

INTERIM STATEMENT

AS OF 31 MARCH 2017

Q1
2017

freenet GROUP

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

CONTENTS

Key financials	3
Business performance	5
Assets, earnings and financial position	6
Earnings position	6
Assets and financial position	7
Cash flow	8
Additional information	9
Financial management	10
Report of subsequent events	11
Opportunities and risk Report	11
Forecast	12
Selected financial information	14
Consolidated income statement for the period from 1 January to 31 March 2017	14
Consolidated balance sheet as of 31 March 2017	15
Consolidated statement of cash flows for the period from 1 January to 31 March 2017	16
Segment report for the period from 1 January to 31 March 2017	17
Segment report for the period from 1 January to 31 March 2016 adjusted ¹	18
Further information	19
Financial Calendar	19
Imprint, contact, publications	20
Glossar	21

OVERVIEW KEY FINANCIALS¹

GROUP

Key financials

In EUR million / as indicated	Q1/2017	Q1/2016 adjusted ²	Q4/2016
Revenue	838.0	749.2	938.3
Gross profit	227.0	192.3	253.0
EBITDA	100.9	89.2	127.1
EBIT	60.7	67.2	87.1
EBT	48.4	55.2	73.7
Group result	41.7	51.1	54.4
Earnings per share in EUR (diluted and undiluted)	0.35	0.40	0.48

Balance Sheet

In EUR million / as indicated	31.3.2017	31.3.2016 adjusted ²	31.12.2016
Balance sheet total	4,262.0	4,473.3	4,284.8
Shareholders' equity	1,445.6	1,426.7	1,402.3
Equity ratio in %	33.9	31.9	32.7

Finances and investments

In EUR million	Q1/2017	Q1/2016 adjusted ²	Q4/2016
Free cash flow	56.4	66.4	78.8
Depreciation and amortisation	35.0	21.8	35.0
Net investments (CAPEX)	21.9	7.0	13.9
Net debt	596.9	805.0	725.8
Pro forma net debt	1,377.0	1,411.3	1,416.0

Share

	31.3.2017	31.3.2016	31.12.2016
Closing price Xetra in EUR	30.49	26.29	26.76
Number of issued shares in '000s	128,061	128,061	128,061
Market capitalisation in EUR million	3,904.6	3,366.7	3,426.9

Employees

	31.3.2017	31.3.2016	31.12.2016
Employees	4,249	4,990	4,886

OVERVIEW KEY FINANCIALS¹

MOBILE COMMUNICATIONS SEGMENT

Customer development

In million	Q1/2017	Q1/2016	Q4/2016
Mobile Communications customers/cards ³	12.00	12.15	12.06
Thereof Customer Ownership	9.56	9.37	9.53
Thereof Postpaid	6.54	6.36	6.51
Thereof No-frills	3.02	3.01	3.02
Thereof Prepaid	2.44	2.79	2.53
Gross new customers/cards	0.66	0.64	0.78
Net change	-0.06	-0.08	0.00

Result

In EUR million	Q1/2017	Q1/2016	Q4/2016
Revenue	762.8	727.4	867.4
Gross profit	178.1	176.7	203.2
EBITDA	100.1	90.7	118.8

Monthly average revenue per user (ARPU)

In EUR	Q1/2017	Q1/2016	Q4/2016
Postpaid	21.1	21.5	21.2
No-frills	2.5	2.4	2.5
Prepaid	3.0	2.9	3.1

TV AND MEDIA SEGMENT

Result

In EUR million	Q1/2017	Q1/2016	Q4/2016
Revenue	74.7	10.4	70.8
Gross profit	38.4	4.9	38.3
EBITDA	3.3	1.1	9.6

- ¹ Unless otherwise identified, definitions of these terms are included in the glossary.
- ² Retrospective adjustment due to finalised purchase price allocation of Media Broadcast Group.
- ³ At the end of the period.

