INTERIM REPORT AS OF 30 SEPTEMBER 2016

Q3 2016

freenet GROUP

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

CONTENTS

OVERVIEW KEY FINANCIALS: GROUP

Result

In EUR million/as indicated	Q1-Q3/2016	Q1-Q3/2015	Q3/2016	Q2/2016 adjusted[9]	Q3/2015
Revenue	2,424.1	2,291.1	867.2	807.7	790.1
Gross profit[1]	645.7	574.9	234.1	219.4	197.1
EBITDA[2]	311.7	272.4	118.2	104.3	97.3
EBIT[3]	211.7	219.9	81.2	63.3	79.0
EBT	170.2	190.7	67.2	47.8	69.0
Group result	162.1	173.1	58.0	53.0	61.9
Earnings per share in EUR (diluted and undiluted)	1.30	1.35	0.47	0.43	0.48

Balance Sheet

In EUR million/as indicated	30.9.2016	30.9.2015	30.9.2016	30.6.2016 adjusted[9]	30.9.2015
Balance sheet total	4,194.0	2,554.6	4,194.0	4,141.8	2,554.6
Shareholders' equity	1,329.5	1,280.1	1,329.5	1,277.0	1,280.1
Equity ratio in %	31.7	50.1	31.7	30.8	50.1

Finances und investments

In EUR million	Q1-Q3/2016	Q1-Q3/2015	Q3/2016	Q2/2016 adjusted[9]	Q3/2015
Free cash flow[4]	262.7	217.4	71.3	125.1	81.1
Depreciation and amortisation	89.4	52.6	31.9	35.7	18.4
Net investments[5] (CAPEX)	34.2	19.7	9.5	17.7	4.8
Net debt[6]	787.7	429.3	787.7	898.0	429.3
Pro forma net debt[7]	1,473.8	429.3	1,473.8	1,526.9	429.3

Share

	30.9.2016	30.9.2015	30.9.2016	30.6.2016	30.9.2015
Closing price Xetra in EUR	26.03	29.54	26.03	23.08	29.54
Number of issued shares in '000s	128,061	128,061	128,061	128,061	128,061
Market capitalisation in EUR million	3,332.8	3,782.3	3,332.8	2,955.0	3,728.3

Employees

	30.9.2016	30.9.2015	30.9.2016	30.6.2016	30.9.2015
Employees	4,928	4,547	4,928	4,879	4,547

OVERVIEW KEY FINANCIALS: MOBILE COMMUNICATIONS SEGMENT

Customer development

In million	Q1-Q3/2016	Q1-Q3/2015	Q3/2016	Q2/2016	Q3/2015
Mobile Communications customers/cards[8]	12.06	12.28	12.06	12.09	12.28
Thereof Customer Ownership	9.47	9.21	9.47	9.42	9.21
Thereof Postpaid	6.43	6.23	6.43	6.39	6.23
Thereof No-frills	3.04	2.97	3.04	3.02	2.97
Thereof Prepaid	2.59	3.07	2.59	2.67	3.07
Gross new customers/cards	2.04	2.10	0.73	0.67	0.71
Net change	-0.18	-0.45	-0.03	-0.06	-0.10

Result

In EUR million	Q1-Q3/2016	Q1-Q3/2015	Q3/2016	Q2/2016	Q3/2015
Revenue	2,258.6	2,249.6	793.5	737.8	776.0
Gross profit[1]	540.9	539.3	187.3	176.9	186.1
EBITDA[2]	301.6	283.6	112.3	98.6	100.2

Monthly average revenue per user (ARPU)

In EUR	Q1-Q3/2016	Q1-Q3/2015	Q3/2016	Q2/2016	Q3/2015
Postpaid	21.5	21.5	21.6	21.4	21.9
No-frills	2.4	2.5	2.5	2.4	2.6
Prepaid	3.1	3.0	3.2	3.1	3.2

TV AND MEDIA SEGMENT

Result

In EUR million	Q1-Q3/2016	Q1-Q3/2015	Q3/2016	Q2/2016 adjusted[9]	Q3/2015
Revenue	148.1	0.0	70.1	67.6	0.0
Gross profit[1]	72.6	0.0	35.7	32.0	0.0
EBITDA[2]	18.4	0.0	8.3	9.0	0.0

1 Revenue less cost of material.
2 Group result before interest, taxes on income, depreciation and impairment write-downs, including shares of associates accounted for using the equity method, excluding depreciation and deferred taxes from the subsequent accounting regarding shadow purchase price allocation (element of the result of associates accounted for using the equity method).
3 Group result before interest and taxes on income.
4 Free cash flow (FCF) is defined as cash flow from operating activities minus investments in property, plant and equipment and intangible assets, plus proceeds from the disposal of property, plant and equipment and intangible assets.
5 Investments in property, plant and equipment and intangible assets less proceeds from the disposal of intangible assets and property, plant and equipment.
6 Borrowings less liquid assets, less Sunrise Communications Group AG share of market value as of 30 June 2016 respectively as of 30 September 2016 (source price data: Bloomberg).
7 Financial debt less liquid assets.
8 At the end of period.
9 Retrospective adjustment due to finalised purchase price allocation (PPA) of Media Broadcast Group (please refer to note 3 of our selected explanatory notes in accordance with IAS 34).

From left to right: Joachim Preisig, CFO; Christoph Vilanek, CEO; Stephan Esch, CTO

LETTER TO SHAREHOLDERS

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

several weeks ago, a series of remarkable figures was released through the press. The Swedish network equipment provider Ericsson published the results of an analysis concerning the global use of mobile phones, smartphones and data volumes. According to this analysis, the global population penetration of mobile contracts rose to 100 per cent at the beginning of the year – there are now approximately 7.4 billion people with more than 7.4 billion contracts, and four out of five mobile phones which were sold were smartphones. The number of corresponding smartphone contracts is also expected to approximately double in the course of the next five years, namely from 3.2 to 6.3 billion.

This is having a considerable impact on data consumption: whereas, according to Ericsson, a smartphone two years ago was consuming 1 GB per month (global average), the corresponding figure in 2015 was 1.4 GB, and the Scandinavian experts are predicting for instance that the figure for Western Europe during the next five years will increase to 18 GB per month per user. This growth is being driven particularly by the use of moving images, which in five years will account for 70 per cent of mobile data traffic – with annual growth rates of 55 per cent; this development is being driven particularly by the age group of teenagers.

Current figures of the Frankfurter Allgemeine Sonntagszeitung of mid-September are supporting these predictions. According to these figures, streaming services such as Netflix are currently breaking all records: During the past ten years, the US producer and distributor of films and TV series has boosted the number of its global subscribers from 0.5 to almost 75 million world-wide. More and more people are watching television via the Internet – this is also true for Germany. On average, the Germans nowadays spend 223 minutes per day in front of the TV, compared with 144 minutes in 1998. And for video streaming, 94 per cent use Internet-capable TV sets; the corresponding figures for laptops and tablets are 52 per cent and 26 per cent respectively.

These developments are confirming that our strategic decisions and investments over recent months and years have been correct:

Within the context of rapidly expanding terrestrial as well as Internet-based use of TV formats, streaming and catch-up services, our acquisition of the Media Broadcast Group at the beginning of 2016 and our participation in EXARING AG completed our strategy of breaking into TV business and home entertainment of the future.

At the same time, we are addressing the attractive digital lifestyle growth market with innovative digital applications and products relating to home automation and security, health, data security, entertainment and infotainment – including the devices used for this purpose, such as smartphones, tablets and notebooks.

In our traditional business area of mobile communications, we have for many years been focussing on high-value and profitable contract relations with our main and discount brands in view of the obviously high market penetration in this particular field.

We are currently of course focussing particularly on our new acquisitions and the need to consistently address the associated enormous growth potential as quickly as possible: Media Broadcast is the sole commercial provider of the innovative TV standard DVB-T2 HD. When the current test phase is completed at the end of March of next year, our subsidiary will provide terrestrial broadcasting in full-HD quality for up to 18 public TV channels (free-of-charge), and will also provide terrestrial broadcasting for approximately 20 high-range private stations such as RTL, Sat.1, ProSieben and VOX – in encrypted form for a planned monthly fee of 5.75 euros. The programmes which are included will in the medium term cover at least 96 per cent of the audience market share and, by no later than 2019, DVB-T2 HD will reach more than 80 per cent of the German population by terrestrial means. And then there is also access to on-demand services such as the various catch-up services of the TV stations.

EXARING in turn has its own fibre-optic network which is more than 11,000 kilometres long; it reaches approximately 23 million German households with a broadband connection of more than 16 mbps. Our stake in this company, with an option to gradually acquire a majority interest, assures us the distribution rights for this closed IP platform – and thus the mobile app-driven use of streaming services and up to 100 TV stations on a smartphone or TV set at home, as well as the implementation of future moving-image innovations such as virtual reality or holography/3D.

As was the case in previous months, we continued in the third quarter to work consistently and determinedly on the preparations for the start of the corresponding new products – namely freenet TV and waipu.tv. The technical modifications have already been made for 38 out of a total of 61 stations, and all programmes with the old DVB-T standard which is being phased out have, since mid-September, been announcing the imminent technology change by way of insert. In recent weeks, we have started a major marketing offensive.

One of the key aspects of the marketing offensive was a strongly frequented appearance of the company at the IFA in September in Berlin. We presented various items at the exhibition, including a specially developed PC dongle including a small DVB-T2 antenna, which freenet TV will offer for full-HD TV reception on PC and MacBook at the beginning of 2017. At the same time, 80,000 receivers have already been sold within a few weeks after the original market launch, guaranteeing full-HD quality for older HD TVs; on the other hand, with the latest DVB-T2 devices, a CI+ module of freenet TV is sufficient in addition to a separate internal or external antenna.

At the same time, we also started TV spots concerning the subject as well as extensive online advertising on the company's own web site. In parallel with this strategy, 259 of our mobilcom-debitel stores are now equipped with freenet TV, so that potential buyers and visitors to the shops can be provided with extensive personal advice concerning the new range of TV services on site.

We are also presenting waipu.tv in the shops. In the second quarter, we carried out test runs and questionnaires concerning the subject of linear TV, video-on-demand, online games and streaming. The questionnaires and tests have been extended in recent months to approximately 1,000 beta testers, and we have carried out further improvements and additions to our product in response to their suggestions and results. Since the end of the third quarter, the corresponding waipu.tv app has also been available free-of-charge in the Google Play Store and in the Apple App Store.

Punctually at the start, waipu.tv supplied more than 50 stations as a product on smartphones and at home via Google Chromecast; in the first quarter of next year, we will expand the range to include more than 100 stations. The public stations can be received in existing SD quality; on the other hand, the private stations are available in the form of a comfort package from waipu.tv for a charge of approximately 5 euros per month – also in SD, with recording space of ten hours in the cloud and a free first test month. For HD stations and mobile TV, other packages are available as bolt-ons for a price of 5 euros.

Moreover, we have by no means neglected our core business in mobile communications and the organic expansion of our digital lifestyle business. Our main brand mobilcom-debitel has extended its portfolio of digital security solutions to include Norton Security Online as protection for PCs and Macs – namely in two versions. Since July, a new app-based magazine flatrate (Readly) has also been available in two versions, offering digital access to more than 1,600 magazines from ten countries for monthly charges of 8.99 euros and 9.99 euros respectively.

In addition, mobilcom-debitel has continued its series of online weekend ranges of digital products which offer excellent value for money and which started in November of last year, whereas our subsidiary GRAVIS carried out its summer sale in August – with 75 products, some of which had been considerably reduced, as well as high-value Apple devices as one of the key aspects. In September, mobilcom-debitel concluded an exclusive strategic distribution partnership with SH Telekommunikation Deutschland GmbH. This company, which is based in Cologne, operates the end user portal Sparhandy.de as well as the home shopping station Sparhandy TV, and is also responsible for purchasing, sales and logistics of the mobile communications hardware and cardware of the retail chain ElectronicPartner, its associated retail partners and own dealers.

In mobile communications, our main and discount brands again made a contribution to further customer growth in the customer ownership segment which is significant for freenet, with temporary tariff actions for the company's own or equivalent retail platforms. At the beginning of July, mobilcom-debitel also introduced the LTE standard for its O2 and E-Plus tariffs – with three new LTE smartphone tariffs for different user profiles. At the same time, in the third quarter, the company to a large extent concluded the preliminary work for introducing a new concept for its nation-wide shops; this concept aims to ensure that customer contact at the point of sale will have a more emotional touch in future, and also aims to emphasise the company's positioning as a digital lifestyle specialist. And last but not least, the company has introduced two additional services relating to cash transfers and withdrawals in its stores.

The effect of our activities and acquisitions is reflected in a further distinction: Accordingly, in the readers' choice of the Telecom Handel magazine, mobilcom-debitel was considered to be not only the best service provider in mobile communications; with a result of 6.2 out of ten possible points, our subsidiary was also virtually on the same level as Deutsche Telekom as the winner across all sectors, with a considerable lead over all other providers in Germany. The success is also again reflected in our figures for the third quarter of 2016:

The growth in customer ownership is continuing. In the third quarter, the postpaid and no-frills customer groups included, increased by 51,000 to the current figure of 9.47 million; in the same period, the number of particularly valuable customers included in that figure (who have signed two-year contracts) increased by 35,000 to 6.43 million.

The postpaid ARPU continues to be stable, and is now running at 21.6 euros, compared with 21.9 euros in the previous year and 21.4 euros in Q2/2016.

