

INTERIM STATEMENT

AS OF 31 MARCH 2018

Q1
2018

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
Financial Management	10
Report of subsequent events	131
Opportunities and risk report	11
Forecast	12
Selected financial information	14
Consolidated income statement for the period from 1 January to 31 March 2018	14
Consolidated balance sheet as of 31 March 2018	15
Consolidated statement of cash flows for the period from 1 January to 31 March 2018	16
Segment report for the period from 1 January to 31 March 2018	17
Segment report for the period from 1 January to 31 March 2018	18
Further information	19
Financial Calendar	19
Imprint, contact, publications	20
Glossary	21

OVERVIEW KEY FINANCIALS¹

GROUP

Result

In EUR million / as indicated	Q1/2018	Q1/2017	Q4/2017
Revenue without IFRS 15	873.7	838.0	949.9
Revenue	689.6	838.0	949.9
Gross profit	223.5	227.0	251.6
EBITDA	106.5	100.9	118.2
EBIT	65.2	60.7	69.8
EBT	54.2	48.4	56.8
Group result	46.7	41.7	26.6
Earnings per share in EUR (diluted and undiluted)	0.39	0.35	0.23

Balance Sheet

In EUR million / as indicated	31.3.2018	31.3.2017	31.12.2017
Balance sheet total	4,665.7	4,262.0	4,314.1
Shareholders' equity	1,473.6	1,445.6	1,462.9
Equity ratio in %	31.6	33.9	33.9

Finances and investments

In EUR million	Q1/2018	Q1/2017	Q4/2017
Free cash flow	54.8	56.4	74.4
Depreciation and amortisation	36.6	35.0	44.0
Net investments (CAPEX)	11.0	21.9	-1.0
Net debt	596.7	596.9	510.0
Pro forma net debt	1,311.8	1,377.0	1,350.3

Share

	31.3.2018	31.3.2017	31.12.2017
Closing price XETRA in EUR	24.71	30.49	30.82
Number of issued shares in `000s	128,061	128,061	128,061
Market capitalisation in EUR million	3,164.4	3,904.6	3,946.8

Employees

	31.3.2018	31.3.2017	31.12.2017
Employees	4,108	4,249	4,113

OVERVIEW KEY FINANCIALS¹

MOBILE COMMUNICATIONS

SEGMENT

Customer development

In million	Q1/2018	Q1/2017	Q4/2017
Mobile Communications customers/cards ²	11.77	12.00	11.83
Thereof Customer Ownership	9.60	9.56	9.59
Thereof Postpaid	6.77	6.54	6.71
Thereof No-frills	2.83	3.02	2.88
Thereof Prepaid	2.16	2.44	2.24
Gross new customers	0.59	0.66	0.71
Net change	-0.06	-0.06	-0.05

Result

In EUR million	Q1/2018	Q1/2017	Q4/2017
Revenue without IFRS 15	805.0	762.8	875.3
Revenue	621.0	762.8	875.3
Gross profit	179.0	178.1	202.6
EBITDA	100.2	100.1	108.1

Monthly average revenue per user (ARPU)

In EUR	Q1/2018	Q1/2017	Q4/2017
Postpaid	21.4	21.1	21.4
No-frills	3.2	2.5	3.0
Prepaid	3.2	3.0	3.2

TV AND MEDIA SEGMENT

Customer Development

In '000s	Q1/2018	Q1/2017	Q4/2017
freenet TV subscribers	1,022.0	-	974.6
waipu.tv registered customers ³	608.8	147.1	463.6
waipu.tv subscribers	133.1	25.0	102.3

Result

In EUR million	Q1/2018	Q1/2017	Q4/2017
Revenue	71.5	74.7	75.6
Gross profit	37.4	38.4	40.5
EBITDA	7.8	3.3	15.7

Monthly average revenue per user (freenet TV ARPU)

In EUR	Q1/2018	Q1/2017	Q4/2017
freenet TV	4.6	-	4.5

- 1 Unless otherwise identified, definitions of these terms are included in the glossary.
- 2 At the end of the period.
- 3 Exclusive of pre-registered users (Q1/2018: about 71,000, Q4/2017: about 76,000).

