

INTERIM STATEMENT

AS OF 30 SEPTEMBER 2018

Q3
2018

freenet GROUP

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

CONTENTS

Key financials	3
Business performance	5
Assets, earnings and financial position	7
Earnings position	7
Assets and financial position	9
Cash flow	10
Financial Management	11
Significant events after the reporting date	12
Opportunities and risk report	12
Forecast	13
Selected financial information	15
Consolidated income statement for the period from 1 January to 30 September 2018	15
Consolidated balance sheet as of 30 September 2018	16
Consolidated statement of cash flows for the period from 1 January to 30 September 2018	17
Segment report for the period from 1 January to 30 September 2018	18
Segment report for the period from 1 January to 30 September 2017	19
Further information	20
Financial Calendar ¹	20
Imprint, contact, publications	21
Glossary	22

OVERVIEW KEY FINANCIALS¹

GROUP

Result

In EUR million / as indicated	Q1-Q3/2018	Q1-Q3/2017	Q3/2018	Q2/2018	Q3/2017
Revenue without IFRS 15	2,670.3	2,557.4	902.7	894.0	880.1
Revenue	2,103.3	2,557.4	717.0	696.6	880.1
Gross profit	668.6	698.1	222.9	222.2	239.5
EBITDA	357.5	423.0	133.0	117.9	213.7
EBIT	245.8	303.2	97.7	83.0	174.2
EBT	162.6	265.9	37.5	70.8	161.5
Group result	148.1	249.0	40.0	61.3	157.1
Earnings per share in EUR (diluted and undiluted)	1.22	2.01	0.33	0.50	1.25

Balance Sheet

In EUR million / as indicated	30.9.2018	30.9.2017	30.9.2018	30.6.2018 adjusted ²	30.9.2017
Balance sheet total	4,799.7	4,314.3	4,799.7	4,470.8	4,314.3
Shareholders' equity	1,315.3	1,441.4	1,315.3	1,302.0	1,441.4
Equity ratio in %	27.4	33.4	27.4	29.1	33.4

Finances and investments

In EUR million	Q1-Q3/2018	Q1-Q3/2017	Q3/2018	Q2/2018	Q3/2017
Free cash flow	253.6	268.4	87.7	111.1	87.3
Depreciation and amortisation	97.3	104.2	30.6	30.2	34.3
Net investments (CAPEX)	33.7	43.6	10.1	12.5	13.1
Net debt	571.4	634.9	571.4	657.6	634.9
Pro forma net debt	1,636.9	1,405.8	1,639.9	1,428.5	1,405.8

Share

	30.9.2018	30.9.2017	30.9.2018	30.6.2018	30.9.2017
Closing price XETRA in EUR	20.70	28.29	20.70	22.69	28.29
Number of issued shares in `000s	128,061	128,061	128,061	128,061	128,061
Market capitalisation in EUR million	2,650.9	3,622.9	2,650.9	2,905.7	3,622.9

Employees

	30.9.2018	30.9.2017	30.9.2018	30.6.2018	30.9.2017
Employees	4,155	4,151	4,155	4,078	4,151

OVERVIEW KEY FINANCIALS¹

MOBILE COMMUNICATIONS

SEGMENT

Customer development

In million	Q1-Q3/2018	Q1-Q3/2017	Q3/2018	Q2/2018	Q3/2017
Mobile Communications customers/cards ³	11.57	11.88	11.57	11.69	11.88
Thereof Customer Ownership	9.49	9.60	9.49	9.57	9.60
Thereof Postpaid	6.87	6.65	6.87	6.83	6.65
Thereof No-frills	2.62	2.95	2.62	2.74	2.95
Thereof Prepaid	2.08	2.28	2.08	2.12	2.28
Gross new customers/cards	1.86	1.94	0.62	0.66	0.58
Net change	-0.26	-0.18	-0.12	-0.08	-0.11

Result

In EUR million	Q1-Q3/2018	Q1-Q3/2017	Q3/2018	Q2/2018	Q3/2017
Revenue without IFRS 15	2,459.4	2,323.6	839.8	814.6	803.8
Revenue	1,892.4	2,323.6	654.2	617.2	803.8
Gross profit	540.0	541.9	185.2	175.7	187.8
EBITDA	311.2	405.5	109.6	101.3	205.5

Monthly average revenue per user (ARPU)

In EUR	Q1-Q3/2018	Q1-Q3/2017	Q3/2018	Q2/2018	Q3/2017
Postpaid	21.6	21.4	21.9	21.5	21.7
No-Frills	3.5	2.7	3.8	3.5	2.9
Prepaid	3.4	3.1	3.5	3.4	3.3