Revenue has increased to 867.2 million euros compared with the prior year and previous quarter; this is due to sound mobile communications business and in particular higher valuable digital lifestyle revenue as well as the acquisitions and equity participations at the beginning of the year.

At 234.1 million euros, gross profit is higher than the figure for the comparison quarters, with a gross profit margin of 27.0 per cent.

Compared with the corresponding quarter for 2015, EBITDA has increased by 20.8 million euros to 118.2 million euros.

And finally, the free cash flow amounts to 71.3 million euros and is 9.9 million euros below the figure in the corresponding quarter of the previous year.

With a total revenue of 2,424.1 million euros, EBITDA of 311.7 million euros and free cash flow of 262.7 million euros for the first nine months, we continue to be precisely within the target corridor of our full-year planning for 2016 – with a moderate increase of Group revenue, an EBITDA of somewhat more than 400 million euros and free cash flow of approximately 300 million euros, with due consideration being given to the recent acquisitions and equity participations (excluding the profit and cash contribution resulting from the investment in Sunrise Communications Group AG).

We are therefore moving in the right direction in a phase which is associated with new and major challenges for our company and which constitutes a minor paradigm change. Any technology company which fails to face up to such challenges will not have any success in the long run, and will not be able to continue to exist. Accordingly, we are firmly convinced that we are taking very significant steps with our recent acquisitions and equity participations and the associated quantum leap: On the basis of the developments described above, we will thus open up new and fascinating markets for the freenet Group and thus assure a very prosperous future in the interests of our shareholders, our employees and other stakeholders. We are aware that we will again have to commit our entire expertise, experience and energy as one of the best-digitised companies in Germany; and we intend to do so. We are certain that we – management and each individual employee of the freenet Group – will add a new chapter to the long-standing history of success of the company.

Christoph Vilanek | Joachim Preisig | Stephan Esch

FREENET AG ON THE CAPITAL MARKET

Capital market environment

The capital markets are under pressure already since the beginning of the year. After an eventful first half, this trend continued in the third quarter. A negative trend was initially caused by indications of a slowdown in the economic performance of China, followed by the political turmoil surrounding the decision of the United Kingdom to exit the European Union. The outstanding rate decision of the US Fed also cast its shadow. However, the markets are currently assuming that the Fed will only carry out the announced rate hike after the US presidential elections to be held on 8 November.

Within this uncertain climate, the recent announcement regarding the Ifo business climate index was surprising. The economic researchers in September measured a noticeable improvement in sentiment for the German economy. In the previous month, the main German economic barometer had fallen considerably.

Compared with the situation at the beginning of the year, the German DAX index and the technology index TecDAX were approximately two per cent lower as of 30 September. Nevertheless, the DAX, which started the third quarter with 9,776 points, gained approximately 10 per cent by 7 September, rising to 10,753 points. This development is all the more remarkable following the contradictory signals emanating from members of the US central bank with regard to a possible rate adjustment in the near future. However, by the end of the reporting period, the main German market barometer fell back to 10,511 points. On the other hand, the index of European telecommunication stocks SXKP has reported a considerable loss of 15 per cent since the beginning of the year. The index of the mid-size German stocks (MDAX) has recovered slightly, with a gain of four per cent compared with the beginning of the year.

The freenet share

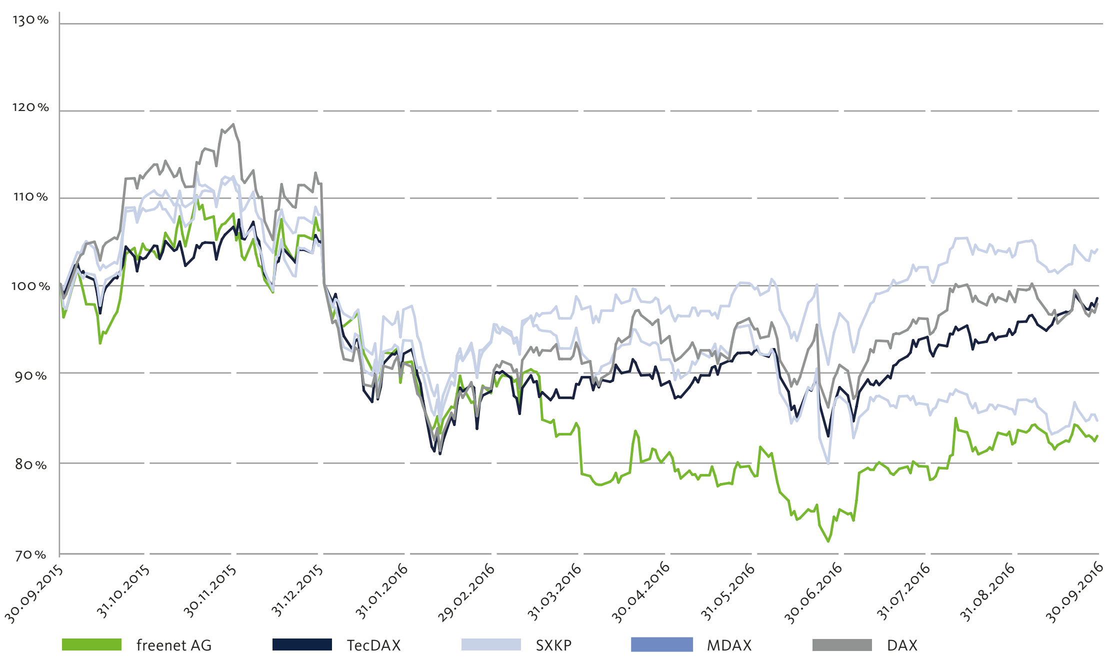
The freenet share started the reporting quarter at 23.46 euros, and has posted a positive performance in the course of the last three months. Initially, the share price declined, falling to a low of 23.07 euros in the reporting period on 6 July. The subsequent recovery led to a quarterly high of 26.64 euros on 11 August, immediately after publication of the six-month report. The shares closed at 26.03 euros on 30 September, thus reporting a gain of 10.9 per cent between July and September. The average Xetra daily closing price in the third quarter was 25.38 euros.

With a total volume of 25.4 million shares, fewer freenet shares were traded on the electronic trading platform Xetra compared with the previous quarter (38.6 million shares) and the previous-year quarter (29.9 million shares). The percentage of the volume traded via alternative markets (dark pools) declined in the third quarter to 49 per cent of the total trading volume (previous quarter: 50 per cent). The average daily volume traded on Xetra amounted to 383 thousand shares in the third quarter, and was also considerably lower than the previous-quarter volume (594 thousand shares), following approximately 453 thousand shares in the corresponding previous-year period. At the end of the third quarter, freenet shares were thus to be found in 5th place of the most traded shares in the TecDAX.

In line with the overall performance of freenet shares, the TecDAX increased by approximately 11 per cent. The SXKP, which reflects the share price performance of the 30 largest European telecommunication companies, fell by approximately 3 per cent in the three-month period.

Compared to 30 June 2016, the market capitalisation of the freenet share increased from 2,955.0 million euros to 3,332.8 million euros as of 30 September 2016.

Figure 1: **12-month's performance of the freenet share (Indexed; 100 = Xetra closing price on 30 September 2015)**

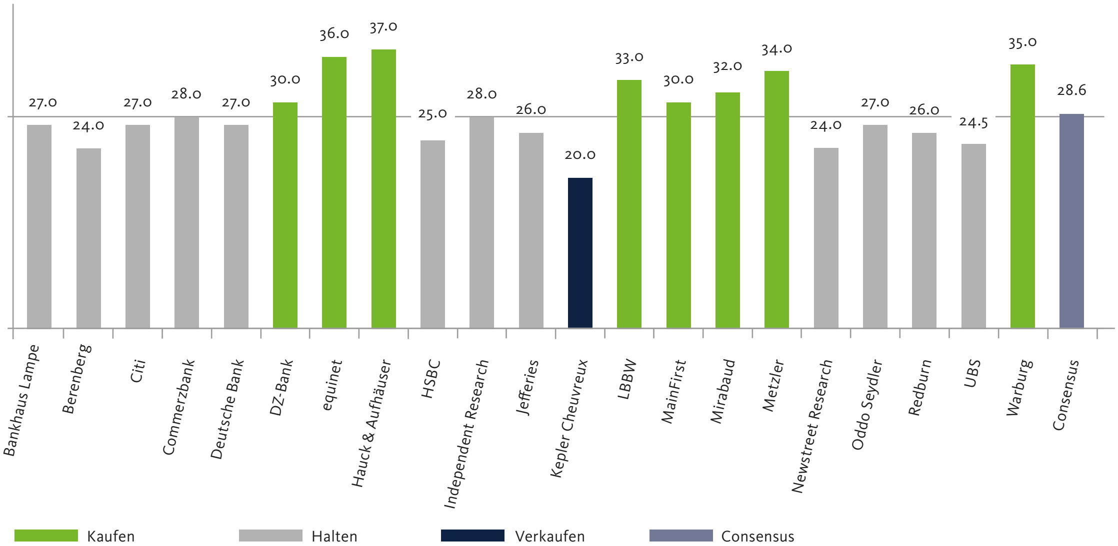


Analyst recommendations

In the first nine months of the current reporting year the business development of freenet AG was rated by a total of 21 analyst houses. Most recently, Mainfirst Bank AG and Mirabaud included freenet AG in its Coverage. As of 30 September 2016, the average target price for the freenet share amounted to 28.60 euros.

With regard to the recent analyst recommendations the following overview results as per 30 September 2016:

Figure 2: **Current recommendations for the freenet share (target prices in euro)***



* As per 30 September 2016.

Shareholder structure

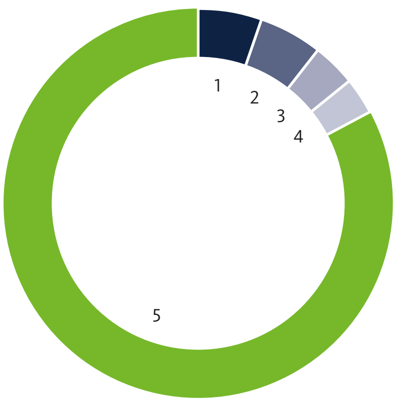
freenet AG's share capital totals 128,061,016 euros and is divided into 128,061,016 registered no-par value shares. Each share represents 1.00 euros of the share capital.

According to the voting rights disclosures received pursuant to section 21 of the German Securities Trading Act (WpHG), the shareholder structure of freenet AG changed as follows during the reporting period:

- In September, Deutsche Asset Management Investment GmbH (Deutschland) notified us that its holding had exceeded the 3 per cent reporting threshold. On 9 September, its share of the voting rights in freenet AG amounted to 3.05 per cent (3,901,949 voting rights).

As a result, the shareholder structure of freenet AG on 30 September 2016 was as follows:

Figure 3: **Current shareholder structure**



1	**5,55 %**	Flossbach von Storch AG*
2	**5,16%**	Allianz Global Investors GmbH*
3	**3,70 %**	The Capital Group Companies, Inc*
4	**3,05 %**	Deutsche Asset Management Investment GmbH*
5	**82,54 %**	Other Shareholders/free float**

** Including attributions according to German Securities Trading Act.*
*** The free float according to Deutsche Börse AG amounts to 89.29%.*

Based on the voting rights disclosure received during the quarter under review, free float has decreased from 85.59 per cent by 3.05 percentage points to 82.54 per cent compared with 30 June 2016.


PHILIPS

INTERIM GROUP MANAGEMENT REPORT

ECONOMIC REPORT

Business performance

In its traditional business area, freenet AG operates as an independent service provider, supplying the digital lifestyle growth market with integrated product worlds, customer-oriented services and affordable mobile tariffs for all German mobile networks. Its portfolio comprises the company's own tariffs and services as well as corresponding offerings of network operators in Germany in the fields of mobile communications and mobile Internet. The company also offers innovative digital applications relating to home automation and security, health, data security, entertainment and infotainment – including the current smartphones, tablets and notebooks as devices with attractive accessories.

The company's main target group are private users, who are addressed as part of a multi-brand strategy: In view of the fierce competition within the sector, the main brand mobilcom-debitel focusses primarily on high-quality contract relations for acquiring new customers and managing existing customers; the discount brands of freenet also cover the no-frills sector.

In addition, at the end of 2015 and also in the first quarter of 2016, freenet AG completed the process of breaking into digital TV as a new area of operation with two fundamental equity participations and acquisitions. Firstly, the company acquired all shares in the Media Broadcast Group. This Cologne-based company is the sole commercial provider of the DVB-T2 HD standard in Germany, which started at the end of May 2016. This permits terrestrial broadcasting of an extensive range of stations in full-HD quality, and addresses millions of German TV households which previously had already been using DVB-T which is now being phased out – this will in future be available on the TV at home, and will also be available for mobile use, for instance in a car or train. This offering of Media Broadcast is supplemented by access to the catch-up services of the stations. The acquired package also includes radio (VHF and DAB+) as well as network services for TV productions.

Secondly, freenet originally acquired a 24.99 per cent stake in EXARING AG, securing the distribution rights to the closed IP platform for innovative entertainment and TV services; by way of existing options, this investment can be gradually expanded to a majority holding of 50.01 per cent. The Munich-based company has its own fibre-optic network, and enables moving-image entertainment for 23 million German households. This means that this technology is also equipped for future innovations such as virtual reality and holography/3D.