BUSINESS PERFORMANCE

freenet AG has made a successful start to the financial year 2018. Without the obligatory first-time application of the accounting standard IFRS 15, revenue in the first quarter would have increased by 35.7 million euros or 4.3 per cent to 873.7 million euros. However, the disclosure requirement amended by IFRS 15 has meant that not only revenue but also cost of material have to be disclosed clearly lower. As a result the revenue was reported lower at 689.6 million euros in the first quarter of 2018. However, gross profit amounted to 223.5 million euros (-1.5 per cent), only slightly below the level of the comparison quarter; this is also applicable for free cash flow at 54.8 million euros. EBITDA increased by almost 6 per cent compared with Q1/2017 to 106.5 million euros. Furthermore, the earnings elements of freenet AG's Swiss holding Sunrise are included in the quarterly figures of freenet AG in the amount of 9.9 million euros.

In its core business of mobile communications, the number of postpaid customers with a two-year contract increased by almost 60,000 to 6.77 million in the first quarter. The company has been achieving continuous growth for many years in this particularly valuable segment and, in view of the fact that competition continues to be fierce, this represents a very positive result for the company. With its individual brands, freenet regularly sets accents with customer-oriented tariffs and top placing in independent comparison tests. In addition, since March of this year, the no-frills brand klarmobil has for the first time also been offering high-speed tariffs with up to 50 mbps in the data network of Deutsche Telekom. Overall, Customer Ownership in the postpaid and no-frills sector amounted to 9.60 million at the end of March, and was slightly positive compared with the comparison quarters. The same is also applicable for postpaid-ARPU of 21.4 euros, compared with 21.4 euros in the previous quarter and 21.1 euros in the first quarter of 2017. At the same time, the decline in the number of prepaid activations has continued - with round 70,000 in the first three months of the current financial year. This market-wide trend has resulted from the identification requirement (implemented by the legislative authorities in July 2017) which makes it more difficult for a corresponding card to be purchased online or in a store. Increasing numbers of postpaid customers in conjunction with stable ARPU as well as stronger hardware sales

in core business, and also further growth in Digital Lifestyle revenue and revenue in the TV B2C business have also made a contribution to the positive development in revenue in the first three months.

In the first quarter of the current financial year, freenet TV attained an initial major milestone in the TV and Media segment: In March, an award was presented in the headquarters of the Media Broadcast Group to the company's one millionth customer. The freenet subsidiary operates the platform of the new broadcasting standard DVB-T2 HD, on which freenet TV has been commercially offering high-definition TV images as a new brand since the end of March 2017 - initially via antenna. In the course of a 'soft launch', customers were able to initially receive approximately 20 private stations for three months free-of-charge via set-top box or CI+ card; they then changed over automatically to encryption with a monthly charge for full-HD reception of these stations.

Since the beginning of July 2017, the first customers have been paying correspondingly for freenet TV - with a continuously rising trend. As of the end of March 2018, freenet TV reported 1.02 million customers. At the same time, Media Broadcast also made the pay service of freenet TV available for all satellite users; the charge is 5.75 euros per month (the same as for antenna reception).

In the first quarter of 2018, continuous expansion of the offering and the activities relating to the IPTV product have resulted in a positive development in user figures. With waipu.tv, the freenet majority holding EXARING AG covers the field of digital motions pictures and TV entertainment on the basis of the company's own fibre-optic network covering approximately 12,000 kilometres.

In recent months, the company has expanded its portfolio to approximately 80 stations, which the user can stream to his smartphone, tablet or TV via an app.

The beginning of the year initially saw the arrival of 'sportdigital HD', the 'Heimatkanal' and 'Romance TV': sportdigital HD shows live broadcasts from thirteen football leagues in four continents; the Heimatkanal shows the best of more than 80 years of regional background films and theater, traditional

folk music and German series; Romance TV in turn focuses on romantic TV movies, telenovelas, feature films and series. In addition, 'Watch Movies' has also been offering its content on waipu.tv since February 2018: the YouTube multi-channel network has licenses for more than 3,000 contents - feature films in the fields of drama, thrillers, comedy and love stories as well as numerous series and music; in this way, it achieves more than 12 million hits every month. At the same time, EXARING AG has stepped up its

marketing activities, in the form of advertising campaigns / flights in order to boost its brand awareness.