BUSINESS PERFORMANCE

A glance at the first quarter of 2017 shows that freenet AG has made an excellent start to the current year. The growth in customer ownership has continued in each individual quarter – as has been the case in the previous five years. The number of postpaid and no-frills customers has increased by approximately 30,000 to the current figure of 9.56 million, and the number of particularly valuable customers included in this figure (who have signed up for fixed two-year contracts) has increased by approximately 25,000 to 6.54 million. Postpaid-ARPU continues to be approximately stable at the current figure of 21.1 euros – compared with 21.5 euros in the equivalent quarter in 2016 and 21.2 euros in the previous quarter.

Compared with the previous quarter in 2016, revenue has increased by 11.9 per cent to 838.0 million euros; in addition to Mobile Communications business which continues to be sound, this demonstrates the increasing valuable revenue in digital lifestyle and also the acquisitions which were completed before the end of the year. Gross profit of 227.0 million euros is also higher than the figure for the corresponding previous-year quarter, with a gross profit margin of 27.1 per cent.

EBITDA has increased by 11.7 million euros compared with the corresponding quarter in 2016, to 100.9 million euros. Free cash flow is now stated as 56.4 million euros, and is lower than the figure for the corresponding previous-year quarter, mainly as a result of temporarily increased net investments in the TV and Media segment during the process of changing over to DVB-T2.

In addition to our core business of Mobile Communications and digital lifestyle, freenet AG succeeded in breaking into the Digital TV business with two fundamental acquisitions respectively investments at the end of 2015 or in the first quarter of 2016.

In the Media Broadcast Group, pilot operation of the new TV standard DVB-T2 HD started in several major urban areas in Germany at the end of May 2016: During this soft launch, it was possible for high-definition TV images of ARD and ZDF as well as the private stations RTL, Sat1, Pro Sieben and Vox to be received via antenna in the respective core regions. At the end of the soft launch on 29 March 2017, freenet TV started as a new brand and commercial provider: Apart from the 20 public sector stations, it has been possible for 20 private stations to be received in full-HD quality – albeit still only in encrypted form. The Group already recorded approximately 160,000 paying freenet TV users as of 31 March 2017 but payment will only be effective and necessary after the 1 July 2017.

The fourth quarter of 2016 saw the Pre-launch-distribution stage of digital moving image entertainment of EXARING as a product. Since that time, waipu.tv has been available in two options: As a comfort version with 10 hours of storage for 4.99 euros per month and as a perfect version with 50 hours of storage for 14.99 euros per month – both options can be terminated monthly and come with a free test month. Towards the end of the first quarter of 2017, EXARING further extended the use and contents of waipu.tv: Whereas previously it was able to be used via Google Chromecast on home TVs, further options arrived in mid-March in the form of the Amazon Fire TV dongle or the Fire TV box. The Group reported approximately 150,000 registered waipu.tv users at the end of the first quarter, including approximately 25,000 paying customers.

ASSETS, EARNINGS AND FINANCIAL POSITION

Earnings position

The Group's key performance indicators

In EUR '000s	Q1/2017	Q1/2016 adjusted	Q1/2016 as reported	Change
Revenue	837,987	749,183	749,183	88,804
Gross profit	226,979	192,293	192,227	34,686
Overhead expenses	-126,097	-103,100	-103,100	-22,997
EBITDA	100,882	89,193	89,127	11,689
EBITDA exclusive Sunrise	91,140	88,972	88,906	2,168
EBIT	60,724	67,246	67,273	-6,522
EBT	48,361	55,215	55,532	-6,854
Group result	41,653	51,099	51,320	-9,446

In the first quarter of 2017, there was only one change in the consolidation group compared with the annual report 2016: Since March 2017, the Group has held a 50.01 per cent stake in the capital of EXARING AG (31 December 2016: 24.99 per cent).

In the financial year 2016, the figures for the first quarter of 2016 were retrospectively adjusted as a result of the final purchase price allocation of the Media Broadcast Group. In connection with the final purchase price allocation, one framework rental agreement was classified as a finance lease. Overall, the effect of the retrospective adjustment on the assets, earnings and financial position is of minor significance.