TV AND MEDIA SEGMENT

Customer Development

In `000s	Q1-Q3/2018	Q1-Q3/2017	Q3/2018	Q2/2018	Q3/2017
freenet TV subscribers	1,003.9	874.3	1,003.9	1,138.4	874.3
Thereof freenet TV subscribers (RGU)	901.5	744.9	901.5	1,000.6	744.9
waipu.tv registered customers ⁴	1,006.9	339.4	1,006.9	824.0	339.4
Thereof waipu.tv subscribers	202.4	71.9	202.4	174.3	71.9

Result

in EUR million	Q1-Q3/2018	Q1-Q3/2017	Q3/2018	Q2/2018	Q3/2017
Revenue	211.3	219.1	62.5	77.3	69.7
Gross profit	100.8	125.8	28.6	34.7	42.0
EBITDA	53.5	24.5	25.5	20.3	10.7

Monthly average revenue per user (ARPU)

In EUR	Q1-Q3/2018	Q1-Q3/2017	Q3/2018	Q2/2018	Q3/2017
freenet TV	4.5	4.1	4.4	4.6	4.1

¹ Unless otherwise stated, we refer to the "glossary" for the definitions of the key figures.

² Comparison figures have been adjusted as a result of the adjustment to the opening balance sheet (effect of the change-over to IFRS 15).

³ At the end of the period.

⁴ Exclusive of pre-registered users (Q3/2018: about 70,500; Q2/2018: about 72,000).

BUSINESS PERFORMANCE

Further sound performance in the third quarter

The freenet Group has continued its sound performance in the second half of 2018. Disregarding the impact of the accounting standard IFRS 15 which this year is applicable for the first time, revenue in the period between July and September would have been 902.7 million euros, and would have been 2,670.3 million euros for the first nine months of the year. This is equivalent to growth of approximately 4.4 per cent compared with the previous year period. However, IFRS 15 requires that the figures for revenue and also cost of materials are disclosed much lower. Third quarter revenue would accordingly be 717.0 million euros, compared with 696.6 million euros in the second quarter of 2018. Gross profit of 222.9 million euros is lower than the level reported for the comparison quarter. At 123.2 million euros, EBITDA exclusive of Sunrise is 13.0 million euros higher than the corresponding figure reported for the previous-year quarter (Q3/2017: 110.1 million euros). This includes accounting profits of approximately 18.4 million euros from the sale of the analogue radio business of Media Broadcast. Adjusted by this exceptional item, the company generated a stable EBITDA of approximately 104.8 million euros, which was 5.3 million euros lower than the corresponding previous-year quarter figure (Q3/2017: 110.1 million euros). Compared with the previous year, EBITDA exclusive of Sunrise and adjusted by the sale of the analogue radio business increased by 2.3 million euros to 302.2 million euros (2017: 299.9 million euros). Overall, EBITDA has declined by 80.7 million euros compared with the previous-year quarter, to 133.0 million euros (Q3/2017: 213.7 million euros). This decline is attributable to the exceptional effect of the "Tower deal" (sale of Swiss Towers AG by Sunrise AG), which had a positive impact of approximately 91.2 million euros on EBITDA in the third quarter of 2017.

At 87.7 million euros, free cash flow in the third quarter of 2018 was roughly in line with the level reported for the previous-year comparison quarter (Q3/2017: 87.3 million euros), and was thus in line with the

guidance which had been communicated for the full year 2018 and also for this quarter.

Foundation laid for strategic partnership

The partnership with the MediaMarktSaturn Retail Group, which has been in place for more than 25 years, occupies a particularly significant position among the distribution channels of the freenet Group. To expand the collaboration and focus on enhanced and better co-operation, the freenet Group has acquired a 9.1 per cent stake in CECONOMY AG, the parent company of the electronic stores MediaMarkt and Saturn.

The aim of the investment is to provide the basis for continued exclusive sales of the mobile communications products of T-Mobile and Vodafone, and is also intended to permit the expansion of the freenet product portfolio distributed through this channel. This could include all TV and media products of the freenet Group (including freenet TV Sat and DVB-T2 HD, waipu.tv as well as freenet TV connect) and also the entire range of other digital lifestyle products. In addition to its strength in high-street distribution channels, the Media-Saturn Group is also the third largest online distribution channel in Germany. This means that this partnership is from high importance for the freenet Group as a digital lifestyle provider.

Further improvement in quality of the customer base

As has been the case in the previous quarters, the company's core business of mobile communications has seen a further increase in the number of customers in the company's strategically most important customer group with two-year contracts (postpaid customers); in the third quarter of 2018, this figure increased further by 41,000 to 6.87 million customers. This represents an increase of 223,000 compared with 30 September 2017, underlining the strong competitive position of the freenet Group in this particularly valuable customer segment. This has again been due to the customer-oriented tariffs of the individual brands incl. regular special promotions. Despite the fact that the tariffs reflect the very competitive nature of the relevant markets, postpaid ARPU in the third quarter of 2018 stabilised at a level of 21.9 euros.