In consequence, the number of subscribers of waipu.tv increased to approximately 133,000 at the end of March. There was also a significant increase in the number of registered customers, to approximately 610,000 - compared with 463,600 at the end of last year. Growth of more than 30 per cent has just been achieved in both customer segments.

ASSETS, EARNINGS AND FINANCIAL POSITION

Earnings position

The Group's key performance indicators

In EUR '000s	Q1/2018	Q1/2017	Change
Revenue without IFRS 15	873,656	837,987	35,669
Revenue	689,608	837,987	-148,379
Gross profit	223,541	226,979	-3,438
Overhead costs	-117,050	-126,097	9,047
EBITDA	106,491	100,882	5,609
EBITDA exclusive of Sunrise	96,630	91,140	5,490
EBIT	65,155	60,724	4,431
EBT	54,242	48,361	5,881
Group result	46,695	41,653	5,042

Without the effects of the change-over to IFRS 15, there would have been a considerable increase of 35.7 million euros in **REVENUE**, from the figure of 838.0 million euros achieved in the previous year quarter to 873.7 million euros in the reporting quarter. The fact that the revenue has to be disclosed lower now is exclusively caused by the accounting standard IFRS 15 which is applicable for the first time since 1 January 2018. Compared with the corresponding previous year quarter, consolidated revenue thus was reported lower in the first quarter of 2018 by 148.4 million euros at the amount of 689.6 million euros.

In the Mobile Communications segment, customer ownership (9.60 million customers at the end of

March 2018 compared with 9.56 million customers at the end of March 2017) increased again in conjunction with stable postpaid ARPU (21.4 euros in Q1/2018 compared with 21.1 euros in Q1/2017). Without the effects of the change-over to IFRS 15, revenue in the Mobile Communications segment would thus have increased by 42.2 million euros to 805.0 million euros. At 71.5 million euros, revenue in the TV and Media segment was slightly lower than the level seen in the corresponding previous year quarter (74.7 million euros).

As a result of the change-over to IFRS 15, cost of materials was disclosed lower by 144.9 million euros compared with the corresponding previous year

quarter, at the amount of 466.1 million euros. Without the application of IFRS 15, the increase in cost of materials compared with the previous year quarter would have been similar to the increase in revenue adjusted by the IFRS 15 effects.

At 223.5 million euros, **GROSS PROFIT** has declined by 3.4 million euros compared with the figure reported for the previous year comparison quarter. The gross profit margin increased by 5.3 percentage points to 32.4 per cent - mainly as a result of IFRS 15.

OVERHEAD EXPENSES - the difference between gross profit and EBITDA - 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 9.0 million euros to 117.1 million euros compared with Q1/2017. This is due mainly to the increased marketing activities in the previous year quarter following the introduction of the antenna standard DVB-T2 HD. Within the overheads there was a shift between personnel expenses (reduction) and the other operating expenses (increase) relating to the outsourcing of customer service business processes to Capita Customer Services (Germany) GmbH which was completed in March 2017.

In the reporting quarter, **EBITDA** is stated as 106.5 million euros, representing an increase of 5.6 million euros compared with the figure reported for the previous year quarter. Without recognising the shares of profit of the participation in Sunrise of 9.9 million euros, EBITDA is reported as 96.6 million euros (Q1/2017: 91.1 million euros). In the first quarter of 2018, the Mobile Communications segment contributed 100.2 million euros to EBITDA (including 9.9 million euros relating to the participation in Sunrise; Q1/2017: 100.1 million euros, including 9.7 million euros relating to the participation in Sunrise); the TV and Media segment contributed 7.8 million euros (Q1/2017: 3.3 million euros) and the Other/Holding segment contributed -1.4 million euros (Q1/2017: -2.5 million euros).

Compared with the previous year quarter, **DEPRECIATION AND IMPAIRMENTS** increased by 1.6 million euros to 36.6 million euros, mainly as a result of slightly higher depreciation on tangible assets in the TV and Media segment.