In the first quarter of 2017, **CONSOLIDATED REVENUE** increased by 11.9 per cent compared with the corresponding previous-year quarter, from 749.2 million euros to 838.0 million euros. This was achieved primarily by the revenue of the TV and Media segment of 74.7 million euros which was included. In addition, this development was also attributable to the increase in customer ownership in the Mobile Communications segment (9.56 million customers at the end of March 2017 compared with 9.37 million customers at the end of March 2016) in conjunction with approximately stable postpaid-ARPU (21.1 euros in Q1/2017 compared with 21.5 euros in Q1/2016) as well as higher digital lifestyle revenue.

The **GROSS PROFIT MARGIN** improved by 1.4 percentage points to 27.1 per cent. At 227.0 million euros, the gross profit has increased by 34.7 million euros compared with the figure reported for the previous year comparison quarter. Both developments are primarily due to the TV and Media segment, which contributed segment gross profit of 38.4 million euros to the gross profit of the Group.

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 ELEMENTS OF RESULTS)** increased by 23.0 million euros compared with the first quarter 2016. Personnel expenses have increased as a result of the higher number of employees in connection with the complete integration of the Media Broadcast Group in the consolidation group (in Q1/2016: only 14 days included); in addition, the increase in the other operating expenses, mainly due to the initial integration of the Media Broadcast Group and in this respect primarily as a result of higher marketing costs incurred in connection with the process of changing over to the new antenna standard DVB-T2, has resulted in higher overheads. The recognition of the earnings elements of the Sunrise investment (9.7 million euros) had a positive impact on overheads.

In the reporting quarter 2017, EBITDA is stated as 100.9 million euros, representing an increase of 11.7 million euros compared with the figure reported for the previous year quarter. Disregarding the earnings elements of the investment in Sunrise (9.7 million euros), EBITDA amounted to 91.1 million euros (Q1/2016: 89.0 million euros). In the first quarter of 2017, the Mobile Communications segment contributed 100.1 million euros to consolidated EBITDA (of this figure, 9.7 million euros is attributable to the holding in Sunrise; Q1/2016: 90.7 million, including 0.2 million euros relating to the holding in Sunrise); the TV and Media segment contributed 3.3 million euros (Q1/2016: 1.1 million euros), and the Other/Holding segment contributed -2.5 million euros (Q1/2016: -2.6 million euros). With regard to the EBITDA of the TV and Media segment in the first quarter of 2017, it has to be borne in mind that this was affected by higher marketing costs incurred in connection with the process of changing over to DVB-T2 and also that the new B2C business of the Media Broadcast Group will not generate revenue (and thus contributions to earnings) with end customers before the third quarter of 2017.

Compared with the previous year, **DEPRECIATION, AMORTISATION AND IMPAIRMENTS** have increased by 13.2 million euros to 35.0 million euros, mainly as a result of the higher holdings of property, plant and equipment and intangible assets in connection with the purchase price allocation of the Media Broadcast Group carried out in the previous year.

The **NET INTEREST INCOME**, defined as the balance of interest income and interest expenses, was stated as -12.4 million euros in the reporting quarter

(Q1/2016: -12.0 million euros). The development in net interest income essentially reflects two factors. The refinancing carried out in the first quarter 2016 with much more favourable conditions has had a positive impact on interest expenses. On the other hand, the compounding of liabilities attributable to the framework rental agreement with regard to the purchase price allocation of the Media Broadcast Group has had a correspondingly negative impact on interest expense.

As a result of the effects explained above, the **CONSOLIDATED RESULT BEFORE TAXES ON INCOME (EBT)** amounted to 48.4 million euros, representing a decline of 6.9 million euros compared with the previous year.

INCOME TAX expenses of 6.7 million euros were stated in the reporting quarter 2017 (Q1/2016: 4.1 million euros). Current tax expenses of 5.3 million euros (Q1/2016: 5.8 million euros) and deferred tax expenses of 1.4 million euros (Q1/2016 deferred tax income: 1.7 million euros) were recognised. The increase in the deferred tax expenses is mainly due to deferred tax expenses in connection with tax goodwill which is recognised in the Media Broadcast Group.

As was the case in the corresponding period of the previous year, the **GROUP RESULT** reported in the first quarter of 2017 was exclusively attributable to continued operations, and amounted to a total of 41.7 million euros; compared with the figure of 51.1 million euros reported for the previous-year quarter, this represents a decline of 9.4 million euros.