In the No-frills segment, there was in particular a further decline in the number of prepaid customers in the third quarter (these are comparatively not very profitable). Accordingly, customer ownership also declined to 9.49 million customers as of the end of September 2018.

waipu.tv celebrates its one millionth customer

In the TV and Media segment, EXARING AG broke through a sound barrier in the third quarter of 2018: Mid-September saw the registration of the one millionth customer for the IPTV product waipu.tv. This strong user growth in only 18 months confirms that waipu.tv represents a very attractive alternative to satellite or cable broadcasting.

In the course of the third quarter, the company expanded the number of available TV stations in its Perfect subscription model to more than 90, including many more than 50 with HD resolution. At the same time, in July, the IPTV provider fundamentally revised the waipu.tv app for Apple's iOS - with the aim of providing more user-friendly iPad use in the landscape format. The product can now be used on ten device types - ranging from Android and iOS smartphones as well as tablets right through to Amazon's Fire devices and also Google Chromecast, Apple AirPlay and browser-based versions with PCs and laptops. At the end of September, the number of subscribers of waipu.tv was just over 200,000; this means that approximately 131,000 customers have signed up during the past twelve months.

freenet TV is developing further regions

As operator of freenet TV, the freenet subsidiary Media Broadcast continued its strategy of converting further regions to the reception of digital antenna TV in the course of the quarter: In mid-August, freenet TV started as a pay DVB-T2 HD offering in the region of Bielefeld, followed by further locations at the end of September in Bavaria (Amberg, Bamberg and Ochsenkopf) as well as in Saxony (Chemnitz) and Thuringia (Gera). The TV offering featuring first-class HD quality continues to be extremely popular. For the online customer account of freenet TV, the freenet Group has received the prestigious Red Dot

Design Award, one of the most sought-after prizes in industry design.

In the course of the quarter, the freenet Group changed the method of disclosing freenet TV subscribers for the purpose of achieving greater transparency and better measurability: Previously, the number of customer cards which were sold was considered to be equivalent to the number of freenet TV subscribers. However, some of these customers regularly purchased their prepaid cards in advance, without activating the cards directly or generating the corresponding revenue. From now on, the freenet Group will additionally use the concept of "Revenue Generating Unit" (RGU), which will ensure that the actual number of active users of the freenet TV offering will be reported. At the end of September, freenet TV recorded more than 900 thousand RGUs, representing an increase of approximately 160,000 users compared with the corresponding previous-year figure. On a twelve-month comparison basis, the number of users has accordingly increased by 21 per cent. In this context, the freenet Group considers that it is moving in the right direction in order to achieve its full-year target of 1 million "Revenue Generating Unit" and to continue its intended growth. The RGU indicator is equivalent to the guided target of 1.2 million for freenet TV subscribers.

ASSETS, EARNINGS AND FINANCIAL POSITION

Earnings position

The Group's key performance indicators

In EUR '000s	Q3/2018	Q3/2017	Ergebnis- veränderung
Revenue without IFRS 15	902,673	880,150	22,523
Revenue	717,034	880,150	-163,116
Gross profit	222,850	239,520	-16,670
Overhead costs	-89,803	-25,797	-64,006
EBITDA	133,047	213,723	-80,676
EBITDA exclusive of Sunrise	123,186	110,143	13,043
EBIT	97,731	174,204	-76,473
EBT	37,538	161,521	-123,983
Group result	40,027	157,125	-117,098

Without the effects of the change-over to IFRS 15, there would have been an increase of 22.5 million euros in **REVENUE**, from the figure of 880.1 million euros achieved in the previous year-quarter to 902.7 million euros in the reporting quarter. The fact that the revenue has to be disclosed lower now is exclusively caused by IFRS 15 which is applicable for the first time since 1 January 2018. Compared with the corresponding previous-year quarter, group revenue thus was reported lower in the third quarter of 2018 by 163.1 million euros at the amount of 717.0 million euros.

In the Mobile Communications segment, the number of strategically important postpaid customers with a two-year contract has increased compared with the corresponding previous-year quarter (6.87 million customers at the end of September 2018 compared with 6.65 million customers at the end of September 2017), and postpaid ARPU can still be described as stable (21.9 euros in Q3/2018 compared with 21.7 euros in Q3/2017). Without the effects resulting from the change-over to IFRS 15, revenue in the Mobile Communications segment would have increased by 36.0 million euros to 839.8 million euros. However, the disclosed revenue in the Mobile Communications segment amounts to 654.2 million euros in the third

quarter of 2018. Revenue in the TV and Media segment declined by 7.2 million euros compared with the previous-year quarter, to 62.5 million euros.