NET INTEREST INCOME, i.e. the difference between interest income and interest expenses, is disclosed as -10.9 million euros in the reporting quarter (Q1/2017: -12.4 million euros). This positive development in net interest income is mainly attributable to the syndicated amortising loan which was concluded in October 2017 and which has had a positive impact on interest expenses in conjunction with more favourable interest conditions, as well as the lower compounding of liabilities.

As a result of the effects explained above, the **GROUP'S RESULT BEFORE TAXES ON INCOME (EBT)** amounted to 54.2 million euros, representing an increase of 5.9 million euros compared with the previous year.

INCOME TAX EXPENSES of 7.5 million euros were reported for the period under review (Q1/2017: 6.7 million euros). Current assets tax expenses of 9.2 million euros (Q1/2017: 5.3 million euros) and deferred tax income of 1.7 million euros (Q1/2017 deferred tax expenses: 1.4 million euros) were recognised. The deferred tax income is mainly attributable to temporary differences between figures shown for assets under IFRS and the corresponding figures shown under tax law.

As was the case in the corresponding period of the previous year, the **GROUP RESULT** reported in the first quarter of 2018 was exclusively attributable to continued operations, and amounted to a total of 46.7 million euros; compared with the figure of 41.7 million euros reported for the previous year comparison quarter, this represents an increase of 5.0 million euros.

Assets and financial position

Selected Group balance sheet figures

Assets

In EUR million	31.3.2018
Non-current assets	3,790.3
Current assets	875.4
Total assets	4,665.7
<hr/>	
In EUR million	31.12.2017
Non-current assets	3,440.3
Current assets	873.9
Total assets	4,314.1

Shareholders' equity and liabilities

In EUR million	31.3.2018
Shareholders' equity	1,473.6
Non-current and current liabilities	3,192.1
Total equity and liabilities	4,665.7
<hr/>	
In EUR million	31.12.2017
Shareholders' equity	1,462.9
Non-current and current liabilities	2,851.2
Total equity and liabilities	4,314.1

The **BALANCE SHEET TOTAL** as of 31 March 2018 amounted to 4,665.7 million euros, and thus increased by 351.6 million euros (8.1 per cent) compared with 31 December 2017 (4,314.1 million euros).

The considerable increase in various items within non-current and current assets is mainly attributable to the process of changing over to the new accounting standards IFRS 15 and IFRS 9 at the beginning of the financial year 2018. In consequence, the costs of signing up customers have for the first time been shown under the item „Contract acquisition costs“, and are shown in the amount of 284.0 million euros as of the end of March 2018. In addition, the development in other financial assets to 288.9 million euros (31 December 2017: 22.2 million euros), in trade accounts receivable to 261.6 million euros (31 December 2017: 532.8 million euros) and in deferred tax receivables to 173.4 million euros (31 December 2017: 153.5 million euros) is mainly attributable to the change-over effects relating to IFRS 15 as well as IFRS 9.

The increase of 38.1 million euros in liquid assets to 360.9 million euros is mainly due to the generated free cash flow of 54.8 million euros less the cash outflows from financing activities in the amount of 16.5 million euros.

The main items on the **LIABILITIES SIDE OF THE BALANCE SHEET** are shareholders' equity of 1,473.6 million euros (31 December 2017: 1,462.9 million euros) and the financial debt of 1,672.7 million euros (31 December 2017: 1,673.1 million euros).

The **EQUITY RATIO** declined from 33.9 per cent at the end of December 2017 to 31.6 per cent at the end of March 2018, mainly as a result of the change-over to IFRS 15 and IFRS 9. **NET FINANCIAL DEBT** increased to 596.7 million euros as of 31 March 2018 (31 December 2017: 510.0 million euros). The increase in net financial debt is mainly attributable to the decline in the share price of Sunrise (31 March 2018: 64.70 euros, 31 December 2017: 76.04 euros). The debt ratio has accordingly increased from 0.9 as of the end of December 2017 to 1.1 as of the end of March 2018. In this context, please refer to the statements in the chapter „Financial management“.

The increase of 432.7 million euros in other payables to 514.6 million euros, and the increase of 31.0 million euros in other financial trade accounts to 412.4 million euros, is mainly attributable to the additional initial of IFRS 15. The decline of 116.0 million euros in trade accounts payable to 401.2 million euros is also mainly due to the new accounting procedure.

