>
Group result attributable to shareholders of freenet AG	257,546	166,533	159,730	59,565
Group result attributable to non-controlling interest	-8,560	-4,479	-2,605	-1,585
<b>Earnings per share in EUR (undiluted)</b>	<b>2.01</b>	<b>1.30</b>	<b>1.25</b>	<b>0.47</b>
<b>Earnings per share in EUR (diluted)</b>	<b>2.01</b>	<b>1.30</b>	<b>1.25</b>	<b>0.47</b>
Weighted average of shares outstanding in thousand (undiluted)	128,011	128,011	128,011	128,011
Weighted average of shares outstanding in thousand (diluted)	128,011	128,011	128,011	128,011

## Consolidated balance sheet as of 30 September 2017

### Assets

In EUR '000s	30.9.2017	30.6.2017	31.12.2016
<b>Non-current assets</b>			
Intangible assets	519,371	529,387	526,234
Goodwill	1,379,919	1,379,919	1,379,919
Property, plant and equipment	467,334	478,598	493,132
Investments in associates accounted for using the equity method	809,231	716,257	745,066
Other investments	535	535	586
Deferred income tax assets	178,978	173,919	174,172
Trade accounts receivable	75,702	79,095	81,132
Other receivables and other assets	14,727	14,718	20,738
	<b>3,445,797</b>	<b>3,372,428</b>	<b>3,420,979</b>
<b>Current assets</b>			
Inventories	82,925	88,653	74,906
Current income tax assets	2,658	4,125	5,169
Trade accounts receivable	419,685	388,228	438,764
Other receivables and other assets	29,493	29,291	26,558
Cash and cash equivalents	333,737	260,509	318,186
Assets classified as held for sale	0	0	197
	<b>868,498</b>	<b>770,806</b>	<b>863,780</b>
	<b>4,314,295</b>	<b>4,143,234</b>	<b>4,284,759</b>

### Shareholders' equity

In EUR '000s	30.9.2017	30.6.2017	31.12.2016
<b>Shareholders' equity</b>			
Share capital	128,061	128,061	128,061
Capital reserve	737,536	737,536	737,536
Cumulative other comprehensive income	-15,144	-10,519	-10,134
Retained earnings	557,310	397,580	504,582
<b>Capital and reserves attributable to shareholders of freenet AG</b>	<b>1,407,763</b>	<b>1,252,658</b>	<b>1,360,045</b>
Capital and reserves attributable to non-controlling interest	33,662	36,267	42,222
	<b>1,441,425</b>	<b>1,288,925</b>	<b>1,402,267</b>
<b>Non-current liabilities</b>			
Other payables	278,475	298,724	294,608
Borrowings	1,676,687	1,675,729	1,673,871
Pension provisions	86,283	85,622	92,638
Other provisions	49,637	49,556	58,559
	<b>2,091,082</b>	<b>2,109,631</b>	<b>2,119,676</b>
<b>Current liabilities</b>			
Trade accounts payable	511,015	486,437	515,696
Other payables	130,942	121,627	110,423
Current income tax liabilities	47,628	46,644	46,847
Borrowings	62,842	59,765	60,302
Other provisions	29,361	30,205	29,548
	<b>781,788</b>	<b>744,678</b>	<b>762,816</b>
	<b>4,314,295</b>	<b>4,143,234</b>	<b>4,284,759</b>

## Consolidated statement of cash flows for the period from 1 January to 30 September 2017

In EUR '000s	Q1-Q3/2017 1.1.2017- 30.9.2017	Q1-Q3/2016 1.1.2016- 30.9.2016
<b>Result before interest and taxes (EBIT)</b>	<b>303,213</b>	<b>211,712</b>
<b>Adjustments</b>		
Depreciation and impairment on items of fixed assets	104,218	89,363
Share of results of associates accounted for using the equity method	-106,521	-5,659
Dividends received from associates accounted for using the equity method	34,409	30,124
Gains on the sale of subsidiaries	0	-258
Losses on the disposal of fixed assets	236	536
Increase in net working capital not attributable to investing or financing activities	-4,289	-2,630
Tax payments	-19,314	-26,210
<b>Cash flow from operating activities</b>	<b>311,952</b>	<b>296,978</b>
Investments in property, plant and equipment and intangible assets	-48,007	-44,019
Proceeds from the disposal of property, plant and equipment and intangible assets	4,443	9,789
Payments for the acquisition of subsidiaries	0	-76,618
Proceeds from the sale of subsidiaries	170	415
Payments for the acquisition of associates, accounted for using the equity method	0	-738,219
Payments in shareholders' equity, accounted for using the equity method	-325	0
Investments in other financial assets	-13	0
Interest received	725	738
<b>Cash flow from investing activities</b>	<b>-43,007</b>	<b>-847,914</b>
Dividend payments to company owners and minority shareholders	-204,818	-198,417
Proceeds from new borrowings	0	1,505,680
Cash repayments of borrowings	-112	-697,268
Cash repayments from liabilities from finance lease	-18,285	-12,690
Interest paid	-30,179	-55,609
<b>Cash flow from financing activities</b>	<b>-253,394</b>	<b>541,696</b>
<b>Cash-effective change in cash and cash equivalents</b>	<b>15,551</b>	<b>-9,240</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>318,186</b>	<b>269,761</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>333,737</b>	<b>260,521</b>
<b>Composition of cash and cash equivalents</b>	<b>30.9.2017</b>	<b>30.9.2016</b>
In EUR '000s		
Cash and cash equivalents	333,737	260,521
	<b>333,737</b>	<b>260,521</b>
<b>Composition of free cash flow<sup>1</sup></b>	<b>30.9.2017</b>	<b>30.9.2016</b>
In EUR '000s		
Cash flow from operating activities	311,952	296,978
Investments in property, plant and equipment and intangible assets	-48,007	-44,019
Proceeds from the disposal of property, plant and equipment and intangible assets	4,443	9,789
<b>Free cash flow (FCF)</b>	<b>268,388</b>	<b>262,748</b>