COST OF MATERIALS as amounted to 494.2 million euros, and was thus 146.4 million euros lower than the figure disclosed in the corresponding previous-year quarter. This change is mainly attributable to IFRS 15; without the application of IFRS 15, the increase in cost of materials compared with the previous-year quarter would have been similar to the increase in revenue adjusted by IFRS 15 effects.

At 222.9 million euros, **GROSS PROFIT** has declined by 16.7 million euros compared with the figure reported for the previous year comparison quarter. The gross profit margin increased by 3.9 percentage points to 31.1 per cent - mainly as a result of IFRS 15.

OVERHEAD EXPENSES - the difference between gross profit and EBITDA - which include the items **OTHER OPERATING INCOME, OTHER OWN WORK CAPITALISED, PERSONNEL EXPENSES, OTHER OPERATING EXPENSES, AND THE SHARE OF RESULTS OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD (ONLY PROFIT SHARES)** increased by 64.0 million euros to 89.8 million euros compared with the third quarter

2017. The increase in overheads is mainly attributable to the one-off effect related to the higher profit share of the participation in Sunrise associated with the Tower deal in the previous-year quarter (Q3/2018: 9.9 million euros, Q3/2017: 103.6 million euros). Due to the recognition of accounting profits of 18.4 million euros from the sale of the remaining part of the analogue radio infrastructure, other operating income increased in the third quarter of 2018, with a positive impact on overhead costs.

In the third quarter 2018, **EBITDA** is stated as 133.0 million euros, representing a decline of 80.7 million euros compared with the figure reported for the previous year quarter. Without recognising the profit share of the participation in Sunrise 9.9 million euros (Q3/2017: 103.6 million euros), EBITDA is reported as 123.2 million euros (Q3/2017: 110.1 million euros). In the third quarter of 2018, the Mobile Communications segment contributed 109.6 million euros to EBITDA (including 9.9 million euros relating to the participation in Sunrise; Q3/2017: 205.5 million euros, including 103.6 million euros from the participation in Sunrise); the corresponding figures for the TV and Media segment were 25.5 million euros (Q3/2017: 10.7 million euros), and the figure for the Other/Holding segment was -2.1 million euros (Q3/2017: -2.5 million euros). The EBITDA figure reported for the TV and Media segment includes a one-off effect of 18.4 million euros relating to the sale of the analogue radio infrastructure.

Compared with the previous year quarter, **DEPRECIATION AND IMPAIRMENTS** decreased by 3.8 million euros to 30.6 million euros, mainly as a result of lower inventories of property, plant and equipment assets in the TV and Media segment.

NET INTEREST RESULT, i.e. the difference between interest income and interest expenses, is disclosed at -13.1 million euros in the reporting period (Q3/2017: -12.7 million euros). The increase of 0.5 million euros in interest expenses is mainly attributable to the

bridge loan arranged in July 2018 in connection with the acquisition of 9.1 per cent of the ordinary shares of the CECONOMY AG ("CECONOMY").

The **OTHER FINANCIAL RESULT** in the third quarter of 2018 is reported as 47.1 million euros, and comprises the expense (incl. purchase cost) relating to the initial valuation of the shares in CECONOMY of 12 July 2018.

As a result of the effects explained above, the **RESULT BEFORE TAXES ON INCOME (EBT)** amounted to 37.5 million euros, representing a decline of 124.0 million euros compared with the previous year (Q3/2017: 161.5 million euros).

TAXES ON INCOME of 2.5 million euros were reported for the third quarter of 2018 (Q3/2017: -4.4 million euros). This includes current tax income of 2.6 million euros (Q3/2017: current tax expenses of 9.4 million euros) and deferred tax expenses of 0.1 million euros (Q3/2017: deferred tax income of 5.0 million euros). Deferred tax income reported for the previous-year period was mainly attributable to write-ups relating to the deferred income tax assets of tax loss carry-forwards.

As was the case in the corresponding period of the previous year, the **GROUP RESULT** reported in the third quarter of 2018 was exclusively attributable to continued operations, and amounted to a total of 40.0 million euros; compared with the figure of 157.1 million euros reported for the previous year quarter, this represents a decline of 117.1 million euros.