As was the case in previous months, the third quarter of 2016 was characterised by further intensive preparatory work and marketing actions within the framework of the planned product launches in the new media companies; the envisaged starting dates are the fourth quarter of this year for IPTV/entertainment of EXARING and early 2017 for DVB-T2 HD. A further key area of the operational activities of freenet was the continuous expansion of offerings in digital lifestyle and mobile communications as well as mobile Internet.

Market launches in the TV and Media segment are continuing to make progress

The pilot operation of the new broadcasting standard DVB-T2 HD has been running in several metropolitan areas since the end of May of this year: During the soft launch, ultrahigh resolution images can be received in the respective core regions via antenna from ARD and ZDF as well as the private stations RTL, Sat.1, ProSieben and VOX.

At the end of the soft launch on 29 March 2017, freenet TV will start as a new brand and commercial provider: It will then be possible for up to 20 private stations to be received in full-HD quality – however, this will only be possible in encrypted form. In addition to an internal or external antenna, a CI+ module of freenet TV will be necessary for upgrading new DVB-T2-HD-capable TVs – for all other TVs, a small set-top box will be necessary. Up to the end of June 2017, viewers will initially be able to use this full-HD offering of the private stations free-of-charge; after that date, this will be available for a monthly fee of 5.75 euros.

The enormous interest of consumers as well as TV stations in the new standard is documented by various figures and developments. For instance, a few weeks after the start of the PR activities, the new freenet brand reported approximately 10,000 subscribers for its online newsletter concerning the subject via the web site www.freenet.tv. In addition, the end of August saw sales of approximately 80,000 set-top boxes of a total of 14 manufacturers currently offering the devices required for freenet TV. At the same time, 38 out of a total of 61 stations have implemented the necessary technical conversion equipment, and the station portfolio now covers 97 per cent of the currently consumed TV programmes.

The strong demand for this product was boosted by freenet in the third quarter with a range of specific marketing activities. One of the main aspects in this respect was the company's own stand at the IFA in Berlin in the first week of September; this stand encountered strong interest among consumers as well as representatives of the public and private stations as well as the press and investment companies. The company presented various items, including a PC dongle with a small DBV-T2 antenna, which freenet TV will offer at the beginning of next year for full-HD TV reception for PCs and MacBooks.

At the beginning of September, the company started its own TV spot concerning the subject as well as specific online advertising on www.mobilcom-debitel.de; in addition, since mid-September, all programmes with the old DVB-T standard which is now being phased out have been pointing to the imminent technology change by way of inserts. At the same time, mobilcom-debitel has equipped 259 of its shops with freenet TV. In this way, interested parties and mobile communications customers of the company can obtain detailed information and advice on site concerning the benefits of the new TV offering.

The company is also presenting waipu.tv, the innovative mobile TV/entertainment product based on the IP platform of EXARING – on the smartphone Sony Z5. In the course of the third quarter, the intensive test runs relating to linear TV, video-on-demand, online games and streaming services were extended to 1,000 beta testers, and the participants provided a total of more than 70,000 comments, evaluations as well as further suggestions in the course of two surveys. At the same time, two data centres in Karlsruhe and Leipzig necessary for waipu.tv commenced operation.

Since the end of the quarter, the waipu.tv app has also been available free-of-charge in the Google Play Store and also in the Apple App Store. With the aid of these products and also on the basis of the latest EXARING fibre-optic infrastructure, brilliant video and audio quality can now be transmitted easily and quickly to the users' smartphone and, from there, to existing TVs at home. Right from the very start, waipu.tv has been offering more than 50 TV stations as a product on the mobile phone and for home applications via Google Chromecast, and the range will be extended to more than 100 stations in the first quarter of next year.

New offerings complementing the digital lifestyle portfolio

For several years now, mobilcom-debitel, with Norton Mobile Security, has been offering security software for protecting smartphones and tablets. In July, the main brand of freenet extended its portfolio to include two additional digital security solutions from Symantec: "Norton Security Online" now also comprises protection for PCs and Macs. The user is able to choose between one version with three licences for 3.99 euros per month and one version with five licences for 4.99 euros per month.

Also in July, the company started a new app-based magazine flat rate with "Readly". This provides up to five users with simultaneous access via PC, smartphone or tablet to more than 1,600 magazines from ten countries – this access is applicable not only for the latest edition but also for an archive of older editions. The user is again able to choose between two versions – for a monthly price of 8.99 euros in conjunction with a two-year contract or 9.99 euros in conjunction with monthly termination; the first four weeks are free-of-charge in each case to enable the user to test the product extensively.

In addition, mobilcom-debitel has also continued the series (which started in November of last year) of particularly affordable weekend offerings: The so called “Sonntagskracher” for instance comprised the following:

- The fitness tracker Fitbit Zip, which has been reduced by 80 per cent, and which records and analyses steps, distances, active minutes and calories consumed
- The Samsung Galaxy S6 in the 32 GB version with a saving of 190 euros
- The iPhone 5s which continues to be in demand, for only 300 euros
- The iPad Air 2 in the 16 GB version for 350 euros, the iPad Air 2 Wifi with 32 GB for 379 euros
- The smartphone Xperia Z5 Compact of Sony for a price of 355 euros.

The company’s subsidiary GRAVIS carried out its summer sale in August, comprising 75 reduced products with savings of up to two thirds and more in certain cases. One of the main products in this respect were Apple products – namely MacBooks, iPads and iPhones as well as attractive protective covers and smart covers. Examples of further highlights were the app-driven mood lighting Avea of Elgato (reduced by 50 per cent) – or the fitness wrist band Misfit Ray for a price of approximately 99 euros: It records not only major activity data including swimming but also the duration and quality of sleep.

Action tariffs contributing to customer growth

As it has been the case in previous months and quarters, freenet carried out further attractive special tariff actions for its main and discount brands in the third quarter of 2016. These very affordable offerings are generally available for a limited period via the company’s own retail platform www.crash-tarife.de, via comparable platforms or the company’s sales subsidiary modeo. A selection is set out in the following:

- In July, modeo offered the flat rate Comfort Allnet in the Vodafone network for 6.99 euro in the first two years of the contracts; it comprises free calls into all German networks and an Internet flat rate with up to 1 GB high-speed data volume with max. 21.6 mbps in downstream. This was followed in August by a twin offering with two tariffs for approximately 13 euros per month in the Telekom network – the Comfort Allnet with 1.5 GB data volume and a 3 GB data flat rate with LTE volume as the second tariff. In September, there was the Comfort Allnet as an individual offering for approximately 8 euros per month. Combined with the purchase of a latest generation smartphone, the monthly price increased to approximately 30 euros.
- In July, klarmobil offered the flat rate S in the Deutsche Telekom network at an exceptionally low price. For this price, beginners or occasional users receive a monthly 300 MB data volume and 100 free minutes to all German networks. August saw the Allnet-Spar flat rate of the discount subsidiary incl. credits for approximately 15 euros per month, with free texts and calls to all German networks and a data volume doubled to 4 GB with max. 42.2 mbps in downstream.
- On the occasion of its 20th birthday, COMPUTER BILD advertised an anniversary tariff in cooperation with klarmobil; this tariff comprised 100 free texts and minutes as well as 1 GB data volume with Vodafone for approximately 8 euros per month as well as two free months at the beginning of the contract period. Auto BILD offered the Allnet flat 2000 of klarmobil in the Telekom network for 11.85 euros per month – with a call flat rate into all German networks and 2 GB UMTS surfing volume with 42.2 mbps downstream.
- And at freenetMobile, the freeFlat 1000 tariff was available in the Vodafone network with 1 GB and free calls to all German networks in July for approximately 10 euros per month. And the freeFlat 4000 with 4 GB and additional free texts was offered in August for 14.95 euros.

At the beginning of July, the main brand mobilcom-debitel launched the LTE standard for its O2 and E-Plus tariffs for new customers. This was matched by three new LTE smartphone tariffs with free calls to all German networks and data volumes of 1 GB, 2 GB or 5 GB, with monthly charges of approximately 10 to approximately 20 euros and maximum bandwidth of up to 50 mbps. And in August, the company offered an LTE data flat rate with 10 GB volume and a maximum speed of 150 mbps for approximately 16 euros per month; versions with 3 GB and 6 GB were also available for even lower monthly prices.

mobilcom-debitel stepping up customer service and sales

In the third quarter, the company continued and to a large extent concluded its preliminary work for launching a new concept for its nation-wide shops. The aim is to ensure that customer contact at the point of sale will have an even greater emotional touch in future and a further aim is to ensure that the company is positioned even more clearly as a digital lifestyle specialist. The natural surroundings with wooden furniture, designed by a Danish designer from the fashion/lifestyle sector, acts as a counterpart to the technology products which are offered. Key new elements in the shops are as follows:

- The DLS power wall with the currently four digital lifestyle issues which are illustrated: Smart home, entertainment, smartphone camera as well as fitness/health,
- the campaign wall consisting of combined screens which prominently display the current campaign by means of digital signage,
- a white wall with square boxes for flexible modular product presentation as in a boutique – and with wooden drawers which the customer can open,
- a consultancy table in the centre of the store, eight metres long, with sockets for recharging, at which the customer and sales associate can sit together and calmly discuss questions concerning products and contracts.

mobilcom-debitel has also introduced two additional services related to cash transfers and withdrawals in its stores. In July, the company started a cooperation with Ria Money Transfer, one of the leading providers of cash transfers world-wide. In approximately 60 shops of mobilcom-debitel, customers can now quickly, securely, easily and inexpensively send money to friends or relatives. This was followed in August by a cooperation with the company "Barzahlen": Under the terms of this cooperation, customers will now be able to withdraw cash with their smartphone from their account in the mobilcom-debitel shops. This payment service complements the existing facilities for using cash in the shops to pay invoices from online trading, travel reservations, electricity bills, insurance and rent.

For this purpose, customers use their smartphone to log into their banking app, where they select the function "Withdraw cash". They then specify the relevant amount and confirm the transaction by PIN or TAN. A barcode is generated, shown on the display and scanned at the checkout. The desired amount is then paid out, and the transaction is confirmed to the customer immediately in the banking app.

Group brands conclude new cooperations

- mobilcom-debitel has agreed exclusive sales cooperation with SH Telekommunikation

At the beginning of September, mobilcom-debitel and SH Telekommunikation Deutschland GmbH concluded a long-term strategic exclusive partnership for digital lifestyle sales. Under the terms of the cooperation, SH Telekommunikation will in future market the digital lifestyle services of the freenet subsidiary – in particular in the fields of entertainment and online games, fitness, e-books and security. The Cologne-based company operates the end user portal www.sparhandy.de as well as the home shopping station Sparhandy TV, and is also responsible for purchasing, sales and logistics of the mobile communications hardware and cardware of ElectronicPartner and the associated retail partners as well as the company's own trading partners.

- klarmobil has established marketing partnership with THW Kiel

Two very strong brands started a marketing partnership in September in the form of the freenet subsidiary and the (for many decades) undisputed flagship of German handball. The complete provider among the mobile communications discounters will in future be present in the home arena of the Kiel-based handball team at all league and cup games – including an advertising space in the TV-relevant area on the floor of the hall next to the two goals, and with spots on the video cube on the roof of the hall. There are also plans for a separate smartphone tariff of klarmobil exclusively for fans of the German record handball champion, three-times champions league winner, club European and world champion. The aim is for both players to give a positive charge to both brands with strong links to Schleswig-Holstein.

MFE Energie to become freenet Energy

The leading energy marketer in high street sales in Germany, which has been part of the freenet Group since 2013, will in future trade as freenet Energy GmbH. In this way, the company will strengthen its image and will also develop further synergies in conjunction with other brands of the freenet Group.

The portfolio of freenet energy comprises more than 30 of the leading energy utilities in Germany, with first-class gas and electricity offerings; these include the major brands such as E.ON, EnBW E Wie Einfach, eprimo, total and Yello as well as various municipal operations and well-known ecological providers such as Lichtblick, Sauber Energie and primastrom. With its access to approximately 600 of its own shops, more than 5,600 retailers and 400 major electronic stores, the freenet subsidiary is one of the most powerful retail energy distributors and one of the marketers with the highest sales of energy products at the point of sale in Germany. freenet Energy also has an online distribution network with an extensive range which is expanding continuously; it is rounded off by direct sales with various partners.

Key drivers of the business development

Customer base development in the Mobile Communications segment

Table 1: **Development of Mobile Communications customers**

In million	30.9.2016	30.6.2016	31.3.2016	31.12.2015	30.9.2015
Customer Ownership	9.47	9.42	9.37	9.30	9.21
Thereof Postpaid	6.43	6.39	6.36	6.31	6.23
Thereof No-frills	3.04	3.02	3.01	2.99	2.97
Prepaid	2.59	2.67	2.79	2.94	3.07
Mobile Communications customers/cards	12.06	12.09	12.15	12.24	12.28

In our core business of mobile communications, the processes of gaining new customers and managing existing customers continue to focus on generating valuable customers and consistently expanding our digital lifestyle activities. The result is a further increase in the non-financial performance indicator customer ownership in the third quarter of 2016. Compared with 30 September 2015, the number of participants has increased by 263 thousand (plus 2.9 per cent) to the current figure of 9.47 million. Compared with 30 June 2016, the increase is approximately 51 thousand participants (plus 0.5 per cent).

This increase is mainly attributable to the increase in the number of postpaid customers, comprising all 24-month mobile contracts marketed within the Group. This group of customers is significant for the overall strategy and, compared with the previous year, has expanded by 197 thousand participants (plus 3.2 per cent) to 6.43 million. Compared with 30 June 2016, the increase is approximately 35 thousand or 0.6 per cent.