Assets and financial position

Selected Group balance sheet figures

Assets

In EUR million	31.3.2017
Non-current assets	3,430.4
Current assets	831.6
Total assets	4,262.0
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In EUR million	31.12.2016
Non-current assets	3,421.0
Current assets	863.8
Total assets	4,284.8

Shareholders' equity and liabilities

In EUR million	31.3.2017
Shareholders' equity	1,445.6
Non-current and current liabilities	2,816.4
Total equity and liabilities	4,262.0
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In EUR million	31.12.2016
Shareholders' equity	1,402.3
Non-current and current liabilities	2,882.5
Total equity and liabilities	4,284.8

The **BALANCE SHEET TOTAL** as of 31 March 2017 amounted to 4,262.0 million euros, and has thus declined by 22.7 million euros (0.5 per cent) compared with 31 December 2016 (4,284.8 million euros).

On the **ASSETS SIDE** of the balance sheet, non-current assets increased by 9.4 million euros. This is mainly due to an increase of 14.2 million euros in intangible assets, to 540.4 million euros, mainly due to the prolongation by one year of the exclusive distribution right with Media-Saturn Deutschland GmbH, for a nominal amount of 25.0 million euros.

With regard to current assets, particular mention has to be made of the decline of 82.6 million euros in trade accounts receivable, to 356.2 million euros, mainly as a result of lower receivables due from network operators in relation to annual bonuses, as the actual payments were received in the first quarter of 2017.

The increase of 38.2 million euros in liquid assets is mainly attributable to the free cash flow of 56.4 million euros less the outflows of cash from financing activities of 18.7 million euros.

The **LIABILITIES SIDE** of the balance sheet is dominated by the equity of 1,445.6 million euros (31 December 2016: 1,402.3 million euros) as well as the financial debt of 1,733.4 million euros (31 December 2016: 1,734.2 million euros).

The **EQUITY RATIO** has increased slightly from 32.7 per cent at the end of December 2016 to 33.9 per cent at the end of March 2017. The **NET DEBT** declined to 596.9 million euros as of 31 March 2017 (31 December 2016: 725.8 million euros). In the case of this parameter, the debt is reduced by the cash and cash equivalents and the interest in the market value of Sunrise as of 31 March 2017 (11,051,578 shares multiplied by the closing price of 70.59 euros – source: Bloomberg). The decline in net financial debt is mainly attributable to the increase in the share price of Sunrise as well as the free cash flow generated in the course of last quarter. Accordingly, the debt factor (net debt in relation to EBITDA) declined from 1.7 at the end of December 2016 to 1.3 at the end of March 2017. In this connection, please refer to our comments in the chapter “Financial management”.

The trade accounts payable have declined by 79.8 million euros to 435.9 million euros – this was due mainly to reference date factors relating to the liabilities to network operators and hardware manufacturers. The increase of 18.2 million euros in the other liabilities and accruals/deferrals, to 423.2 million euros, is mainly attributable to the corresponding liability in connection with the prolongation of the exclusive distribution right with Media-Saturn Deutschland GmbH. Please refer to our comments regarding the increase in intangible assets.

Cash flow

The Group's key cash flow indicators

In EUR million	Q1/2017	Q1/2016 adjusted	Q1/2016 as reported	Change
Cash flow from operating activities	78.3	73.4	71.9	5.0
Cash flow from investing activities	-21.5	-799.3	-799.3	777.9
Cash flow from financing activities	-18.7	959.6	961.1	-978.3
Change in cash and cash equivalents	38.2	233.7	233.7	-195.5
Free cash flow	56.4	66.4	64.9	-10.0

The **CASH FLOW FROM OPERATING ACTIVITIES** is stated as 78.3 million euros in the first quarter of 2017, equivalent to an increase of 5.0 million euros compared with the previous-year quarter. An increase of 2.2 million euros in EBITDA (not including the non-cash-effective earnings elements of the associated company Sunrise in the amount of 9.7 million euros) as well as the decline of 10.7 million euros in tax payments (Q1/2017: -0.6 million euros, Q1/2016: -11.3 million euros) compared with the first quarter of 2016 have had a positive impact on the cash flow from operating activities. An opposite effect was attributable to the increase of 8.2 million euros in net working capital compared with the first quarter of 2016.