Assets and financial position

Selected Group balance sheet figures

Assets

In EUR million	30.9.2018
Non-current assets	3,939.3
Current assets	860.5
Total assets	4,799.7

In EUR million	30.6.2018 adjusted*
Non-current assets	3,721.7
Current assets	749.1
Total assets	4,470.8

Shareholders' equity and liabilities

In EUR million	30.9.2018
Shareholders' equity	1,315.3
Non-current and current liabilities	3,484.4
Total equity and liabilities	4,799.7

In EUR million	30.6.2018 adjusted*
Shareholders' equity	1,302.0
Non-current and current liabilities	3,168.8
Total equity and liabilities	4,470.8

* Comparison figures have been adjusted as a result of the adjustment to the opening balance sheet (effect of the change-over to IFRS 15).

The **BALANCE SHEET TOTAL** as of 30 September 2018 amounted to 4,799.7 million euros, and thus increased by 328.9 million euros (7.4 per cent) compared with 30 June 2018 (4,470.8 million euros).

On the **ASSETS SIDE** of the balance sheet, **NON-CURRENT ASSETS** increased by 217.6 million euros to 3,939.3 million euros. This is mainly attributable to an increase of 220.7 million euros in other financial assets (to 323.8 million euros), mainly as a result of the acquisition of shares in CECONOMY in July 2018. The carrying amount of CECONOMY was stated as 199.5 million euros as of 30 September 2018. CECONOMY is subsequently recognised at fair value through other comprehensive income.

Within **CURRENT ASSETS**, the increase of 72.9 million euros in liquid assets to 319.4 million euros needs to be mentioned; this is mainly due to the generated free cash flow of 87.7 million euros less the cash outflows from financing activities in the amount of 14.1 million euros. The increase of 29.6 million euros in trade accounts receivable to 208.4 million euros is mainly attributable to the accruing annual bonuses for network operators.

On the **LIABILITIES SIDE**, borrowing continued to be the main item within long-term and short-term debt, and increased at the end of September 2018. The increase of 278.3 million euros in long-term debt (to 1,947.0 million euros) is mainly attributable to the

bridge loan (raised in July 2018) for the acquisition of shares in CECONOMY for a nominal amount of 277.8 million euros (carrying amount as of 30 September 2018: 277.0 million euros). The trade accounts payable has increased by 40.0 million euros to 431.8 million euros mainly as a result of higher liabilities due to agents and distributors, partially as a result of the accrual of annual bonuses and partially as a result of reference date factors.

The **EQUITY RATIO** declined from 29.1 per cent at the end of June 2018 to 27.4 per cent at the end of September 2018, mainly as a result of the financing of the acquisition of shares in CECONOMY. **NET DEBT** decreased to 571.4 million euros as of 30 September 2018 (30 June 2018: 657.6 million euros). The decrease in net debt is mainly attributable to the free cash flow generated in the last quarter and to the increase in the share price of Sunrise. The debt ratio of 1.2 as of the end of September 2018 is reported at the same level as of the end of June 2018 (1.2). In this context, please refer to the statements in the chapter "Financial management".

Cash flow

The Group's key cash flow indicators

In EUR million	Q3/2018	Q3/2017	Change
Cash flow from operating activities	97.9	100.4	-2.6
Cash flow from investing activities	-287.5	-13.1	-274.4
Cash flow from financing activities	262.6	-14.1	276.6
Change in cash and cash equivalents	72.9	73.2	-0.3
Free cash flow	87.7	87.3	0.4

With respect to the comparison period, the **CASH FLOW FROM OPERATING ACTIVITIES** declined by 2.6 million euros to 97.9 million euros. In addition, with the increase of 13.0 million euros in EBITDA exclusive of Sunrise, the fact that the increase in net working capital was 6.9 million euros lower in comparison with the previous year quarter has a positive effect on cash flow from operating activities. This is opposed by the adjustment of the non cash-effective accounting profit from the disposal of analogue radio assets in the TV and Media segment in the third quarter 2018. The corresponding financial assets (receivables due from the purchasers) will only become cash-effective in future periods. Tax payments increased by 0.6 million euros compared with the third quarter of 2017, to 7.6 million euros.

The **CASH FLOW FROM INVESTING ACTIVITIES** amounted to -287.5 million euros in the third quarter of 2018, compared with -13.1 million euros in the previous-year quarter, and is dominated by the outflows of 277.5 million euros for the acquisition of the shares in CECONOMY.

The cash outflows for investments in intangible assets and in property, plant and equipment, netted out against the cash inflows from such assets, declined in the third quarter 2018 compared with the previous year quarter by 3.0 million euros to 10.1 million euros. The cash-effective investments

were financed entirely out of the company's own resources, and mainly related to the TV and Media segment.