Cash flow

The Group's key cash flow indicators

In EUR million	Q1/2018	Q1/2017	Change
Cash flow from operating activities	65.8	78.3	-12.6
Cash flow from investing activities	-11.2	-21.5	10.3
Cash flow from financing activities	-16.5	-18.7	2.2
Change in cash and cash equivalents	38.1	38.2	-0.1
Free cash flow	54.8	56.4	-1.6

With respect to the comparison period, the **CASH FLOW FROM OPERATING ACTIVITIES** declined by 12.6 million euros to 65.8 million euros. With the increase of 5.5 million euros in EBITDA exclusive of Sunrise, the increase of 15.7 million euros in net working capital compared with the previous year quarter has the effect of reducing cash flow from operating activities. In addition, the tax payments made in the reporting quarter (8.0 million euros) were also higher than the corresponding figure for the comparison quarter in 2017 (0.6 million euros).

CASH FLOW FROM INVESTING ACTIVITIES amounted to -11.2 million euros in Q1/2018, compared with -21.5 million euros in the previous year quarter. The change is primarily attributable to the outflows of cash for investing activities recorded in the previous year following the change-over to the antenna standard DVB-T2 HD in March 2017.

The cash-effective investments were financed in full out of the Company's own resources.

In the reporting quarter, **CASH FLOW FROM FINANCING ACTIVITIES** improved to -16.5 million euros compared with -18.7 million euros in the previous year. In the first quarter of 2018, the interest payments declined by 1.5 million euros to 11.1 million euros, mainly as a result of improved interest rate conditions. There were also repayments of 5.4 million euros relating to a framework rental agreement of the Media Broadcast Group classified as the finance lease.

As a result of the effects described above, a **FREE CASH FLOW** of 54.8 million euros was generated in the first quarter of 2018 – representing a decline of 1.6 million euros compared with the corresponding previous year quarter (56.4 million euros).

FINANCIAL MANAGEMENT

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

The capital structure is managed primarily through financial KPIs consisting of 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 2017 to March 2018 and April 2016 to March 2017).

Key figures of financial management

	Q1/2017	2017	Q1/2018	Target
Debt ratio	1.3	0.9	1.1	1.0 – 2.5
Pro forma debt ratio	3.1	2.5	2.4	–
Interest Cover	8.2	10.8	11.2	> 5
Equity ratio in %	33.9	33.9	31.6	> 50

The debt ratio amounted to 1.1 as of 31 March 2018 and, as was also the case as of 31 March 2017, was within the strategic range of 1.0 to 2.5. The debt primarily comprises borrowers' note loans with a total nominal value of 1,064.5 million euros which fall due upon final maturity between 2018 and 2026 as well as the syndicated amortising loan with a nominal value of 610.0 million euros which was concluded in October 2017.

The pro-forma debt ratio is stated as 2.4, due to the acquisitions and equity participations which were concluded in 2016.

The interest cover of 11.2 is higher compared with the corresponding previous-year quarter (8.2), and is thus still higher than the defined lower limit of 5.0.

As of 31 March 2018, the equity ratio was below the target of 50 per cent; this is connected with the refinancing in the previous years.

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

REPORT OF SUBSEQUENT EVENTS

No further 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 2017 annual report, there have been no significant changes in the first quarter 2018. The 2017 annual report is available online at <http://www.freenet-group.de/investor/publications>.

FORECAST

Development of the key performance indicators

In EUR million / as indicated	Forecast for financial year 2017	2017	1.1.-31.3.2018	Change over previous year quarter in %	Forecast for financial year 2018
Financial performance indicators					
Revenue ¹	moderate increase	3,507.3	873.7	4.3	stable
EBITDA exclusive of Sunrise	slightly above 410	408.0	96.6	6.0	410-430
Free cash flow exclusive of Sunrise	around 310	308.4	54.8	-2.8	290-310
Postpaid ARPU (in EUR)	stable	21.4	21.4	0.0	stable
freenet TV-ARPU (in EUR)	around 4.5	4.3	4.6	n/a	around 4.5
Non-financial performance indicators					
Customer Ownership (in million)	slight increase	9.59	9.60	0.4	stable
freenet TV subscribers (in million)	> 0.80	0.98	1.02	n/a	> 1.20
waipu.tv registered customers (in million) ²	> 0.50	0.46	0.61	> 100.0	significant increase
waipu.tv subscribers (in million)	> 0.10	0.10	0.13	> 100.0	> 0.25