The **CASH FLOW FROM INVESTING ACTIVITIES** amounted to -21.5 million euros in the first quarter of 2017, compared with -799.3 million euros in the corresponding previous-year quarter. The change is primarily attributable to the outflows in the previous year for the acquisition of the shares in Sunrise as well as the Media Broadcast Group.

The outflows for investments in property, plant and equipment and intangible assets have increased by 14.6 million euros to 21.9 million euros. This mainly relates to the outflows of cash for the investments in connection with the nation-wide process of changing over to the new antenna standard DVB-T2, which was introduced on 29 March 2017.

The cash-effective investments have been financed entirely out of internal resources.

In the reporting quarter, **CASH FLOW FROM FINANCING ACTIVITIES** improved to -18.7 million euros compared with 959.6 million euros in the comparison period 2016. The change is mainly attributable to the inflows recorded in the previous-year quarter for the refinancing and repayment of shareholder and bank loans of the Media Broadcast Group. The increase in shares in EXARING AG has not resulted in any outflow of cash from financing activities, as the purchase price for the acquisition of the additional shares has been paid into EXARING AG which is already fully consolidated.

In the first quarter of 2017, interest payments of 12.5 million euros are stated, 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.

In the first quarter of 2017, the effects detailed above resulted in a **FREE CASH FLOW** of 56.4 million euros, representing a decline of 10.0 million euros compared with the corresponding previous-year quarter (66.4 million euros).

Additional information

On 21 November 2016, the freenet Group and Capita Customer Services (Germany) GmbH, Berlin ("Capita") signed an agreement regarding the acquisition of the business processes of mobilcom-debitel GmbH in customer service.

On 1 March 2017, Capita acquired the entire customer service activities of mobilcom-debitel GmbH, incl. the associated IT infrastructure and approximately 650 in-house employees in customer support as well as the location in Erfurt. This is the main reason why the number of employees in the Group has declined by 637 compared with 31 December 2016.

In the freenet Group, the outsourcing of business processes to Capita has resulted in a decline in personnel expenses combined with a simultaneous increase in the other operating expenses.

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. April 2016 to March 2017 and April 2015 to March 2016).

Key figures of financial management

	Q1/2016 adjusted ¹	2016	Q1/2017	Target
Debt ratio	2.2	1.7	1.3	1.0 – 2.5
Pro forma debt ratio	3.8	3.2	3.1	1.0 – 2.5
Interest Cover	8.0	8.0	8.2	> 5
Equity ratio in %	31.9	32.7	33.9	> 50

¹ Retrospective adjustment due to finalised purchase price allocation of Media Broadcast Group.

The debt ratio is defined as the ratio between financial debt (1,733.4 million euros) less liquid assets (356.4 million euros), less the interest in the market value of Sunrise as of 31 March 2017 (11,051,578 shares multiplied by the closing price of 70.59 euros – source: Bloomberg) and the EBITDA generated in the course of the last twelve months. As of 31 March 2017, debt ratio was 1.3 and was within the strategic range of 1.0 to 2.5 (as was also the case as of 31 March 2016). The financial debt consists mainly of the borrower's note loans with a total nominal value of 1,129.0 million euros which are due upon final maturity between 2017 and 2026 as well as the syndicated bank loan (second tranche) with a nominal value of 610.0 million euros which was concluded in March 2016.

The proforma debt ratio (the ratio between financial debt less liquid assets and the EBITDA generated in the course of the last twelve months) is stated as 3.1, and is higher than the strategic range of 1.0 and 2.5 due to the refinancing carried out in the previous year.

The interest cover (ratio between EBITDA and net interest income) is stated as 8.2, and was in line with the previous-year quarter (8.0) and thus still higher than the defined minimum of 5.0.

The equity ratio was below the target figure of 50 per cent as of 31 March 2017, due to the refinancing in the previous year.

The Executive Board continues to adhere to its finance strategy and thus also to the targets.