In the reporting quarter, the **CASH FLOW FROM FINANCING ACTIVITIES** increased from -14.1 million euros in the previous-year quarter to 262.6 million euros, mainly due to the inflows in July 2018 relating to the bridge loan of 276.7 million euros. There have also been interest payments of 7.5 million euros (Q3/2017: 7.9 million euros) as well as repayments of debt relating to finance leasing of 5.4 million euros (Q3/2017: 6.1 million euros).

As a result of the effects described above, **FREE CASH FLOW** of 87.7 million euros was generated in the third quarter of 2018 – representing an increase compared with the corresponding previous year quarter (0.4 million euros).

FINANCIAL MANAGEMENT

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

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

For all periodic calculation figures such as EBITDA and net interest income, the relevant period is the previous 12 months (i.e. October 2017 to September 2018 and for the previous year October 2016 to September 2017).

Key figures of financial management

	Q3/2017	2017	Q3/2018	Target
Debt ratio	1.2	0.9	1.2	1.0 – 2.5
Pro forma debt ratio	2.6	2.5	3.4	-
Interest Cover	10.9	10.8	9.7	> 5
Equity ratio in %	33.4	33.9	27.4	> 50

As of 30 September 2018, the debt ratio was 1.2 and, as was also the case as of 30 September 2017, was thus within the strategic range of 1.0 to 2.5. The debt consists primarily of the borrower's note loans (due upon final maturity between 2018 and 2026) with a total nominal value of 1,064.5 million euros, a syndicated amortising loan concluded in the previous year with a nominal value of 610.0 million euros as well as the bridge loan raised in July 2018 with a nominal value of 277.8 million euros.

The pro-forma debt ratio is stated as 3.4, due to the acquisitions and participations which were concluded.

The interest cover of 9.7 is lower compared with the corresponding previous-year quarter (10.9), and is thus still above the defined lower limit of 5.0.

As of 30 September 2018, the equity ratio was below the target of 50 per cent; this is connected with the acquisitions and participations.

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Joachim Preisig (Chief Financial Officer) will step down from the Executive Board of freenet AG on 31 December 2018 at his own request. The Supervisory Board of freenet AG has appointed Ingo Arnold as his

successor as Chief Financial Officer. Ingo Arnold has been with the company since 2001, and has recently been responsible for Controlling, Treasury, Receivables Management and Investor Relations.

OPPORTUNITIES AND RISK REPORT

In the third quarter of 2018, there have been no major changes to the opportunities and risks which were described extensively under the “Opportunities and risk report” in the annual report 2017 and which were updated in the interim report as of 30 June 2018.

The annual report 2017 as well as the interim report as of 30 June 2018 are available in the Internet at <https://www.freenet-group.de/investor/publications/index.html>.

FORECAST

Development of the key performance indicators

In EUR million / as indicated	Forecast for financial year 2017	2017	1.1.- 30.9.2018	Forecast for financial year 2018
Financial performance indicator				
Revenue ¹	moderate increase	3,507.3	2,670.3	stable
EBITDA exclusive of Sunrise	slightly above 410	408.0	327.9	410-430
Free cash flow exclusive of Sunrise	around 310	308.4	216.7	290-310
Postpaid-ARPU (in EUR)	stable	21.4	21.6	stable
freenet TV-ARPU (in EUR)	around 4.5	4.3	4.5	around 4.5
Non-financial performance indicator				
Customer Ownership (in million)	slight increase	9.59	9.49	stable
freenet TV subscribers (in million) ²	> 0.80	0.98	1.00	> 1.20
waipu.tv registered customers (in million) ³	> 0.50	0.46	1.01	significant increase
waipu.tv subscribers (in million)	> 0.10	0.10	0.20	> 0.25

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

2 The actual figures for 2017 as well as 30 September 2018 shown in the line "freenet TV subscribers (million)" each refer to "freenet TV subscribers". The forecast for the financial year 2018 (>1.20 million) also refers to "freenet TV subscribers" and corresponds to approximately 1.00 million freenet TV subscribers (RGU).

3 Exclusive of pre-registered users (Q3/2018: about 70,500; Q2/2018: about 72,000).

The freenet Group uses financial as well as non-financial performance indicators for the efficient management of the company. The continuous measurement of all relevant parameters is used as the basis for determining the medium- and long-term success of the company's strategic focus and the related operational implementation. At the Group level, EBITDA exclusive of Sunrise as well as free cash flow exclusive of Sunrise are used as group performance indicators. At the segment level, the company identifies monthly average revenue per user which is also used as a management indicator. This comprises postpaid ARPU in the Mobile Communications segment and freenet TV ARPU in the TV and Media segment.