<sup>1</sup> Free cash flow is a non-GAAP parameter.



## Segment report for the period from 1 January to 30 September 2017

In EUR '000s	Mobile Communications	TV and Media	Other/Holding	Elimination of intersegment revenue and cost	Total
<b>Third-party revenue</b>	<b>2,292,742</b>	<b>218,080</b>	<b>46,555</b>	<b>0</b>	<b>2,557,377</b>
Intersegment revenue	30,837	1,057	10,220	-42,114	0
Total revenue	2,323,579	219,137	56,775	-42,114	2,557,377
<b>Cost of materials, third party</b>	<b>-1,771,928</b>	<b>-70,857</b>	<b>-16,467</b>	<b>0</b>	<b>-1,859,252</b>
Intersegment cost of materials	-9,758	-22,450	-3,732	35,940	0
Total cost of materials	-1,781,686	-93,307	-20,199	35,940	-1,859,252
<b>Segment gross profit</b>	<b>541,893</b>	<b>125,830</b>	<b>36,576</b>	<b>-6,174</b>	<b>698,125</b>
Other operating income	41,224	1,247	3,450	-6,131	39,790
Other own work capitalised	5,632	5,793	1,660	0	13,085
Personnel expenses	-94,126	-47,177	-25,974	0	-167,277
Other operating expenses	-212,216	-61,171	-21,731	12,305	-282,813
Profit share of results of associates accounted for using the equity method	123,064	0	-997	0	122,067
<b>Segment EBITDA</b>	<b>405,471</b>	<b>24,522</b>	<b>-7,016</b>	<b>0</b>	<b>422,977</b>
Depreciation and impairment write-downs					-104,218
Subsequent accounting for associates accounted for using the equity method					-15,546
<b>EBIT</b>					<b>303,213</b>
Group financial result					-37,282
Taxes on income					-16,945
<b>Group result</b>					<b>248,986</b>
Group result attributable to shareholders of freenet AG					257,546
Group result attributable to non-controlling interest					-8,560
<b>Cash-effective net investments</b>	<b>13,451</b>	<b>27,307</b>	<b>2,806</b>		<b>43,564</b>

## Segment report for the period from 1 January to 30 September 2016

In EUR '000s	Mobile Communications	TV and Media	Other/Holding	Elimination of intersegment revenue and cost	Total
<b>Third-party revenue</b>	<b>2,232,082</b>	<b>148,109</b>	<b>43,902</b>	<b>0</b>	<b>2,424,093</b>
Intersegment revenue	26,529	6	12,871	-39,406	0
Total revenue	2,258,611	148,115	56,773	-39,406	2,424,093
<b>Cost of materials, third party</b>	<b>-1,709,149</b>	<b>-53,736</b>	<b>-15,497</b>	<b>0</b>	<b>-1,778,382</b>
Intersegment cost of materials	-8,530	-21,820	-4,006	34,356	0
Total cost of materials	-1,717,679	-75,556	-19,503	34,356	-1,778,382
<b>Segment gross profit</b>	<b>540,932</b>	<b>72,559</b>	<b>37,270</b>	<b>-5,050</b>	<b>645,711</b>
Other operating income	45,474	2,936	5,443	-5,080	48,773
Other own work capitalised	6,886	3,599	1,281	0	11,766
Personnel expenses	-101,251	-33,185	-24,867	0	-159,303
Other operating expenses	-206,578	-27,526	-27,557	10,130	-251,531
Profit share of results of associates accounted for using the equity method	16,158	0	110	0	16,268
<b>Segment EBITDA</b>	<b>301,621</b>	<b>18,383</b>	<b>-8,320</b>	<b>0</b>	<b>311,684</b>
Depreciation and impairment write-downs					-89,363
Subsequent accounting for associates accounted for using the equity method					-10,609
<b>EBIT</b>					<b>211,712</b>
Group financial result					-41,484
Taxes on income					-8,174
<b>Group result</b>					<b>162,054</b>
Group result attributable to shareholders of freenet AG					166,533
Group result attributable to non-controlling interest					-4,479
<b>Cash-effective net investments</b>	<b>16,453</b>	<b>15,152</b>	<b>2,625</b>		<b>34,230</b>