REPORT OF SUBSEQUENT EVENTS

On 19 April 2017, freenet AG received a dividend payment of 34.4 million euros (converted) as a result of the distribution of 3.33 CHF per share adopted in the annual general meeting of Sunrise Communications Group AG of 11 April 2017.

There have been no other events of major significance for the freenet Group after the reporting date.

OPPORTUNITIES AND RISK REPORT

There have been no major changes with regard to the opportunities and risks described extensively under “Opportunities and risk report” in the annual report 2016. The annual report 2016 is available in the Internet at www.freenet-group.de/investor-relations/publikationen.

FORECAST

Development of the key performance indicators¹

In EUR million / as indicated	Forecast of 2015 for financial year 2016	2016	Since beginning of the year Q1/2017	Forecast for financial year 2017 ³	Forecast for financial year 2018
Financial performance indicators					
Group revenue	moderate increase	3,362.4	838.0	slight increase	slight increase
Group EBITDA ²	slightly above 400	402.3	91.1	slightly above 410	slight increase
Free cash flow ²	around 300	311.4	56.4	around 310	slight increase
Postpaid ARPU (in EUR)	stable	21.4	21.1	stable	stable
Non-financial performance indicators					
Customer-Ownership (in million)	slight increase	9.53	9.56	slight increase	slight increase

¹ Definitions of these terms are included in the glossary.

² The interest of freenet AG in the earnings 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.

³ The forecast in the annual report 2016 has 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 group-wide 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 more than 800,000, and also expects to see a further slight increase in 2018 compared with the previous year. The average monthly revenue per 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 and 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 group-wide 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 31 March 2017

In EUR '000s / as indicated	Q1/2017 1.1.2017- 31.3.2017	Q1/2016 adjusted ¹ 1.1.2016- 31.3.2016
Revenue	837,987	749,183
Other operating income	14,334	18,031
Other own work capitalised	4,436	2,392
Cost of material	-611,008	-556,890
Personnel expenses	-59,683	-44,875
Depreciation and amortisation	-34,976	-21,755
Other operating expenses	-94,926	-78,895
Operating result	56,164	67,191
Share of results of associates accounted for using the equity method	4,560	55
Thereof profit share	9,742	247
Thereof subsequent recognition from purchase price allocation	-5,182	-192
Interest receivable and similar income	165	170
Interest payable and similar expenses	-12,528	-12,201
Result before taxes on income	48,361	55,215
Taxes on income	-6,708	-4,116
Group result	41,653	51,099
Group result attributable to shareholders of freenet AG	45,234	51,743
Group result attributable to non-controlling interest	-3,581	-644
Earnings per share in EUR (undiluted)	0.35	0.40
Earnings per share in EUR (diluted)	0.35	0.40
Weighted average of shares outstanding in thousand (undiluted)	128,011	128,011
Weighted average of shares outstanding in thousand (diluted)	128,011	128,011

1 Retrospective adjustment due to finalised purchase price allocation of Media Broadcast Group.

Consolidated balance sheet as of 31 March 2017

Assets

In EUR '000s	31.3.2017	31.12.2016
Non-current assets		
Intangible assets	540,395	526,234
Goodwill	1,379,919	1,379,919
Property, plant and equipment	490,854	493,132
Investments in associates accounted for using the equity method	750,063	745,066
Other investments	523	586
Deferred income tax assets	172,211	174,172
Trade accounts receivable	81,777	81,132
Other receivables and other assets	14,664	20,738
	3,430,406	3,420,979
Current assets		
Inventories	85,039	74,906
Current income tax assets	5,279	5,169
Trade accounts receivable	356,194	438,764
Other receivables and other assets	28,716	26,558
Cash and cash equivalents	356,398	318,186
Assets classified as held for sale	0	197
	831,626	863,780
	4,262,032	4,284,759