1 Excluding the effects of the first-time application of IFRS 15 in 2018.

2 Exclusive of pre-registered users (Q1/2018: about 71,000, Q4/2017: about 76,000).

In order to measure the short-, medium- and long-term success of our strategic alignment and its operational implementation, the freenet Group currently uses financial as well as non-financial performance indicators: 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. Postpaid ARPU is used as a performance indicator only in the Mobile Communications segment, and freenet TV ARPU is used as a performance indicator only in the TV and Media segment.

For 2018, the freenet Group expects fundamentally stable revenues. As a result of the accounting standard IFRS 15 which has to be applied for the first time starting 1 January, the figure reported for revenue will in future be much lower, essentially as a result of network operator commissions which are received being reported as a reduction in cost of materials, instead of, being shown in revenue as has been the case previously. Please refer to note 1.1., Business activity and accounting standards, of the notes to the consolidated financial statements. The change-over to

IFRS 15 is based on a steady business structure and is expected to result in revenue declining by approximately 700 million euros in 2018.

On the basis of these positive results and the expected sector developments, the company's aim for the financial year 2018 is to achieve stable revenue as well as slightly higher EBITDA exclusive of Sunrise of 410 to 430 million euros.

At the segment level, the executive board is predicting stable revenue and stable EBITDA for 2018 in the Mobile Communications segment compared with the previous year. Only the changeover to IFRS 15 is expected to result in a lower disclosure of revenues of around 700 million euros based on a steady business structure. The targets for the development of the performance indicators postpaid ARPU and customer ownership in the next year are stated as follows: The company continues to expect that postpaid ARPU will stabilise at the level of the previous year and also stable figures for customer ownership compared with the financial year 2017. However, this is

expected to increase the particularly valuable Post-paid-customer-base. The freenet Group meets the challenges in the mobile communications market by means of greater marketing of data tariffs and current devices such as smartphones and tablets.

For the TV and Media segment, the company expects to report stable revenue and significant higher EBITDA for 2018 compared with the previous year. With regard to the DVB-T2 HD product freenet TV, the company expects to be able to report more than 1.2 million subscribers at the end of 2018. In the

opinion of the Executive Board, freenet TV ARPU will be approximately 4.5 euros in the financial year 2018, roughly in line with the corresponding previous-year figure. With regard to the IPTV offering waipu.tv, the company is predicting an increase in the number of customers in 2018: Management expects to see more than 250,000 subscribers and a significant increase in registered customers.

For the financial year 2018, the company aims to achieve a group-wide free cash flow exclusive of Sunrise of 290 to 310 million euros.

SELECTED FINANCIAL INFORMATION

Consolidated income statement for the period from 1 January to 31 March 2018

In EUR `000s/as indicated	Q1/2018 1.1.2018- 31.3.2018	Q1/2017 1.1.2017- 31.3.2017
Revenue	689,608	837,987
Other operating income	12,682	14,334
Other own work capitalised	3,659	4,436
Cost of material	-466,067	-611,008
Personnel expenses	-54,867	-59,683
Depreciation and amortisation	-36,572	-34,976
Other operating expenses	-88,196	-94,926
Thereof result from the allowance of financial assets	-14,471	-12,937
Thereof exclusive the result from the allowance of financial assets	-73,725	-81,989
Operating result	60,247	56,164
Share of results of associates accounted for using the equity method	4,908	4,560
Thereof profit share	9,672	9,742
Thereof subsequent recognition from purchase price allocation	-4,764	-5,182
Interest receivable and similar income	6	165
Interest payable and similar expenses	-10,919	-12,528
Result before taxes on income	54,242	48,361
Taxes on income	-7,547	-6,708
Group result	46,695	41,653
Group result attributable to shareholders of freenet AG	49,959	45,234
Group result attributable to non-controlling interest	-3,264	-3,581
Earnings per share in EUR (undiluted)	0.39	0.35
Earnings per share in EUR (diluted)	0.39	0.35
Weighted average of shares outstanding in thousand (undiluted)	128,011	128,011
Weighted average of shares outstanding in thousand (diluted)	128,011	128,011