In the no-frills area, which comprises all mobile tariffs distributed via discount brands of the Group, the number of customers compared with the previous year has increased by 67 thousand participants or 2.2 per cent. Compared with 30 June 2016, the number of customers has increased by 16 thousand participants to 3.04 million.

In the course of the reporting quarter, the number of prepaid SIM cards which are in circulation and which are distributed via the main brand mobilcom-debitel declined further to a final figure of 2.59 million cards. This further decline is due to the network operators deactivating SIM cards which have not been used (technical churn).

Average monthly revenue per user (ARPU)

Table 2: **Development of the ARPU**

In EUR	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015
Postpaid	21.6	21.4	21.5	21.3	21.9
No-frills	2.5	2.4	2.4	2.4	2.6
Prepaid	3.2	3.1	2.9	3.1	3.2

In the postpaid customer segment, the average monthly revenue per user amounted to 21.6 euros in the third quarter of 2016; this figure is 0.3 euros lower than the corresponding previous-year figure, but 0.2 euros higher than the corresponding previous-quarter figure. The development in ARPU of recent quarters continues to show stabilisation at this level, and has confirmed the strategy of focussing on valuable customers in mobile communications business.

The average monthly revenue of 2.5 euros generated in the no-frills customer segment is slightly higher than the corresponding figure reported for the previous quarter. Compared with the third quarter of 2015, no-frills ARPU is 0.1 euros lower.

In the third quarter of 2016, the prepaid ARPU was roughly in line with the level reported for the previous-year quarter, and increased by 0.1 euros compared with the previous quarter.

Management system

Financial and non-financial performance indicators

The Executive Board of freenet AG focuses on the interests of all stakeholders with regard to the strategic alignment of the group. A uniform management system, which is based on financial and also on non-financial performance indicators, is used for implementation at the group level and also in the individual subsidiaries. It must be borne in mind that the following performance indicators, except the key figure revenue, are no substitute for the IFRS parameters and should therefore not be considered as such. For an extensive definition of the financial and non-financial performance indicators, please refer to the section “Corporate profile of the Group” in the current annual report.

The following are financial performance indicators relevant for management purposes:

- Revenue,
- EBITDA,
- Free cash flow and
- Postpaid-ARPU.

A schedule of the so called non-GAAP measures (also known as “alternative performance measures”) EBITDA and free cash flow is set out in the section “Segment reporting” and in the consolidated statement of cash flows.

The Executive Board has also defined the following non-financial performance indicator:

- Customer ownership

Taking account of the ongoing expansion of our digital lifestyle activities and in view of the planned development of a new area of TV operations in connection with the acquisition of the Media Broadcast Group and our equity participation in EXARING AG, we constantly monitor the composition of all internal control parameters. If a corresponding need for adjustment is identified, we may adjust our internal control parameters. In the second quarter of 2016, no adjustments were made compared with the previous quarter.

Other control parameters

As well as key financial and non-financial performance indicators, other control parameters are used in the Group's management. These other control parameters are of minor significance compared with the financial and non-financial performance indicators. The following other control parameters, in particular, are used as indicators for controlling purposes and as benchmarks for the further development of the freenet Group:

- Product brands, new products,
- Sales activities,
- Partnerships,
- Research and development,
- Employees.

At the end of 30 September 2015 4.547 people were employed at the freenet Group. Compared to 30 September 2016, the number of employees increased to now 4,928. The rise is primarily associated with the inclusion of Media Broadcast Group in the consolidation scope of freenet AG.

Assets, earnings and financial position

Revenue and earnings position

Table 3: **The Group's key performance indicators**

In EUR `000s	Q3/2016	Q3/2015	Change
Revenue	867,237	790,053	77,184
Gross profit	234,055	197,106	36,949
Overhead costs	-115,900	-99,800	-16,100
EBITDA[1]	118,155	97,306	20,849
EBIT[2]	81,183	78,950	2,233
EBT	67,225	69,024	-1,799
Group result	**57,980**	**61,946**	**-3,966**

In the third quarter of 2016, **GROUP REVENUE** increased by 9.8 per cent compared with the corresponding previous-year quarter. This was due primarily to the recognised revenue of the Media Broadcast Group of 70.1 million euros as well as the higher customer ownership (9.47 million customers at the end of 2016, compared with 9.21 million customers at the end of September 2015), in conjunction with stable postpaid ARPU (21.6 euros in Q3/2016 compared with 21.9 euros in Q3/2015). The decline in prepaid revenue has had an opposite effect.

The **GROSS PROFIT MARGIN** has increased by 2.0 percentage points to 27.0 per cent. At 234.1 million euros, the **GROSS PROFIT** was 36.9 million euros and thus significantly higher than the corresponding figure for the previous-year quarter. Both developments are primarily due to the consolidation group which has been extended to include the Media Broadcast Group.

OVERHEAD EXPENSES which include the items **OTHER OPERATING INCOME, OTHER OWN WORK CAPITALISED, PERSONNEL EXPENSES,** as well as the **RESULTS OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD (ONLY ELEMENTS OF RESULTS)** increased by 16.1 million euros compared with Q3/2015. On the one hand, the increase in personnel expenses and the other operating expenses, mainly due to the integration of the Media Broadcast Group as well as EXARING in the

1 Group result before interest, taxes on income, depreciation and impairment write-downs, including shares of associates accounted for using the equity method, excluding depreciation and deferred taxes from the subsequent accounting regarding shadow purchase price allocation (element of the result of associates accounted for using the equity method).

2 Group result before interest and taxes on income.

consolidation group, resulted in an increase in overheads. On the other hand, the shares of results of associates accounted for using the equity method (10.0 million euros) had a beneficial impact on overheads as a result of the acquisition of shares in Sunrise.

In the reporting year 2016, **EBITDA** is stated as 118.2 million euros, which is 20.8 million euros higher than the corresponding figure for the previous-year quarter.

Compared with the previous year, the **DEPRECIATION AND IMPAIRMENT WRITE-DOWNS** increased by 13.5 million euros to 31.9 million euros, mainly due to the increase in property, plant and equipment and intangible assets due to the acquisitions (Media Broadcast Group and EXARING) as well as the final purchase price allocations carried out in this connection (Media Broadcast Group and EXARING).

NET INTEREST INCOME, which is defined as the net balance of interest income and interest expenses, was stated as -14.0 million euros in the reporting quarter (Q3/2015: -9.9 million euros). The net interest expense consists primarily of interest from the refinancing arrangement carried out in March 2016 as well as the compounding of the liability from the framework rental agreement regarding the purchase price allocation of the Media Broadcast Group – this compounding is also the major reason for the increase in net interest expense. Please refer to point 3 and 9 of the selected explanatory notes to the financial statements.

As a result of the factors detailed above, **EARNINGS BEFORE TAXES (EBT)** are stated as 67.2 million euros, representing an increase of 1.8 million euros compared with the previous year.

In the reporting quarter 2016, **INCOME TAX** expenses of 9.2 million euros were stated (Q3/2015: 7.1 million euros). Current tax expenses of 8.5 million euros were recognised (Q3/2015: 9.6 million euros), and deferred tax expenses of 0.8 million euros were recognised (Q3/2015 deferred tax income: 2.5 million euros). The increase in deferred tax expenses is mainly attributable to lower amounts written up in relation to deferred income tax assets arising from tax loss carry forwards as well as deferred tax expenses in connection with a figure for tax goodwill which is recognised in the Media Broadcast Group.

As was the case in the corresponding previous-year period, the **GROUP PROFIT** stated in the third quarter of 2016 related exclusively to continuing operations, and amounted to 58.0 million euros; compared with the figure of 61.9 million euros generated in the corresponding previous-year quarter, this represents a decline of 4.0 million euros.

Assets and financial position

Table 4: **Selected Group balance sheet figures**

Assets

In EUR million	30.9.2016
Non-current assets	3,422.9
Current assets	771.2
Total assets	**4,194.0**

In EUR million	30.6.2016 adjusted
Non-current assets	3,445.1
Current assets	696.7
Total assets	**4,141.8**

Shareholders' equity and liabilities

In EUR million	30.9.2016
Shareholders' equity	1,329.5
Non-current and current liabilities	2,864.5
Total equity and liabilities	**4,194.0**

In EUR million	30.6.2016 adjusted
Shareholders' equity	1,277.0
Non-current and current liabilities	2,864.8
Total equity and liabilities	**4,141.8**

The **BALANCE SHEET TOTAL** amounted to 4,194.0 million euros as of 30 September 2016, and increased by 52.3 million euros (1.3 per cent) compared with 30 June 2016 (retrospectively adjusted due to the final purchase price allocation of Media Broadcast Group: 4, 141.8 million euros).

On the **ASSETS SIDE** of the balance sheet, **NON-CURRENT ASSETS** declined from 3,445.1 million euros to 3,422.9 million euros. The sum of intangible assets and property, plant and equipment declined by 23.3 million euros to 1,044.5 million euros, mainly due to the current depreciation and amortisation which exceeded the new investments.

In the case of **CURRENT ASSETS**, liquid assets have increased by 56.5 million euros to 260.5 million euros, due mainly to the free cash flow of 71.3 million euros generated in the reporting quarter.

The increase of 20.0 million euros in trade accounts receivable (to 408.1 million euros) is mainly due to the seasonal effects relating to the accrual of annual bonuses for network operators and dealers.

On the **LIABILITIES SIDE**, the main item to be mentioned is the increase of 52.5 million euros in shareholders' equity to 1,329.5 million euros. This was opposed by a decline in other liabilities and accruals from 434.3 million euros to 425.0 million euros.

The pension provisions have increased by 4.4 million euros to 99.0 million euros, primarily due to the decline in the discount rate (30 September 2016: 1.5 per cent; 30 June 2016: 1.7 per cent). Please refer to point 13 of the selected explanatory notes to the financial statements.

The **EQUITY RATIO** increased from 30.8 per cent at the end of June 2016 to 31.7 per cent at the end of September 2016. The **NET DEBT** as of 30 September 2016 amounted to 787.7 million euros. To obtain this figure, the borrowings (1,734.3 million euros) are reduced by the liquid assets (260.5 million euros) as well as the interest in the market value of Sunrise as of 30 September 2016 (11,051.578 shares multiplied by the closing price of 62.08 euros – source: Bloomberg), as the shares in Sunrise would be available at all times for reducing debt. As of 30 June 2016, the net borrowings amounted to 898.0 million euros, calculated as the borrowings of 1,730.9 million euros less liquid assets of 204.0 million euros and the interest in the market value of Sunrise as of 30 June 2016 (11,051,578 shares multiplied by the closing price of 56.90 euros – source: Bloomberg). The decline in net debt is mainly attributable to the free cash flow generated in the reporting quarter as well as the increase in the share price of Sunrise.

Cash flow

Table 5: **The Group's key cash flow indicators**

In EUR million	Q3/2016	Q3/2015	Change
Cash flow from operating activities	80.8	86.0	-5.2
Cash flow from investing activities	-8.9	-5.7	-3.2
Cash flow from financing activities	-15.4	-0.7	-14.7
Change in cash and cash equivalents	**56.5**	**79.6**	**-23.1**
Free cash flow[1]	**71.3**	**81.1**	**-9.9**

In the third quarter of 2016, the **cash flow from operating activities** is stated as 80.8 million euros, representing an a decrease of 5.2 million euros compared with the corresponding previous-year quarter. The increase of 10.8 million euros in EBITDA (not including the non-cash-effective shares of results of the associated company Sunrise of 10.0 million euros) and the fact that tax payments declined by 2.1 million euros (Q3/2016: -7.4 million euros, Q3/2015: -9.5 million euros) compared with Q3/2015 had a positive impact on the cash flow from operating activities. The increase of 18.6 million euros in net working capital compared with Q3/2015 had an opposite effect.

The **cash flow from investing activities** amounted to -8.9 million euros in the third quarter of 2016, compared with -5.7 million euros in the third quarter of 2015. The payments for investments in intangible assets and in property, plant and equipment, netted with the proceeds from the disposal of such assets, increased in the third quarter of 2016 by 4.7 million euros compared with the previous-year quarter of 2015, namely from 4.8 million euros to 9.5 million euros. The cash-effective investments were financed entirely out of the company's own funds, and mainly related to property, plant and equipment of the Media Broadcast Group.

In the reporting quarter, the **cash flow from financing activities** deteriorated from -0.7 million euros in the corresponding previous-year quarter to -15.4 million euros, mainly due to payments in the course of the final purchase price allocation relating to the framework agreement of the Media Broadcast Group classified as a finance lease – please refer to our selected explanatory notes to the financial statements under point 3.

In view of the factors detailed above, **free cash flow** of 71.3 million euros was generated in the third quarter of 2016, representing a decrease of 9.9 million euros compared with the corresponding previous-year quarter (81.1 million euros).

1 Free cash flow is defined as cash flow from operating activities, minus investments in property, plant and equipment and intangible assets, plus proceeds from the disposal of property, plant and equipment and intangible assets.

Financial Management

Strategic corporate management is supported by focused financial management which uses the development in liquidity as well as capital structure as management parameters. Operational implementation is the responsibility of extensive treasury management on the basis of established controlling structures.

For managing the capital structure, the company mainly uses the debt ratio, the interest cover and the equity ratio as financial management parameters. The debt ratio specifies the number of times the current operating result (EBITDA) has to be generated in order to repay net debt (borrowings less liquid assets, less the interest in the market value of Sunrise). The interest cover represents the ratio between EBITDA and net interest income.