Shareholders' equity

In EUR '000s	31.3.2017	31.12.2016
Shareholders' equity		
Share capital	128,061	128,061
Capital reserve	737,536	737,536
Cumulative other comprehensive income	-8,424	-10,134
Retained earnings	549,816	504,582
Capital and reserves attributable to shareholders of freenet AG	1,406,989	1,360,045
Capital and reserves attributable to non-controlling interest	38,641	42,222
	1,445,630	1,402,267
Non-current liabilities		
Other payables	303,201	294,608
Borrowings	1,674,768	1,673,871
Pension provisions	90,159	92,638
Other provisions	50,054	58,559
	2,118,182	2,119,676
Current liabilities		
Trade accounts payable	435,923	515,696
Other payables	120,034	110,423
Current income tax liabilities	52,087	46,847
Borrowings	58,623	60,302
Other provisions	31,553	29,548
	698,220	762,816
	4,262,032	4,284,759

Consolidated statement of cash flows for the period from 1 January to 31 March 2017

In EUR '000s	Q1/2017 1.1.2017- 31.3.2017	Q1/2016 adjusted ¹ 1.1.2016- 31.3.2016
Result before interest and taxes (EBIT)	60,724	67,246
Adjustments		
Depreciation and impairment on items of fixed assets	34,976	21,755
Share of results of associates accounted for using the equity method	-4,560	-55
Losses/Gains on the disposal of fixed assets	88	-153
Increase in net working capital not attributable to investing or financing activities	-12,288	-4,131
Tax payments	-614	-11,297
Cash flow from operating activities	78,326	73,365
Investments in property, plant and equipment and intangible assets	-21,947	-7,321
Proceeds from the disposal of property, plant and equipment and intangible assets	2	317
Payments for the acquisition of subsidiaries	0	-76,633
Payments for the acquisition of associates, accounted for using the equity method	0	-716,107
Payments in shareholders' equity, accounted for using the equity method	-100	0
Interest paid	594	416
Cash flow from investing activities	-21,451	-799,328
Proceeds from new borrowings	0	1,266,400
Cash repayments of borrowings	-37	-297,231
Cash repayments of borrowings from finance lease	-6,094	-940
Interest paid	-12,532	-8,062
Cash flow from financing activities	-18,663	959,627
Cash-effective change in cash and cash equivalents	38,212	233,664
Cash and cash equivalents at the beginning of the period	318,186	269,761
Cash and cash equivalents at the end of the period	356,398	503,425
Composition of cash and cash equivalents		
In EUR '000s	31.3.2017	31.3.2016
Cash and cash equivalents	356,398	503,425
	356,398	503,425
Composition of free cash flow		
In EUR '000s	31.3.2017	31.3.2016 adjusted ¹
Cash flow from operating activities	78,326	73,365
Investments in property, plant and equipment and intangible assets	-21,947	-7,321
Proceeds from the disposal of property, plant and equipment and intangible assets	2	317
Free cash flow (FCF)	56,381	66,361

¹ Retrospective adjustment due to finalised purchase price allocation of Media Broadcast Group.

Segment report for the period from 1 January to 31 March 2017

In EUR '000s	Mobile Communications	TV and Media	Other/Holding	Elimination of intersegment revenue and cost	Total
Third-party revenue	748,676	74,698	14,613	0	837,987
Intersegment revenue	14,158	17	4,304	-18,479	0
Total revenue	762,834	74,715	18,917	-18,479	837,987
Cost of materials, third party	-581,776	-24,160	-5,072	0	-611,008
Intersegment cost of materials	-2,961	-12,170	-1,277	16,408	0
Total cost of materials	-584,737	-36,330	-6,349	16,408	-611,008
Segment gross profit	178,097	38,385	12,568	-2,071	226,979
Other operating income	13,548	674	1,111	-999	14,334
Other own work capitalised	1,607	2,306	523	0	4,436
Personnel expenses	-33,900	-16,189	-9,594	0	-59,683
Other operating expenses	-68,966	-21,903	-7,127	3,070	-94,926
Profit share of results of associates accounted for using the equity method	9,742	0	0	0	9,742
Segment EBITDA	100,128	3,273	-2,519	0	100,882
Depreciation and impairment write-downs					-34,976
Subsequent accounting for associates accounted for using the equity method					-5,182
EBIT					60,724
Group financial result					-12,363
Taxes on income					-6,708
Group result					41,653
Group result attributable to shareholders of freenet AG					45,234
Group result attributable to non-controlling interest					-3,581
Cash-effective net investments					
Cash-effective net investments	4,026	16,604	1,315		21,945