Consolidated balance sheet as of 31 March 2018

Assets

In EUR '000s	31.3.2018	31.12.2017
Non-current assets		
Intangible assets	552,455	563,507
Goodwill	1,379,919	1,379,919
Property, plant and equipment	421,847	435,818
Investments in associates accounted for using the equity method	821,252	810,984
Deferred income tax assets	173,439	153,508
Trade accounts receivable	44,568	79,081
Other receivables and other assets	15,383	9,500
Other financial assets	97,408	7,945
Contract acquisition costs	283,985	0
	3,790,256	3,440,262
Current assets		
Inventories	94,489	76,310
Current income tax assets	2,085	2,205
Trade accounts receivable	217,002	453,700
Other receivables and other assets	9,393	4,572
Other financial trade accounts	191,537	14,258
Cash and cash equivalents	360,918	322,816
	875,424	873,861
	4,665,680	4,314,123

Shareholders' equity

In EUR '000s	31.3.2018	31.12.2017
Shareholders' equity		
Share capital	128,061	128,061
Capital reserve	737,536	737,536
Cumulative other comprehensive income	-13,198	-20,256
Retained earnings	593,344	586,433
Capital and reserves attributable to shareholders of freenet AG	1,445,743	1,431,774
Capital and reserves attributable to non-controlling interest	27,863	31,127
	1,473,606	1,462,901
Non-current liabilities		
Other payables	103,391	0
Other financial trade accounts	354,953	332,218
Borrowings	1,667,307	1,666,001
Pension provisions	85,793	87,909
Other provisions	26,836	26,794
	2,238,280	2,112,922
Current liabilities		
Trade accounts payable	401,239	517,276
Other payables	411,180	81,842
Other financial trade accounts	57,405	49,121
Current income tax liabilities	35,185	33,806
Borrowings	5,369	7,145
Other provisions	43,416	49,110
	953,794	738,300
	4,665,680	4,314,123

Consolidated statement of cash flows for the period from 1 January to 31 March 2018

	Q1/2018	Q1/2017
In EUR '000s	1.1.2018- 31.3.2018	1.1.2017- 31.3.2017
Result before interest and taxes (EBIT)	65,155	60,724
Adjustments		
Depreciation and impairment on items of fixed assets	36,572	34,976
Share of results of associates accounted for using the equity method	-4,908	-4,560
Gains/Losses on the disposal of fixed assets	-698	88
Increase in networking capital not attributable to investing or financing activities	-27,949	-12,288
Activation of contract acquisition costs	-72,676	0
Amortisation of contract acquisition costs	78,280	0
Tax payments	-8,002	-614
Cash flow from operating activities	65,774	78,326
Investments in property, plant and equipment and intangible assets	-11,905	-21,947
Proceeds from the disposal of property, plant and equipment and intangible assets	920	2
Payments in shareholders' equity, accounted for using the equity method	0	-100
Investments in other financial assets	-200	0
Interest received	3	594
Cash flow from investing activities	-11,182	-21,451
Cash repayments of borrowings	0	-37
Cash repayments from liabilities from finance lease	-5,438	-6,094
Interest paid	-11,052	-12,532
Cash flow from financing activities	-16,490	-18,663
Cash-effective change in cash and cash equivalents	38,102	38,212
Cash and cash equivalents at the beginning of the period	322,816	318,186
Cash and cash equivalents at the end of the period	360,918	356,398
Composition of cash and cash equivalents		
In EUR '000s	31.3.2018	31.3.2017
Cash and cash equivalents	360,918	356,398
	360,918	356,398
Composition of free cash flow¹		
In EUR '000s	31.3.2018	31.3.2017
Cash flow from operating activities	65,774	78,326
Investments in property, plant and equipment and intangible assets	-11,905	-21,947
Proceeds from the disposal of property, plant and equipment and intangible assets	920	2
Free cash flow (FCF)	54,789	56,381

¹ Free cash flow is a non-GAAP parameter.