The following overview sets out the financial management parameters with their current status compared with the corresponding previous-year quarter. For parameters which relate to specific periods, such as EBITDA and net interest income, the most recent twelve months have been used (i.e. October 2015 to September 2016 or, for the previous year, October 2014 to September 2015).

Table 6: **Key figures of financial management**

	Q3/2015	Q2/2016 adjusted	Q3/2016	Target
Debt ratio	1.2	2.3	1.9	1.0 – 2.5
Pro forma debt ratio	1.2	3.9	3.6	1.0 – 2.5
Interest Cover	9.2	7,4	7.3	>5
Equity ratio in %	50.1	30,8	31.7	>50

The debt ratio specifies the ratio between the borrowings (1,734.3 million euros) less liquid assets (260.5 million euros) less the interest in the market value of Sunrise as of 30 September 2016 (11,051,578 shares multiplied by the closing price of 62.08 euros – source: Bloomberg) and the EBITDA generated in the last twelve months. This amounted to 1.9 as of 30 September 2016 and was thus within the strategic range of 1.0 to 2.5 (as was also the case as of 30 September 2015). For determining the debt ratio, it has to be borne in mind that the EBITDA of the last twelve months used for this purpose only includes six and a half months of the business activity of the Media Broadcast Group which is strong in terms of EBITDA. The borrowings mainly comprise the promissory note loans with a total nominal value of 780.0 million euros (falling due upon final maturity between 2017 and 2026) as well as the amortising loan concluded in March 2016 (second tranche of the refinancing arrangement) with a nominal value of 720.0 million euros.

The pro-forma debt ratio (borrowings less liquid assets expressed in relation to the EBITDA generated in the last twelve months) is stated as 3.6, and is higher than the strategic range of 1.0 and 2.5, due to the refinancing arrangement in connection with the acquisitions during the first quarter of 2016 as well as the dividend payment made in the previous quarter.

At 7.3, the interest cover is much lower than the corresponding figure in Q3/2015 (9.2) mainly as a result of the increase in net interest expense due to the refinancing in conjunction with the acquisitions; however, it is still higher than the target level of 5.0.

The equity ratio as of 30 September 2016 was lower than the target of 50 per cent, which is also due to the refinancing arrangement.

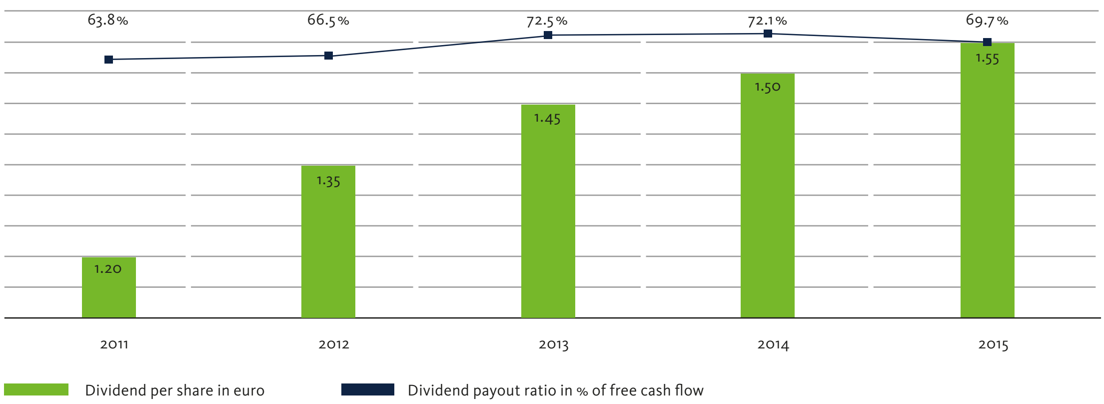
Despite the refinancing arrangement within the framework of the acquisitions, the Executive Board continues to be committed to its financial strategy and thus also to its objective.

Dividend policy

The Executive Board's current dividend policy, which was agreed with the Supervisory Board at the beginning of the financial year 2013, provides for a dividend distribution of 50 to 75 per cent of the free cash flow reported for the respective financial year. With this range, the company takes account of the interest of value-oriented shareholders in participating to an appropriate extent in the company's free cash flow. At the same time, further optimisation of the capital structure is intended to sustainably assure the enterprise value. The Executive Board continues to be explicitly committed to its current dividend policy even in view of the acquisition of the Media Broadcast Group which was carried out in the first quarter of 2016 respectively in the end of 2015, the equity participation in EXARING AG and the acquisition of shares in Sunrise Communications Group AG.

Following the annual general meeting of 12 May 2016, freenet AG paid out the adopted dividend of 1.55 euros per dividend-bearing share out of the cumulative profit. This is equivalent to a pay-out rate of 69.7 per cent of the free cash flow generated in the financial year 2015.

Figure 4: **Dividend policy KPIs**



In order to underline the sustainability of the business model, the Executive Board intends to submit a proposal to the Supervisory Board and the annual general meeting in 2017 for a dividend of 1.60 euros per dividend-bearing share to be paid out for the financial year 2016.

The Executive Board has accordingly provided the company's shareholders with the prospect of a dividend payment which represents a continuous increase compared with the previous years.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

In order to secure the financing of the syndicated bankers' loan freenet AG successfully placed an interest-only promissory note loan with five tranches for 350 million euros which. The transaction, which was accomplished under customary market conditions, was handled by the Bayerische Landesbank, the Landesbank Baden-Württemberg, the Norddeutsche Landesbank and the ING Bank. The subscription for the entire volume took place at the lower end of the respective sales margins with an initial average interest rate of 1.11 percent p.a. and maturities between four and eight years. Specifically, the promissory note loan consists of two four-year tranches with a fixed coupon and/or a variable coupon of 1.00 percent p.a., a six-year tranche with a fixed coupon of 1.28 percent p.a., a six-year tranche with a variable coupon of 1.20 percent p.a. and an eight-year tranche with a fixed coupon of 1.68 percent p.a.

Other events of major significance have not occurred after the balance sheet date.

OPPORTUNITIES AND RISK REPORT

Compared with the opportunities and risks described in detail in the "Opportunities and risks report" of our 2015 annual report and updated in the interim report as of 30 June 2016, there have been no significant changes.

The 2015 annual report as well as the interim report as of 30 June 2016 is available online at http://www.freenet-group.de/investor/publications.

FORECAST

In view of the positive business results for 2015 and also in view of the acquisition of the Media Broadcast Group and the equity participation in EXARING AG, the Executive Board adjusted the forecast for the financial year 2016 in March of this year. The adjusted forecast of the Executive Board for the financial year 2016 which was communicated in the Group management report for the financial year 2015 is confirmed.

Accordingly, for the financial year 2016, the company still aims to achieve moderate growth of Group revenue, EBITDA slightly in excess of 400 million euros and free cash flow of approximately 300 million euros. However, the expected EBITDA contribution resulting from the stake in Sunrise Communications Group AG is not included in the guidance. Following a resolution of the general meeting of Sunrise Communications Group AG, freenet AG also received a cash-effective dividend of 30.1 million euros on 21 April 2016. The free cash flow accordingly increased by the anticipated approximately 30 million euros in the second quarter of 2016, also not being part of our guidance. The targets for the development of the performance indicators postpaid-ARPU and customer ownership in the financial year 2016 remain unchanged: The Company continues to expect that postpaid-ARPU will stabilise at the level of 2015 and that the number of customer ownership customers will increase slightly compared with the financial year 2015.

The company continues to attempt to combat the general decline in end user prices and the associated trend towards lower postpaid ARPUs in the mobile communications market with its strategic focusing on maintaining and gaining valuable customer relations. It also takes account of changes in user patterns in the direction of greater mobile data use by means of stepping up its marketing of data tariffs and current devices, such as smartphones and tablets. The general decline in user figures in the mobile communications market is combated by freenet AG with various sales measures to the extent equivalent to that seen in 2015. In addition, the company anticipates the increasing development of new sources of revenue as a result of marketing innovative products and services for mobile digital lifestyle applications, for instance in the new TV division.

Table 7: **Development of the key performance indicators**

In EUR million/as indicated	Forecast of 2014[1] 2015	2016	2015	Since beginning of the year / Q3/2016	Latest forecast 2016
Financial performance indicators					
Group revenue	stable	slight increase	3,117.9	2,424.1	moderate increase
Group EBITDA[2]	370	375	370.2	311.7	slightly above 400[3]
Free cash flow[4]	280	285	284.5	262.7	around 300[5]
Postpaid ARPU (in EUR)	stable	stable	21.4	21.5	stable
Non-financial performance indicators					
Customer Ownership (in million)	slight increase	slight increase	9.30	9.47	slight increase

1 In accordance with the Group management report accompanying the consolidated financial statements for 2014.
2 Group result before interest, taxes on income, depreciation and impairment write-downs, including shares of associates accounted for using the equity method, excluding depreciation and deferred taxes from the subsequent accounting regarding shadow purchase price allocation (element of the result of associates accounted for using the equity method).
3 The expected EBITDA contribution from the stake in Sunrise Communications Group AG is not included.
4 Free cash flow (FCF) is defined as cash flow from operating activities, minus investments in property, plant and equipment and intangible assets, plus proceeds from the disposal of property, plant and equipment and intangible assets.
5 The approximately 30 million euros from the dividend payment of Sunrise Communications Group AG in April are not included.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

OVERVIEW

Consolidated income statement

for the period from 1 January to 30 September 2016

In EUR `000s/as indicated	Q1-Q3/2016 1.1.2016-30.9.2016	Q1-Q3/2015 1.1.2015-30.9.2015	Q3/2016 1.7.2016-30.9.2016	Q3/2015 1.7.2015-30.9.2015
Revenue	2,424,093	2,291,064	867,237	790,053
Other operating income	48,773	42,395	16,407	10,964
Other own work capitalised	11,766	8,530	4,453	2,179
Cost of material	-1,778,382	-1,716,208	-633,182	-592,947
Personnel expenses	-159,303	-147,866	-57,698	-48,104
Depreciation and impairment write-downs	-89,363	-52,567	-31,903	-18,356
Other operating expenses	-251,531	-205,615	-89,170	-64,905
Operating result	**206,053**	**219,733**	**76,144**	**78,884**
Share of results of associates accounted for using the equity method	5,659	123	5,039	66
Thereof profit share*	16,268	123	10,108	66
Thereof subsequent recognition from purchase price allocation*	-10,609	0	-5,069	0
Interest receivable and similar income	665	672	145	215
Interest payable and similar expenses	-42,149	-29,858	-14,103	-10,141
Result before taxes on income	**170,228**	**190,670**	**67,225**	**69,024**
Taxes on income	-8,174	-17,600	-9,245	-7,078
Group result	**162,054**	**173,070**	**57,980**	**61,946**
Group result attributable to shareholders of freenet AG	166,533	172,481	59,565	61,865
Group result attributable to non-controlling interest	-4,479	589	-1,585	81
Earnings per share in EUR (undiluted)	**1.30**	**1.35**	**0.47**	**0.48**
Earnings per share in EUR (diluted)	**1.30**	**1.35**	**0.47**	**0.48**
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

* We refer to point 4 of the selected explanatory notes in accordance with IAS 34.

Consolidated statement of comprehensive income

for the period from 1 January to 30 September 2016

In EUR `000s	Q1-Q3/2016 1.1.2016-30.9.2016	Q1-Q3/2015 1.1.2015-30.9.2015	Q3/2016 1.7.2016-30.9.2016	Q3/2015 1.7.2015-30.9.2015
Group result	**162,054**	**173,070**	**57,980**	**61,946**
Change in fair value of available-for-sale financial assets	-31	-49	-3	-6
Reclassification adjustments from the change in fair value of available-for-sale financial assets	35	0	0	0
Currency difference	-19	111	1	-58
Currency difference from subsequent accounting of associates accounted for using the equity method	-358	0	-1,554	0
Income tax recognised in other comprehensive income	10	-19	24	19
Other comprehensive income/to be reclassified to the income statement in the following periods	**-363**	**43**	**-1,532**	**-45**
Recognition of actuarial gains and losses arising from the accounting for pension plans acc. IAS 19 (2011)	-16,411	7,660	-3,736	1,206
Profit share of associates accounted for using the equity method	-1,370	0	-1,370	0
Income tax recognised in other comprehensive income	4,961	-2,302	1,146	-363
Other comprehensive income/not to be reclassified to the income statement in the following periods	**-12,820**	**5,358**	**-3,960**	**843**
Other comprehensive income	**-13,183**	**5,401**	**-5,492**	**798**
Consolidated comprehensive income	**148,871**	**178,471**	**52,488**	**62,744**
Consolidated comprehensive income attributable to shareholders of freenet AG	153,350	177,882	54,073	62,663
Consolidated comprehensive income attributable to non-controlling interest	-4,479	589	-1,585	81

Consolidated balance sheet as of 30 September 2016

Assets

In EUR '000s	30.9.2016	30.6.2016 adjusted[1]	31.12.2015
Non-current assets			
Intangible assets	532,416	543,479	458,089
Goodwill	1,379,919	1,379,919	1,153,985
Property, plant and equipment	512,043	524,320	32,542
Investments in associates accounted for using the equity method	715,697	713,582	1,760
Other investments	566	566	1,517
Deferred income tax assets	184,559	184,103	177,337
Trade accounts receivable	76,869	75,973	79,438
Other receivables and other assets	20,789	23,138	12,045
	3,422,858	**3,445,080**	**1,916,713**
Current assets			
Inventories	68,052	70,386	79,468
Current income tax assets	3,196	3,086	3,058
Trade accounts receivable	408,140	388,130	436,009
Other receivables and other assets	31,264	31,080	18,910
Cash and cash equivalents	260,521	204,019	269,761
Assets classified as held for sale	0	0	101
	771,173	**696,701**	**807,307**
	4,194,031	**4,141,781**	**2,724,020**

1 Retrospective adjustment due to finalised purchase price allocation (PPA) of Media Broadcast Group (please refer to note 3 of our selected explanatory note in accordance with IAS 34).