Segment report for the period from 1 January to 31 March 2016 adjusted¹

In EUR '000s	Mobile Communications	TV and Media	Other/Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	723,860	10,368	14,955	0	749,183
Intersegment revenue	3,537	0	5,280	-8,817	0
Total revenue	727,397	10,368	20,235	-8,817	749,183
Cost of materials, third party	-546,993	-3,899	-5,998	0	-556,890
Intersegment cost of materials	-3,692	-1,600	-1,753	7,045	0
Total cost of materials	-550,685	-5,499	-7,751	7,045	-556,890
Segment gross profit	176,712	4,869	12,484	-1,772	192,293
Other operating income	16,844	170	2,053	-1,036	18,031
Other own work capitalised	1,954	122	316	0	2,392
Personnel expenses	-33,610	-2,462	-8,803	0	-44,875
Other operating expenses	-71,392	-1,629	-8,682	2,808	-78,895
Profit share of results of associates accounted for using the method	221	0	26	0	247
Segment EBITDA	90,729	1,070	-2,606	0	89,193
Depreciation and impairment write-downs					-21,755
Subsequent accounting for associates accounted for using the equity method					-192
EBIT					67,246
Group financial result					-12,031
Taxes on income					-4,116
Group result					51,099
Group result attributable to shareholders of freenet AG					51,743
Group result attributable to non-controlling interest					-644
Cash-effective net investments	2,737	3,257	1,010		7,004

- ¹ Management reporting available to the chief operating decision makers of the Group was changed in the second quarter of 2016. The income statement of the individual segments is no longer reported up to segment EBIT; and instead it ends with segment EBITDA, as EBIT is not a financial performance indicator and is thus not used for management purposes. In addition, the results of the Media Broadcast Group and EXARING are allocated to the "TV and Media" segment, which was not yet the case in the first quarter of 2016 (when they were allocated to the "Other/Holding" segment). A corresponding adjustment of the previous-year period was made.

FURTHER INFORMATION

Financial Calendar

4 May 2017

Publication Interim Statement as of 31 March 2017 – 1st Quarter 2017

1 June 2017

Annual General Meeting of freenet AG (New location: Halle A4, Messeplatz 1, Hamburg, Germany)

9 August 2017¹

Publication Interim Report as of 30 June 2017 – 2nd Quarter 2017

9 November 2017¹

Publication Interim Statement as of 30 September 2017 – 3rd Quarter 2017

¹ All dates are subject to change.

IMPRINT, CONTACT, PUBLICATIONS

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The annual report and our interim reports are also available for download at:

<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



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

GLOSSARY

ARPU	Average revenue per user
Customer ownership	Valuable postpaid and no-frills customers in the Mobile Communications segment
Debt ratio	Ratio between net financial debt and the EBITDA generated in the last twelve months
Digital lifestyle	Describes simplification of everyday life via technical equipment based on internet and/or smartphones
EBIT	Earnings before interest and taxes, incl. the earnings elements of the companies accounted for using the equity method
EBITDA	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.
EBITDA exclusive Sunrise	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.
Equity ratio as percentage	Ratio between equity and balance sheet total
Free cash flow	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
Gross profit	Revenue minus cost of materials
Gross profit margin	Ratio between revenue and cost of materials
Interest cover	Ratio between EBITDA and net interest income in the last twelve months
IPTV	Internet Protocol Television: transmission of TV programmes and films with the aid of the Internet protocol

Net financial debt	Long-term and short-term financial debt, 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.
Net interest income	Balance of “interest and similar income” and “interest and similar expenses”
Net investments (CAPEX)	Investments in property, plant and equipment and intangible assets, less the inflows from disposals of intangible assets and property, plant and equipment
No-frills	Mobile communications services which are not based on a company’s own mobile communications network. No-frills providers sell mobile communications minutes, SIM cards and mobile telephones as well as added-value services, e.g. text messages in their own name and for their own account
Postpaid	Mobile services billed at the end of the month
Prepaid	Mobile communications services paid in advance
Pro-forma debt ratio	Ratio between long- and short-term financial debt less liquid assets and the EBITDA generated in the last twelve months