Segment report for the period from 1 January to 31 March 2018

In EUR `000s	Mobile Communications	TV and Media	Other/Holding	Elimination of inter- segment revenue and cost	Total
Third-party revenue	607,177	69,731	12,700	0	689,608
Intersegment revenue	13,787	1,746	3,926	-19,459	0
Total revenue	620,964	71,477	16,626	-19,459	689,608
Cost of materials, third party	-436,690	-25,404	-3,973	0	-466,067
Intersegment cost of materials	-5,254	-8,646	-1,246	15,146	0
Total cost of materials	-441,944	-34,050	-5,219	15,146	-466,067
Segment gross profit	179,020	37,427	11,407	-4,313	223,541
Other operating income	10,986	1,015	1,399	-718	12,682
Other own work capitalised	2,175	937	547	0	3,659
Personnel expenses	-30,129	-16,540	-8,198	0	-54,867
Other operating expenses	-71,730	-15,086	-6,411	5,031	-88,196
Thereof result from the allowance of financial assets	-14,297	-100	-74	0	-14,471
Thereof exclusive the result from the allowance of financial assets	-57,433	-14,986	-6,337	5,031	-73,725
Profit share of results of associates accounted for using the equity method	9,861	0	-189	0	9,672
Segment EBITDA	100,183	7,753	-1,445	0	106,491
Depreciation and impairment write -downs					-36,572
Subsequent accounting for associates account- ed for using the equity method					-4,764
EBIT					65,155
Group financial result					-10,913
Taxes on income					-7,547
Group result					46,695
Group result attributable to shareholders of freenet AG					49,959
Group result attributable to non-controlling interest					-3,264
Cash-effective net investments	3,300	6,787	898		10,985

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 costs	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
Thereof result from the allowance of financial assets	-12,927	47	-57	0	-12,937
Thereof exclusive the result from the allowance of financial assets	-56,039	-21,950	-7,070	3,070	-81,989
Profit share of results of associates accounted for using the 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	4,026	16,604	1,315		21,945

FURTHER INFORMATION

Financial Calendar

4 May 2018¹

Quarterly Statement as of 31 March 2018 – First quarter 2018

17 May 2018¹

Annual General Meeting of freenet AG (Halle A4, Messeplatz 1), Hamburg

9 August 2018¹

Interim Report as of 30 June 2018 – Second quarter 2018

8 November 2018¹

Quarterly Statement as of 30 September 2018 – Third quarter 2018

¹ All dates are subject to change

IMPRINT, CONTACT, PUBLICATIONS

freenet AG

Hollerstraße 126
24782 Büdelsdorf
Germany

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

freenet AG**Investor Relations**

Deelbögenkamp 4c
22297 Hamburg
Germany

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

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

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, i.e. the customer-cluster specific service revenue (before adoption of IFRS 15) divided by the average customer base as of the respective reporting date.
Customer ownership	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.
Debt ratio	Ratio between net financial debt (see "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, including the share of result of associates accounted for using the equity method.
EBITDA	EBIT (see "EBIT"), excl. depreciation, amortisation and deferred taxes arising from the subsequent recognition of companies accounted for using the equity method, plus depreciation and amortisation.
EBITDA exclusive of Sunrise	Analog EBITDA without the profit share of the Sunrise holding included using the equity method.
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.
Free cash flow exclusive of Sunrise	Analog free cash flow without the dividend from the Sunrise investment.
freenet TV subscribers	Customers who access freenet TV by way of prepaid card or a direct debit arrangement (postpaid).
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. In contrast to this are the transmission paths cable, DVB-T or satellite.

Net financial debt	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.
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	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.
Postpaid	Mobile services billed at the end of the month.
Prepaid	Mobile communications services paid in advance.
Pro-forma debt ratio	Ratio between pro-forma financial debt (see “pro-forma financial debt”) and the EBITDA (see “EBITDA”) generated in the last twelve months.
Pro-forma financial debt	Non-current and current financial debt in the balance sheet, less liquid assets.
waipu.tv registered customers	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).
waipu.tv subscribers	Customers who use the waipu.tv service in conjunction with one of the available pay-monthly tariffs (e.g. Comfort or Perfect).