Shareholders' equity and liabilities

In EUR `000s	30.9.2016	30.6.2016 adjusted[1]	31.12.2015
Shareholders' equity			
Share capital	128,061	128,061	128,061
Capital reserve	737,536	737,536	737,536
Cumulative other comprehensive income	-28,546	-23,054	-15,363
Retained earnings	442,693	383,128	474,577
Capital and reserves attributable to shareholders of freenet AG	**1,279,744**	**1,225,671**	**1,324,811**
Capital and reserves attributable to non-controlling interest	49,745	51,330	54,224
	1,329,489	**1,277,001**	**1,379,035**
Non-current liabilities			
Other payables	301,461	322,251	42,452
Borrowings	1,488,254	1,487,296	218,382
Deferred income tax liabilities	6	6	6
Pension provisions	98,954	94,555	51,191
Other provisions	66,136	66,064	8,044
	1,954,811	**1,970,172**	**320,075**
Current liabilities			
Trade accounts payable	465,084	466,969	443,718
Other payables	123,499	111,999	107,975
Current income tax liabilities	45,797	44,431	32,465
Borrowings	246,019	243,580	420,532
Other provisions	29,332	27,629	20,220
	909,731	**894,608**	**1,024,910**
	4,194,031	**4,141,781**	**2,724,020**

1 Retrospective adjustment due to finalised purchase price allocation (PPA) of Media Broadcast Group (please refer to note 3 of our selected explanatory note in accordance with IAS 34).

Schedule of changes in equity

for the period from 1 January to 30 September 2016

In EUR `000s	Share capital	Capital reserve	Cumulative other comprehensive income: Revaluation reserve	Cumulative other comprehensive income: Currency difference	Cumulative other comprehensive income: Valuation reserve in accordance with IAS 19	Retained earnings	Capital and reserves attributable to shareholders of freenet AG	Capital and reserves attributable to non-controlling interest	Shareholders' equity
As of 1.1.2015	**128,061**	**737,536**	**-99**	**247**	**-21,443**	**445,625**	**1,289,927**	**3,693**	**1,293,620**
Dividend payment	0	0	0	0	0	-192,017	-192,017	0	-192,017
Group result	0	0	0	0	0	172,481	172,481	589	173,070
Recognition of actuarial gains and losses acc. IAS 19 (2011)[1]	0	0	0	0	5,358	0	5,358	0	5,358
Change in fair value of available-for-sale financial instruments[1]	0	0	-35	0	0	0	-35	0	-35
Foreign currency translation[1]	0	0	0	78	0	0	78	0	78
Sub-total: Consolidated comprehensive income	0	0	-35	78	5,358	172,481	177,882	589	178,471
As of 30.9.2015	**128,061**	**737,536**	**-134**	**325**	**-16,085**	**426,089**	**1,275,792**	**4,282**	**1,280,074**

In TEUR	Share capital	Capital reserve	Cumulative other comprehensive income: Revaluation reserve	Cumulative other comprehensive income: Currency difference	Cumulative other comprehensive income: Currency difference from subsequent accounting of associates accounted for using the equity method	Cumulative other comprehensive income: Valuation reserve in accordance with IAS 19	Cumulative other comprehensive income: Profit share of associates accounted for using the equity method	Retained earnings	Capital and reserves attributable to shareholders of freenet AG	Capital and reserves attributable to non-controlling interest	Shareholders' equity
As of 1.1.2016	**128,061**	**737,536**	**-139**	**364**	**0**	**-15,588**	**0**	**474,577**	**1,324,811**	**54,224**	**1,379,035**
Dividend payment	0	0	0	0	0	0	0	-198,417	-198,417	0	-198,417
Group result	0	0	0	0	0	0	0	166,533	166,533	-4,479	162,054
Profit share of associates accounted for using the equity method[1]	0	0	0	0	0	0	-1,349	0	-1,349	0	-1,349
Recognition of actuarial gains and losses acc. IAS 19 (2011)[1]	0	0	0	0	0	-11,471	0	0	-11,471	0	-11,471
Change in fair value of available-for-sale financial instruments[1]	0	0	2	0	0	0	0	0	2	0	2
Foreign currency translation[1]	0	0	0	-13	0	0	0	0	-13	0	-13
Foreign currency translation from subsequent accounting of associates accounted for using the equity method[1]	0	0	0	0	-352	0	0	0	-352	0	-352
Sub-total: Consolidated comprehensive income	0	0	2	-13	-352	-11,471	-1,349	166,533	153,350	-4,479	148,871
As of 30.9.2016	**128,061**	**737,536**	**-137**	**351**	**-352**	**-27,059**	**-1,349**	**442,693**	**1,279,744**	**49,745**	**1,329,489**

1 Figures are balanced with income tax recognised in other comprehensive income.

Consolidated statement of cash flows

for the period from 1 January to 30 September 2016

In EUR `000s	Q1-Q3/2016 1.1.2016-30.9.2016	Q1-Q3/2015 1.1.2015-30.9.2015
Result before interest and taxes (EBIT)	**211,712**	**219,856**
Adjustments		
Depreciation and impairment on items of fixed assets	89,363	52,567
Share of results of associates accounted for using the equity method	-5,659	-123
Dividends received from associates accounted for using the equity method	30,124	0
Gains on the sale of subsidiaries	-258	0
Gains on the disposal of fixed assets	536	-131
Decrease in net working capital not attributable to investing or financing activities	-2,630	2,772
Tax payments	-26,210	-37,797
Cash flow from operating activities	**296,978**	**237,144**
Investments in property, plant and equipment and intangible assets	-44,019	-20,026
Proceeds from the disposal of property, plant and equipment and intangible assets	9,789	309
Payments for the acquisition of subsidiaries	-76,618	0
Proceeds from the sale of subsidiaries	415	100
Payments in shareholders' equity, accounted for using the equity method	-738,219	0
Payments for the acquisition of associates, accounted for using the equity method	0	-70
Investments in other financial assets	0	-895
Interest received	738	468
Cash flow from investing activities	**-847,914**	**-20,114**
Dividend payments to company owners and minority shareholders	-198,417	-192,017
Proceeds from new borrowings	1,505,680	99,400
Cash repayments of borrowings	-697,268	-1,256
Cash repayments of borrowings	-12,690	0
Interest paid	-55,609	-31,426
Cash flow from financing activities	**541,696**	**-125,299**
Cash-effective change in cash and cash equivalents	**-9,240**	**91,731**
Cash and cash equivalents at the beginning of the period	**269,761**	**111,944**
Cash and cash equivalents at the end of the period	**260,521**	**203,675**
Composition of cash and cash equivalents In EUR '000s	**30.9.2016**	**30.9.2015**
Cash and cash equivalents	260,521	203,675
	260,521	**203,675**
Composition of free cash flow In EUR '000s	**30.9.2016**	**30.9.2015**
Cash flow from operating activities	296,978	237,144
Investments in property, plant and equipment and intangible assets	-44,019	-20,026
Proceeds from the disposal of property, plant and equipment and intangible assets	9,789	309
Free cash flow (FCF)	**262,748**	**217,427**

SELECTED EXPLANATORY NOTES IN ACCORDANCE WITH IAS 34

Major accounting, valuation and consolidation principles

1. These condensed consolidated interim financial statements have been prepared in accordance with the 1606/2002 Directive of the European Parliament and the Council in line with the International Accounting Standards adopted by the European Union, the International Financial Reporting Standards (IFRS), in accordance with IAS 34. The Group has recognised all IFRS which have been adopted by the EU and which are the subject of mandatory adoption.

   The Group has implemented all accounting standards which were the subject of mandatory adoption as of the reporting date. The accounting standards which have been the subject of mandatory adoption for the first time as of 1 January 2016 do not have any significant impact on these abridged consolidated interim financial statements of freenet AG. These are the annual improvements project 2012 to 2014 – IFRS improvements (IFRS 5, IFRS 7, IAS 19, IAS 34), the amendments to IFRS 11 (Recognition of Acquisitions of Joint Arrangements), IAS 16 and IAS 38 (Clarification of Acceptable Methods of Depreciation and Amortisation), IAS 16 and IAS 41 (Bearer Plants), IFRS 10, IFRS 12 and IAS 28 (Investments in Associates and Joint Ventures: Application of Consolidation Exception), IAS 27 (Equity Method in Separate Financial Statements) as well as IAS 1 (Disclosure Initiative).

2. With the acquisitions of EXARING and the Media Broadcast Group, the freenet Group operates in the new TV and Media sector. However, the results generated by this sector were still provisionally allocated to the “Other/Holding” segment in the first quarter of 2016 because no reporting structure which had been amended compared with 31 December 2015 had yet been presented to the main decision-makers of the Group at the time at which the abridged consolidated interim financial statements as of 31 March 2016 were prepared. A modified reporting structure has now been presented to the main decision-makers of the Group; according to this structure, EXARING and the Media Broadcast Group are reported separately as sectors. Because the quantitative thresholds in accordance with IFRS 8.13 have also been exceeded, the Media Broadcast Group and also EXARING were allocated to the new “TV and Media” segment for the first time as of 30 June 2016. Because the information in the modified reporting structure has been available from the time of initial consolidation, EXARING has been allocated to the “TV and Media” segment with retroactive effect as of 1 January 2016, and the Media Broadcast Group has been allocated to the “TV and Media” segment with retroactive effect as of 18 March 2016. In the comparison period 2015, the freenet Group had not been operating in the “TV and Media” segment; this is the reason why it was not necessary for the comparison figures for the previous year to be adjusted in segment reporting.

   The management reporting available to the main decision-makers of the Group was amended in the second quarter of 2016. The income statement of the individual segments is no longer reported up to segment EBIT; instead, it ends with segment EBITDA, because EBIT is not a financial performance indicator and accordingly is not used for management purposes. A corresponding adjustment has been made for the previous-year period.

   Despite the fact that there is no majority of voting rights (24.99 per cent), the control over EXARING is attributable to substantial contractual rights in accordance with IFRS 10.

Significant events and transactions

3. On 3 March 2016, mobilcom-debitel GmbH, a wholly-owned subsidiary of freenet AG, signed a purchase agreement with Tyrol Acquisition 1 & Cie S.C.A., Luxembourg (the vendor) regarding the acquisition of 100 per cent of the shares in the Media Broadcast Group. The Media Broadcast Group consists of a holding company (previously two holding companies, of which one has since been merged with the other) as well as the main operating company Media Broadcast GmbH, Cologne, and further subsidiaries and equity participations. The Media Broadcast Group employs more than 700 employees. The satellite division of the Media Broadcast Group (Media Broadcast Satellite GmbH and Media Broadcast Satellite Services GmbH) is not covered by the acquisition.

   Following approval of the cartel authorities, the acquisition was concluded on 17 March 2016, which meant that the Group acquired control of this subsidiary. Since 18 March 2016 (reference date of initial consolidation), the Media Broadcast Group has been included in the consolidated financial statements of freenet AG.

   The purchase price for the acquisition of the shares, which is not subject to any adjustments, is stated as 113.0 million euros. Of this figure, 101.7 million euros was paid in cash by the Group. The Group acquired net liabilities in the amount of the difference of 11.4 million euros (other receivables of 13.5 million euros as well as other liabilities of 24.9 million euros).

   The acquisition of the Media Broadcast Group resulted in outflows of 76.6 million euros shown in the cash-flow statement – this figure comprises the payment of 101.7 million euros less the liquid assets of 25.1 million euros within the Media Broadcast Group as of the date of initial consolidation.

   In addition, the Group paid an amount of 195.0 million euros to acquire a loan receivable due from the Media Broadcast Group, and repaid bank liabilities of the Media Broadcast Group in the amount of 102.2 million euros.

   The Media Broadcast Group is the sole commercial provider of DVB-T2 and DAB+ in Germany. In conjunction with the previously acquired stake in EXARING AG, the acquisition of the Media Broadcast Group represents a key additional step in the strategic development of freenet AG in the direction of becoming the leader digital-lifestyle provider in Germany. The success in breaking into the new segment of linear and Internet-based TV will provide the company with the opportunity of becoming further diversified in the digital-lifestyle field and of opening up new growth potential and revenue sources.

   The purchase price allocation carried out in accordance with IFRS 3 in these abridged consolidated interim financial statements with regard to the acquisition of the Media Broadcast Group is of a final nature.