The freenet Group expects to generate stable revenue in the current financial year. However, in view of the accounting standard IFRS 15 which has been applicable since the beginning of 2018, the disclosed revenue to be reported will be much lower. This is due essentially to the reclassification of network operator commissions which, since the point at which IFRS 15 came into force, are disclosed as a reduction in cost of materials and no longer as an element of revenue. Overall, this effect is estimated to have an impact of approximately 700 million euros, so that the revenue expected for 2018 will probably be reduced by this amount compared with the previous-year figure.

Despite the development described above, the freenet Group expects to see a slight increase in EBITDA exclusive of Sunrise. For the current financial year, this performance indicator is therefore expected to be within a range of 410 to 430 million euros. For the financial year 2018, the company aims to achieve free cash flow exclusive of Sunrise of 290 to 310 million euros.

Only the revenue generated in the Mobile Communications segment will be affected by the accounting standard IFRS 15; this is why the downturn in revenue described above is expected to be seen in this particular segment. For the Mobile Communications segment, stable ARPU as well as stable customer ownership are forecasted for the financial year 2018. An increase in percentage of valuable postpaid customers has been assumed for the intended development of this client base. Assuming that the development of business is stable, EBITDA is also predicted to be stable compared with the previous year.

For the TV and Media segment, the freenet Group expects to see stable revenue in the current financial year, in conjunction with a significant higher EBITDA compared with the previous year. For the product freenet TV (DVB-T2 HD and satellite), the company expects to see the number of subscribers increase

to 1.2 million by the end of the year. The above-mentioned performance indicator was redefined in the course of the year as a result of new findings in this still recent field of operation. The newly introduced indicator "Revenue Generating Unit" (RGU) comprises only customers who have not only purchased but also activated a prepaid card. This has resulted in a more transparent and more precise management indicator for the freenet Group. For the current financial year, the company is anticipating more

than 1.0 million RGUs. At 4.5 euros, freenet TV ARPU is forecast to be equivalent to the figure seen in 2017.

A significant number of registered users is forecasted for the IPTV offering waipu.tv in 2018. In line with the growth in the number of customers, management expects to see more than 250,000 paying subscribers for this field of business.

SELECTED FINANCIAL INFORMATION

Consolidated income statement for the period from 1 January to 30 September 2018

In EUR `000s/as indicated	Q1-Q3/2018	Q1-Q3/2017	Q3/2018	Q3/2017
	1.1.2018- 30.9.2018	1.1.2017- 30.9.2017	1.7.2018- 30.9.2018	1.7.2017- 30.9.2017
Revenue	2,103,271	2,557,377	717,034	880,150
Other operating income	73,671	39,790	39,276	12,425
Other own work capitalised	12,937	13,085	5,211	4,217
Cost of material	-1,434,655	-1,859,252	-494,184	-640,630
Personnel expenses	-161,268	-167,277	-54,648	-53,489
Depreciation and impairment write-downs	-97,342	-104,218	-30,552	-34,337
Other operating expenses	-266,047	-282,813	-89,693	-91,578
Thereof result from the allowance of financial assets	-38,141	-39,491	-12,532	-13,650
Thereof exclusive the result from the allowance of financial assets	-227,906	-243,322	-77,161	-77,928
Operating result	230,567	196,692	92,444	76,758
Share of results of associates accounted for using the equity method	15,276	106,521	5,287	97,446
Thereof profit share	29,568	122,067	-10,051	102,628
Thereof subsequent recognition from purchase price allocation	-14,292	-15,546	-4,764	-5,182
Interest receivable and similar income	87	330	48	2
Interest payable and similar expenses	-36,244	-37,612	-13,143	-12,685
Other financial result	-47,098	0	-47,098	0
Result before taxes on income	162,588	265,931	37,538	161,521
Taxes on income	-14,517	-16,945	2,489	-4,396
Group result	148,071	248,986	40,027	157,125
Group result attributable to shareholders of freenet AG	156,462	257,546	42,297	159,730
Group result attributable to non-controlling interest	-8,391	-8,560	-2,270	-2,605
Earnings per share in EUR (undiluted)	1.22	2.01	0.33	1.25
Earnings per share in EUR (diluted)	1.22	2.01	0.33	1.25
Weighted average of shares outstanding in thousand (undiluted)	128,011	128,011	128,011	128,011
Weighted average of shares outstanding in thousand (diluted)	128,011	128,011	128,011	128,011