# FURTHER INFORMATION

## Financial Calendar<sup>1</sup>

### **10 November 2017**

Publication of interim report as of 30 September 2017 – 3rd quarter 2017

### **15 and 16 November 2017**

TMT Conference 2017 (Morgan Stanley) | Barcelona | Spain

### **6 December 2017**

European Conference 2017 (Berenberg) | Surrey | Great Britain

### **9 January 2018**

German Investment Seminar (Commerzbank) | New York | USA

### **15 January 2018**

German Corporate Conference (Kepler Cheuvreux) | Frankfurt | Germany

<sup>1</sup> All dates are subject to change.

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The annual report and our interim reports are also available for download at:  
[www.freenet-group.de/investor/publications](http://www.freenet-group.de/investor/publications)

This interim report is a convenient translation of the German version.  
In case of doubt, the German version shall prevail.

Current information regarding freenet AG and the freenet shares is available on our homepage at:  
[www.freenet-group.de/en](http://www.freenet-group.de/en)

# GLOSSARY

<b>ARPU</b>	Average revenue per user.
<b>Customer ownership</b>	Existing customers of the freenet Group in the Mobile Communications segment who have concluded one of freenet's own tariffs or a tariff of the network operators in the form of postpaid or no-frills agreement at the freenet Group. For its own existing customers, the freenet Group handles all major services of the network operators; i.e., particularly own account billing as well as customer service.
<b>Debt ratio</b>	Ratio between net financial debt (see "Net financial debt") and the EBITDA generated in the last twelve months.
<b>Digital lifestyle</b>	Describes simplification of everyday life via technical equipment based on internet and/or smartphones.
<b>EBIT</b>	Earnings before interest and taxes, incl. the earnings elements of the companies accounted for using the equity method.
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortisation, incl. the earnings elements of the companies accounted for using the equity method (EBIT), excl. depreciation, amortisation and deferred taxes arising from the subsequent recognition of companies accounted for using the equity method, plus depreciation and amortisation. Since the acquisition of Sunrise, EBITDA has been defined as follows: As has been the case in the past, the calculation includes only the earnings elements of the item "Result of companies accounted for using the equity method". The depreciation resulting from the subsequent recognition of the shadow purchase price allocation does not have a negative impact on EBITDA.
<b>EBITDA exclusive Sunrise</b>	Earnings before interest and taxes, excl. the earnings elements of the companies accounted for using the equity method, excl. depreciation and deferred taxes from the subsequent recognition of companies accounted for using the equity method, plus depreciation and amortisation.
<b>Equity ratio</b>	Ratio between equity and balance sheet total.
<b>Free cash flow</b>	Free cash flow from operating activities minus the investments in property, plant and equipment and intangible assets, plus the inflows from disposals of intangible assets and property, plant and equipment.
<b>freenet TV subscribers</b>	Customers who access freenet TV by way of a prepaid card or a direct debit arrangement (postpaid).
<b>Gross profit</b>	Revenue minus cost of materials.
<b>Gross profit margin</b>	Ratio between revenue and cost of materials.
<b>Interest cover</b>	Ratio between EBITDA and net interest income in the last twelve months.
<b>IPTV</b>	Internet Protocol Television: transmission of TV programmes and films with the aid of the Internet protocol.

<b>Net financial debt</b>	Long-term and short-term financial debt from the balance sheet, less liquid assets, less the interest of the freenet Group in the market value of Sunrise Communications Group AG as of the reference date. The market value of Sunrise Communications Group AG is calculated by multiplying the closing price of the shares in Sunrise Communications Group AG on the Swiss stock exchange by the number of shares held by the freenet Group in Sunrise Communications Group AG (11,051,578 shares) as of the respective reference date. Swiss francs are converted into euros using an officially defined reference date rate based on data of Bloomberg.
<b>Net interest income</b>	Balance of “interest and similar income” and “interest and similar expenses”.
<b>Net investments (CAPEX)</b>	Investments in property, plant and equipment and intangible assets, less the inflows from disposals of intangible assets and property, plant and equipment.
<b>No-frills</b>	Traditionally, no-frills describes the distribution of Mobile Communications agreements by direct means (e.g. online) and not via specialist outlets. The tariffs deliberately feature a simple structure, and in general do not comprise a subsidised device.
<b>Postpaid</b>	Mobile services billed at the end of the month.
<b>Prepaid</b>	Mobile communications services paid in advance.
<b>Pro-forma debt ratio</b>	Ratio between long- and short-term financial debt from the balance sheet less liquid assets and the EBITDA generated in the last twelve months.
<b>waipu.tv registered customers</b>	Customers who use the waipu.tv service free-of-charge or in conjunction with one of the available pay-monthly tariffs (e.g. Comfort or Perfect).
<b>waipu.tv subscribers</b>	Customers who use the waipu.tv service in conjunction with one of the available pay-monthly tariffs (e.g. Comfort or Perfect).