   The following overview provides information regarding the assets and liabilities of the Media Broadcast Group which were transferred at fair values at the time of initial consolidation:

Assets and liabilities of the Media Broadcast Group measured at fair value as of 17 March 2016

Assets

In EUR `000s	17.3.2016
Non-current assets	
Intangible assets	112,052
Goodwill	225,934
Property, plant and equipment	497,671
Other investments	64
Deferred income tax liabilities	5,903
Trade accounts receivable	469
	842,093
Current assets	
Trade accounts receivable	17,632
Other receivables and other assets	33,408
Cash and cash equivalents	25,050
	76,090
	918,183

Shareholders' equity and liabilities

In EUR `000s	17.3.2016
Non-current liabilities	
Trade accounts payable	301,265
Borrowings	297,193
Deferred income tax liabilities	17,067
Pension provisions	30,349
Other provisions	56,688
	702,562
Current liabilities	
Trade accounts payable	53,306
Other payables	13,185
Current income tax liabilities	26,989
Other provisions	9,105
	102,585
	805,147

The difference of 113.0 million euros between the assets and liabilities represents the purchase price for the acquired shares. On the basis of the final determination of the acquired assets and liabilities, a figure of 225.9 million euros has been shown as goodwill, and 109.8 million euros has been shown as intangible assets. Of the figure shown for intangible assets, 99.7 million euros relate to customer relations with a useful life of 22 years, and 10.1 million euros relate to brand rights with a useful life of 15 years. The subsequent process of writing down customer relations and brand rights will result in amortisation and depreciation of 1.3 million euros every quarter. A framework lease agreement has been classified as a finance lease with the amount of the corresponding minimum lease obligation. An asset of 324.9 million euros shown under property, plant and equipment as well as a corresponding liability of the same amount have been derived in connection with this finance lease agreement. The current element of these liabilities of 324.9 million euros (namely 23.7 million euros) have been shown under trade accounts payable, and the non-current element (301.2 million euros) has been shown under the other payables. Contingent liabilities of 24.8 million euros have been shown within the framework of the final purchase price allocation; of this figure, 17.3 million euros for risks arising from a tax audit have been shown under the current income tax liabilities, and 7.5 million euros from a process risk have been shown under the non-current other provisions. As of 30 September 2016, these items continued to exist unchanged without any utilisation, reversal or addition. For both contingent liabilities, there is uncertainty regarding the actual amount and also the due dates of the outflows. If an outflow occurs, this is probable for the financial year 2017 in both cases. The present value of the acquired receivables (incl. the other receivables and other assets) is stated as 51.5 million euros. Allowances of 1.6 million euros were created as of the reference date of the acquisition in relation to gross trade accounts receivable as well as other receivables and other assets. There have been no transactions which have to be disclosed separately from the acquisition of assets and the transfer of liabilities. The final purchase price allocation was based on a planning calculation which is relevant for valuation purposes and which is based on the DCF method. This covered a detailed period of five years. Capital-value-oriented methods were used for determining the fair value of the intangible assets recognised as part of the final purchase price allocation process, namely in the form of the residual value method for the customer relations and in the form of the royalty analogy method for the brand rights.

There is one major difference between the final purchase price allocation and the provisional purchase price allocation used in the abridged consolidated interim financial statements for the periods ending 31 March 2016 and 30 June 2016: In the final purchase price allocation, the framework lease agreement has been measured differently, namely in the form of a finance lease instead of as a right-of-use asset in accordance with IAS 38. In this connection, the anticipated remaining useful life of this framework lease has been estimated to be shorter, and the discount rate for the liabilities under the terms of the finance lease was different to that applicable for the liabilities in connection with an assessment as a right-of-use asset. Accordingly, for this framework lease, property, plant and equipment of 324.9 million euros as well as liabilities in the same amount have been shown in the final purchase price allocation instead of intangible assets and liabilities of 460.0 million euros in each case (provisional purchase price allocation). The classification as a finance lease ensured that the framework agreement was presented more clearly and more transparently than would be the case with the classification as a right of use shown in the provisional purchase price allocation.

In the segment reporting of the freenet Group, the Media Broadcast Group has been allocated to the "TV and Media" segment.

The goodwill is allowable for tax purposes in the amount of 199.7 million euros in relation to the time of initial consolidation, and is a tributable particularly to the cash flow from establishing the new B2C division, and has been allocated to the cash-generating unit “TV and Media”.

Following the time of its initial consolidation (18 March 2016 to 30 September 2016), the Media Broadcast Group contributed a total of 148.1 million euros to the Group revenue generated with external parties. If this transaction had taken place as of 1 January 2016, the contribution to the Group revenue for the first nine months of 2016 would have been 206.6 million euros. The contribution to Group EBITDA for the period from 18 March 2016 to 30 September 2016 was 29.4 million euros. If this transaction had taken place as of 1 January 2016, the contribution to Group EBITDA would have been 40.0 million euros.

4. With the agreement of 17 March 2016, freenet acquired a 23.83 per cent stake in the share capital of Sunrise. This transaction was completed on 23 March 2016. The shares were acquired for a price of 72.95 CHF, and are entitled to receive dividend payments with immediate effect. Overall, the costs of purchase, including ancillary purchase costs, amounted to 718.0 million euros.

   Since 24 March 2016, Sunrise has been included as an associated company in the consolidated financial statements of freenet AG. By way of two seats on the Administrative Board of Sunrise and a voting right interest of more than 20 per cent, freenet AG is in a position to exercise significant influence.

   freenet also acquired a further 0.73 per cent stake in the share capital of Sunrise (completion on 14 April 2016). The shares were also acquired for a price of 72.95 CHF, and are also entitled to receive dividend payments with immediate effect. The costs of purchase for this additional acquisition were 22.1 million euros.

   Overall, since that time freenet AG has held a 24.56 per cent stake in the share capital of Sunrise.

Sunrise is the largest private telecommunications provider in Switzerland, with more than three million customers in the fields of mobile communications, landline, internet and digital TV.

The most recent financial information published by Sunrise relates to the interim report for the period ending 30 June 2016. This information is summarised in the following:

Summarised information for Sunrise on second quarter 2016

Balance sheet[1]

In CHF '000s	30.6.2016
Non-current assets	3,364,429
Thereof intangible assets	2,426,360
Current assets	557,706
Thereof cash and cash equivalents	192,637
Total assets	**3,922,135**
Non-current liabilities	2,358,046
Thereof non-current borrowings	1,833,713
Current liabilities	543,780
Thereof trade accounts payable and other payables	477,198
Total liabilities	**2,901,826**

Income statement

In CHF '000s	1.1.2016-30.6.2016
Revenue	917,482
Gross profit	585,599
EBITDA	287,305
Depreciation and amortisation	-231,515
Interest payable and similar expenses	-30,743
Taxes on income	-8,488
Group result after taxes	**16,914**

Other comprehensive income

In CHF '000s	1.1.2016-30.6.2016
Group result after taxes	**16,194**
Recognition of actuarial gains and losses arising from the accounting for pension plans acc. IAS 19 (2011)	-38,215
Taxes on income	8,026
Other comprehensive income / not to be reclassified to the income statement in the following periods	-30,189
Other comprehensive income	**-13,275**

1 Closing date as of 30 June 2016 amounted to 0.9228 CHF/EUR.

The shadow purchase price allocation prepared in accordance with IAS 28 is final. It is identical to the provisional shadow purchase price allocation shown in the condensed consolidated interim financial statements for the period ending 30 June 2016. The term “shadow purchase price allocation” is used because the purchase price allocation for one associated company is not included directly in the consolidated balance sheet of freenet AG, and instead is only included by way of the subsequent write-down procedure. The final shadow purchase price allocation procedure has identified goodwill of 755.5 million CHF which is attributable to the freenet share and which is not subject to the current amortisation process as well as assets totalling 237.8 million CHF which are attributable to the freenet share and which are subject to the ongoing amortisation process (incl. customer relations: 169.9 million CHF, thereof brand rights: 67.9 million CHF).

For the period from 24 March 2016 to 30 September 2016, the income statement shows a figure of 5.549 thousand euros for the share of results of associates accounted for using the equity method attributable to Sunrise; of this figure, 16,158 thousand euros is attributable to shares in the consolidated income of Sunrise after tax (following amendment of the depreciation in relation to assets revalued within the framework of the shadow PPA) as well as -10,609 thousand euros relating to the subsequent amortisation of the final shadow purchase price allocation. With regard to the shares in the consolidated net income of Sunrise after tax, it has to be borne in mind that an estimate has been carried out by freenet for the period from 1 July 2016 to 30 September 2016, as no corresponding financial information had been provided by Sunrise at the point at which these consolidated interim financial statements were prepared. Moreover, with regard to the shares in the consolidated net income of Sunrise after tax, it also has to be borne in mind that freenet initially adjusts the Group result after tax shown by Sunrise by the amount which has been included by Sunrise in this Group result as depreciation/amortisation as well as deferred tax effects on purchase price allocations. This ensures that such depreciation/amortisation and deferred tax effects are not recognised twice, as freenet shows these effects in the "share of results of associates accounted for using the equity method, thereof from subsequent recognition of purchase price allocation".

Other comprehensive income of -358 thousand euros relating to Sunrise as a result of currency translation differences from subsequent recognition as well as other comprehensive income of 5 thousand euros relating to recognised taxes on income have been shown as elements of the other comprehensive income in the consolidated statement of comprehensive income for the first nine months of 2016.

On 21 April 2016, freenet AG received a dividend payment of 30.1 million euros as a result of the dividend distribution of 3.00 CHF per share adopted in the general meeting of Sunrise of 15 April 2016. This incoming payment increased the cash flow from operating activities for the second quarter of 2016.

In segment reporting of the freenet Group, the shares in Sunrise have been allocated to the "Mobile Communications" segment.

The acquisition of shares in Sunrise has resulted in a new situation for the freenet Group with regard to the presentation of the income statement item "Results of associates accounted for using the equity method": Whereas in the past an associated company had subsequently been recognised only by way of writing up or writing down the carrying amount of the holding on the basis of the current shares of results and also where necessary by way of writing down the carrying amount as a result of impairments, the shadow purchase price allocation procedure for the Sunrise acquisition has resulted in intangible assets which have to be written down, and thus in a further payment of the results of associates accounted for using the equity method.

In order to improve the transparency of the results of associates accounted for using the equity method, we have therefore inserted lines for the corresponding "thereof" information in our income statement for this item starting with the consolidated interim financial statements for the period ending 31 March 2016.

As has been the case in the past, only the shares of results of the item "Results of associates accounted for using the equity method" have been included in the process of determining our key financial performance indicator EBITDA. The amortisation/depreciation from subsequent recognition of the shadow purchase price allocation does not affect Group EBITDA.

5. At the end of February 2016, freenet AG issued a borrower's note loan for a total volume of 560.0 million euros. This financing instrument is due upon final maturity, and comprises a five-year fixed tranche of 264.0 million euros, a five-year variable tranche of 179.0 million euros, a seven-year fixed tranche of 78.5 million euros, a seven-year variable tranche of 15.0 million euros and a ten-year fixed tranche of 23.5 million euros. It was taken up over the entire volume at the lower end of the respective marketing range with a fixed coupon of 1.03 per cent for the fixed five-year tranche, a variable coupon which is expected to be 1.00 per cent for the first six months of the variable five-year tranche, a fixed coupon of 1.45 per cent for the fixed seven-year tranche, a variable coupon which is expected to be 1.20 per cent for the first six months of the variable seven-year tranche and a fixed coupon of 1.95 per cent for the fixed ten-year tranche. On average, the return is 1.12 per cent p.a. over the specified maturities.

   In addition, at the beginning of March 2016, freenet AG and mobilcom-debitel GmbH signed a facilities agreement with a bank syndicate for a total amount of up to 1,140.0 million euros. This facilities agreement was concluded in connection with the acquisitions of the Media Broadcast Group as well as the shares in Sunrise. Secondly, the final maturity of the corporate bond for a nominal 400.0 million euros in April 2016 also had to be taken into consideration. Thirdly, in connection with the new facilities agreement, the previous revolving facility, which amounted to max. 300.0 million euros, was also replaced.

   The first two tranches serve as bridging finance for possible acquisitions, and provide the funds required for the respective acquisition. The first tranche was made available as a credit line of up to 240.0 million euros, but has so far not been utilised. The second tranche, which can be used for drawing down funds up to a maximum of 800.0 million euros, has so far been drawn down to the extent of 720.0 million euros (nominal) for the acquisition of Sunrise. The second tranche is subject to variable interest, which amounted to 2.10 per cent as of 30 September 2016. The third tranche, with a volume of 100.0 million euros, is subject to variable interest and has been specifically designed as a revolving facility, i.e. the funds can be drawn down and repaid at any time during the five year life of the tranche. This tranche had not been utilised as of 30 September 2016.

6. As of 30 September 2016, receivables of 78.8 million euros (30 June 2016: 60.9 million euros) resulting from the existing agreement for the factoring of mobile phone option receivables had been sold and derecognised, although the corresponding payment had not yet been received.

7. The balance sheet total as of 30 September 2016 amounted to 4,194.0 million euros, representing an increase of 54.0 per cent compared with 31 December 2015 (2,724.0 million euros). This increase is mainly attributable to the acquisitions of the Media Broadcast Group and Sunrise, which were carried out in the first quarter of 2016. The following details relate to the development of the balance sheet from 31 December 2015 to 30 September 2016.

   On the assets side of the balance sheet, the increase of 74.3 million euros in intangible assets, the increase of 225.9 million euros in goodwill as well as the increase of 479.5 million euros in property, plant and equipment is mainly attributable to the purchase price allocation relating to the acquisition of the Media Broadcast Group. The increase of 713.9 million euros in the companies accounted for using the equity method is almost exclusively attributable to the interest in Sunrise.

   On the liabilities side of the balance sheet, the trade accounts payable as well as the other liabilities and accruals increased by a total of 295.9 million euros, whereas the pension provisions and the other provisions increased by a total of 115.0 million euros – both developments are mainly attributable to the acquisition of the Media Broadcast Group. The increase of 1,095.4 million euros in borrowings is primarily due to the refinancing raised in March 2016 on the occasion of the above-mentioned acquisitions.

8. The following major transactions took place between the Group and related parties:

In EUR '000s	1.1.2016-30.9.2016	1.1.2015-30.9.2015
Sales of services		
Joint ventures		
FunDorado GmbH, Hamburg	248	286
Total	**248**	**286**

As of 30 September 2016, there were the following major receivables due from related parties:

In EUR '000s	30.9.2016	30.9.2015
Receivables from related parties		
Joint ventures		
FunDorado GmbH, Hamburg	36	47
Total	**36**	**47**

All transactions were at market rates.

Other disclosures

9. The following information is provided in connection with the framework rental agreement classified as a finance lease, see point 3:

This is a framework rental agreement with an infrastructure provider regarding the use of radio infrastructures (such as towers and masts) at radio locations and other areas, due to run until 31 December 2027. The Media Broadcast Group has the right to demand an extension of ten years until 31 December 2037. The probability of this extension option being exercised has been assumed to be less than 50 per cent.

The carrying amounts of the finance lease assets amounted to 310,081 thousand euros for technical equipment and machinery as of 30 September 2016.

The minimum leasing payments are due as follows:

In EUR '000s	30.9.2016
Due within one year	37.000
Due within one and five years	136.362
Due term greater than five years	223.860
	397.222
Interest rates of future leasing rates	
Due within one year	-12.840
Due within one and five years	-41.837
Due term greater than five years	-30.335
Present Value of total liabilities from finance leases	**312.210**

The maturities of the total liabilities from finance leasing are as follows

In EUR '000s	30.9.2016
Due within one year	24.160
Due within one and five years	94.525
Due term greater than five years	193.525
Total	**312.210**

The balance sheet value corresponds to the present of the contractual minimum lease payments. The interest rate used to account for the resulting finance leasing liabilities is 4.12 percent.

10. The initial parameter in the cash flow statement is the earnings generated by continued and discontinued operations before interest and income taxes (EBIT). The following sets out the process of deriving this EBIT figure from the consolidated income statement:

Calculating the underlying figure for the consolidated cash flow statement

In EUR '000s	1.1.2016-30.9.2016	1.1.2015-30.9.2015
Earnings before taxes	170,228	190,670
Interest payable and similar expenses	42,149	29,858
Interest receivable and similar income	-665	-672
Earnings before interest and taxes (EBIT)	**211,712**	**219,856**

11. We comment as follows with regard to the fair values:

The following overview "Fair-value hierarchy as of 30 September 2016" shows the main parameters used as the basis of measuring the financial instruments recognised at fair value and also that part of the financial instruments recognised at amortised cost of purchase for which it was possible for a fair value to be determined. With regard to the individual levels in accordance with IFRS 13, please refer to the notes to the consolidated financial statements for the period ending 31 December 2015 of freenet AG.

Financial instruments according to classes as of 30 September 2016

			Value approach					
In EUR '000s	Valuation category according to IAS 39	Carrying amount balance sheet 30.9.2016	Amortised cost	Cost	Fair value recognised in profit or loss	Fair value recognised in equity	Non-financial assets/ liabilities	Fair value financial assets 30.9.2016
Assets								
Cash and cash equivalents	LR	260,521	260,521					-*
Other financial assets	AFS	566						
Other financial assets (measured at cost)	AFS	566		566				
Trade accounts receivable	LR	**485,009**	**485,009**					**485,131**
Other receivables and other assets		52,053					10,549	
Other non-derivative financial assets	LR	38,726	38,726					38,726
Available-for-sale financial assets	AFS	2,778				2,778		2,778
Liabilities								
Trade accounts payable	FLAC	465,084	440,924					24,160*
Borrowings	FLAC	1,734,273	1,734,273					1,744,353
Other payables and accruals		424,960					71,332	
Other non-derivative financial liabilities	FLAC	353,628	65,578					353,628
Thereof aggregated by valuation categories acc. to IAS 39								
Available-for-sale financial instruments	AFS	3,344		566		2,778		2,778
Loans and receivables	LR	784,256	784,256					523,857*
Financial liabilities (measured at amortised cost)	FLAC	2,552,985	2,240,775					2,112,141*

* No fair value has been established for the positions "Cash and cash equivalents/liquid assets" and "Trade accounts payable"; however, the carrying amount is a reasonable approximation of the fair value. This means that the aggregate fair value for the valuation categories LR and FLAC are considerably lower than the corresponding aggregate carrying amounts in the balance sheet.

Fair value hierarchy as of 30 September 2016

In EUR '000s	Total	Level 1	Level 2	Level 3
Assets				
Available-for-sale financial assets	2,778	2,778	0	0
Trade accounts receivable	77,102	0	0	77,102
Liabilities				
Borrowings	785,658	0	0	785,658

There have been no changes with regard to the levels.

In the course of the first nine months, the borrowings allocated to level 3 of the hierarchy increased by 561.7 million euros mainly as a result of the issuing of the new borrower's note loan.

The other investments are measured at fair value. If it is not possible to reliably determine the fair value, the investments are measured at cost of purchase. The shares which are measured at cost of purchase are not listed, and there is no active market for them. The other investments were sold entirely in the second quarter of 2016. There is thus no separate statement for them as of 30 September 2016.

12. Compared with the consolidated financial statements for the period ending 31 December 2015, the consolidation group was extended in the first nine months of 2016 to include the following companies as a result of the acquisitions detailed above:

Fully consolidated companies

- Taunus Beteiligungs GmbH, Cologne
- MEDIA BROADCAST GmbH, Cologne
- MEDIA BROADCAST Services GmbH, Cologne
- Media Broadcast TV Services GmbH, Cologne

Companies accounted for using the equity method

- Sunrise Communications Group AG, Zurich (Switzerland)

01083.com GmbH, Hamburg, was deconsolidated in the second quarter of 2016.

As of 4 October 2016, tellfon GmbH, Hamburg, was sold for a cash price of 53 thousand euros. The corresponding deconsolidation will be completed in the fourth quarter of 2016.

13. The pension provisions for the freenet programme and for the debitel programmes and also for the Media Broadcast Group acquired in the first quarter were revalued on the basis of an updated interest rate of 1.5 per cent (30 June 2016: 1.7 per cent) subject to otherwise unchanged assumptions. The actuarial loss of 16.4 million euros resulting from the lower discounting and the opposite increase of 4.9 million euros in the deferred tax assets were recognised in the statement of comprehensive income. On balance, this is reflected in a negative result of 11.5 million euros for items which do not have to be reclassified to the income statement.

14. As was the case in the consolidated financial statements for 2015, an average tax rate of 30.10 per cent (corresponding previous-year period: 30.05 per cent) was used as the basis for calculating the current and deferred taxes on income.

15. The net borrowings declined from 898.0 million euros as of the end of June 2016 to 787.7 million euros as of the end of September 2016. The decline in the net borrowings is mainly attributable to the free cash flow generated in the third quarter of 2016 as well as the increase in the share price of Sunrise (closing price on 30 September 2016: 62.08 euros, closing price on 30 June 2016: 56,90 euros – source: Bloomberg).

16. No major reportable events have occurred after the balance sheet date.

17. The Executive Board organises and manages the company as main decision-makers on the basis of the differences between the individual products and services which are offered. Because the Group carries out its business activities almost exclusively in Germany, there is no organisation and management on the basis of regional areas. The Group operated in the following segments in the nine months of 2016:

- Mobile Communications:
  - Activities as a mobile communications service provider – marketing of mobile communications services (voice and data services) of the mobile network operators T-Mobile, Vodafone and Telefónica Deutschland in Germany
  - On the basis of the network operator agreements concluded with these network operators, a range of own independent services and tariffs as well as a range of network operator tariffs
  - Distribution/sale of mobile devices as well as additional services in the fields of mobile data communication as well as digital-lifestyle
  - Rendering of sales services
  - Activity of Sunrise (Sunrise segments: Mobile Communications, Landline, Internet as well as Digital TV)

- TV and Media:
  - Rendering of services, mainly to end users, in the field of IP-TV
  - Planning, development, establishment, operation, service as well as marketing of broadcast-related solutions for business customers in the radio and media sector
  - Rendering of DVB-T2 services to end users

- Other/Holding:
  - Rendering of portal services such as e-commerce/advertising services (these essentially comprise the range of online shopping and the marketing of advertising space on web sites), paid services for end users as well as a range of various digital products and entertainment formats for downloading or for display and use on mobile devices
  - Development of communication solutions, EDP services and other services for business customers
  - Range of narrow-band voice services (call-by-call, preselection) and data services
  - Rendering of sales services

The “Other/Holding” segment combines the operating activities as well as other business activities. These mainly comprise the holding activity of freenet AG (with the rendering of internal services in central areas such as legal, personnel and finance) as well as postings which cannot be uniquely allocated. The segment revenue of 56.8 million euros reported for the “Other/Holding” segment in the first nine months of 2016 (previous year: 63.1 million euros) relate to the operating activities (56.3 million euros; previous year: 59.2 million euros) and the other business activities (0.5 million euros; previous year: 3.9 million euros). Of the figure of 37.2 million euros (previous year: 40.8 million euros) reported for the “Other/Holding” segment in the first nine months of 2016, 38.5 million euros (previous year: 41.4 million euros) is attributable to the operating activities, and -1.3 million euros (previous year: -0.6 million euros) is attributable to the other business activities. Of the figure of -8.3 million euros (previous year: -11.2 million euros) reported for the “Other/Holding” segment in the first nine months of 2016, 9.0 million euros (previous year: 5.5 million euros) relate to the operating activities and -17.3 million euros (previous year: -16.7 million euros) relate to the other business activities.

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 costs	Total
Third-party revenue	**2,232,082**	**148,109**	**43,902**	**0**	**2,424,093**
Intersegment revenue	26,529	6	12,871	-39,406	0
Total revenue	2,258,611	148,115	56,773	-39,406	2,424,093
Cost of materials, third party	**-1,709,149**	**-53,736**	**-15,497**	**0**	**-1,778,382**
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
Segment gross profit	**540,932**	**72,559**	**37,270**	**-5,050**	**645,711**
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 in associates accounted for using the equity method	16,158	0	110	0	16,268
Segment EBITDA	**301,621**	**18,383**	**-8,320**	**0**	**311,684**
Depreciation and impairment write-downs					-89,363
Subsequent accounting for associates accounted for using the equity method					-10,609
EBIT					**211,712**
Group financial result					-41,484
Taxes on income					-8,174
Group result					**162,054**
Group result attributable to shareholders of freenet AG					166,533
Group result attributable to non-controlling interest					-4,479
Cash-effective net investments	**16,453**	**15,152**	**2,625**		**34,230**

Segment report for the period from 1 January to 30 September 2015

In EUR'000s	Mobile Communications	Other/Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	**2,243,301**	**47,763**	**0**	**2,291,064**
Intersegment revenue	6,331	15,370	-21,701	0
Total revenue	2,249,632	63,133	-21,701	2,291,064
Cost of materials, third party	**-1,699,702**	**-16,506**	**0**	**-1,716,208**
Intersegment cost of materials	-10,677	-5,783	16,460	0
Total cost of materials	-1,710,379	-22,289	16,460	-1,716,208
Segment gross profit	**539,253**	**40,844**	**-5,241**	**574,856**
Other operating income	42,105	4,296	-4,006	42,395
Other own work capitalised	6,679	1,851	0	8,530
Personnel expenses	-116,054	-31,812	0	-147,866
Other operating expenses	-188,340	-26,522	9,247	-205,615
Profit share of results of associates accounted for using the equity method	0	123	0	123
Segment EBITDA	**283,643**	**-11,220**	**0**	**272,423**
Depreciation and impairment write-downs				-52,567
Subsequent accounting for associates accounted for using the equity method				0
EBIT				**219,856**
Group financial result				-29,186
Taxes on income				-17,600
Group result				**173,070**
Group result attributable to shareholders of freenet AG				172,481
Group result attributable to non-controlling interest				589
Cash-effective net investments	**16,694**	**3,017**		**19,711**

FURTHER INFORMATION

Financial calendar

9 November 2016[1]	Publication of interim report as of 30 September 2016 – 3rd quarter 2016
16 and 17 November 2016[1]	Morgan Stanley TMT Conference 2016, Barcelona, Spain
6 and 7 December 2016[1]	Berenberg European Conference, Surrey, Great Britain
9 to 11 January 2017[1]	19th German Investment Seminar, New York, USA
23 March 2017[1]	Publication of the consolidated financial statements / Annual report 2016
4 May 2017[1]	Publication of interim report as of 31 March 2017 – 1st quarter 2017
1 June 2017[1]	Annual General Meeting of freenet AG
9 August 2017[1]	Publication of interim report as of 30 June 2017 – 2nd quarter 2017
9 November 2017[1]	Publication of interim report as of 30 September 2017 – 3rd quarter 2017

1 All dates are subject to change.

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The annual report and our interim reports are also available at:
http://www.freenet-group.de/investor/publications/quarterly-annual-reports

The English version of the Interim Report is a translation of the German version of the Interim Report. The German version of this Interim Report is legally binding.

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

If your mobile phone has QR-Code recognition software, you will be directed to the freenet Group website by scanning this code..