Consolidated balance sheet as of 30 September 2018

Assets

In EUR '000s	30.9.2018	30.6.2018 adjusted*	31.12.2017
Non-current assets			
Intangible assets	534,223	542,865	563,507
Goodwill	1,379,919	1,379,919	1,379,919
Property, plant and equipment	408,758	415,307	435,818
Investments in associates accounted for using the equity method	802,214	793,077	810,984
Deferred income tax assets	148,817	148,949	153,508
Trade accounts receivable	47,596	45,251	79,081
Other receivables and other assets	9,086	11,047	9,500
Other financial assets	323,765	103,024	7,945
Contract acquisition costs	284,883	282,252	0
	3,939,261	3,721,691	3,440,262
Current assets			
Inventories	84,871	91,963	76,310
Current income tax assets	2,046	2,046	2,205
Trade accounts receivable	208,361	178,793	453,700
Other receivables and other assets	14,230	7,252	4,572
Other financial assets	231,596	221,965	14,258
Cash and cash equivalents	319,382	246,448	322,816
Assets classified as held for sale	0	670	0
	860,486	749,137	873,861
	4,799,747	4,470,828	4,314,123

Shareholders` equity

In EUR '000s	30.9.2018	30.6.2018 adjusted*	31.12.2017
Shareholders' equity			
Share capital	128,061	128,061	128,061
Capital reserve	737,536	737,536	737,536
Cumulative other comprehensive income	-36,635	-9,906	-20,256
Retained earnings	463,614	421,317	586,433
Capital and reserves attributable to shareholders of freenet AG	1,292,576	1,277,008	1,431,774
Capital and reserves attributable to non-controlling interest	22,736	25,006	31,127
	1,315,312	1,302,014	1,462,901
Non-current liabilities			
Other payables	107,585	107,635	0
Other financial trade accounts	331,841	337,705	332,218
Borrowings	1,947,022	1,668,682	1,666,001
Pension provisions	81,959	83,045	87,909
Other provisions	27,673	25,975	26,794
	2,496,080	2,223,042	2,112,992
Current liabilities			
Trade accounts payable	431,759	391,726	517,276
Other payables	415,497	411,112	81,842
Other financial trade accounts	57,862	54,606	49,121
Current income tax liabilities	29,696	38,874	33,806
Borrowings	9,303	6,252	7,145
Other provisions	44,238	43,202	49,110
	988,355	945,772	738,300
	4,799,747	4,470,828	4,314,123

* Comparison figures have been adjusted as a result of the adjustment to the opening balance sheet (effect of the change-over to IFRS 15).

Consolidated statement of cash flows for the period from 1 January to 30 September 2018

	Q1-Q3/2018	Q1-Q3/2017
In EUR '000s	1.1.2018- 30.9.2018	1.1.2017- 30.9.2017
Result before interest and taxes (EBIT)	245,843	303,213
Adjustments		
Depreciation and impairment write-downs	97,342	104,218
Share of results of associates accounted for using the equity method	-15,276	-106,521
Dividends received	36,912	34,409
Gains / losses on the disposal of fixed assets	-25,283	236
Increase in net working capital not attributable to investing or financing activities	-34,984	-4,289
Capitalisation of contract acquisition costs	-228,946	0
Amortisation of contract acquisition costs	233,652	0
Tax payments	-22,039	-19,314
Cash flow from operating activities	287,221	311,952
Investments in property, plant and equipment and intangible assets	-42,259	-48,007
Proceeds from the disposal of property, plant and equipment and intangible assets	8,608	4,443
Proceeds from the sale of subsidiaries	0	170
Payments in shareholders' equity, accounted for using the equity method	-75	-325
Investments in other financial participations	-277,745	-13
Interest received	195	725
Cash flow from investing activities	-311,276	-43,007
Dividend payments to company owners and minority shareholders	-211,218	-204,818
Proceeds from new borrowings	276,686	0
Cash repayments of borrowings	0	-112
Cash repayments of liabilities from finance leases	-16,315	-18,285
Cash repayments of financial costs due to the prolongation of financial debt	-1,200	0
Interest paid	-27,332	-30,179
Cash flow from financing activities	20,621	-253,394
Cash-effective change in cash and cash equivalents	-3,434	15,551
Cash and cash equivalents at the beginning of the period	322,816	318,186
Cash and cash equivalents at the end of the period	319,382	333,737
Composition of cash and cash equivalents	30.9.2018	30.9.2017
In EUR '000s		
Cash and cash equivalents	319,382	333,737
	319,382	333,737
Composition of free cash flow¹	30.9.2018	30.9.2017
In EUR '000s		
Cash flow from operating activities	287,221	311,952
Investments in property, plant and equipment and intangible assets	-42,259	-48,007
Proceeds from the disposal of property, plant and equipment and intangible assets	8,608	4,443
Free cash flow	253,570	268,388

¹ Free cash flow is a non-GAAP parameter. In this context please refer to section "Definition of alternative performance measures" in the group annual report.

Segment report for the period from 1 January to 30 September 2018

In EUR `000s	Mobile Communications	TV and Media	Other/Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	1,859,158	205,549	38,564	0	2,103,271
Intersegment revenue	33,216	5,702	10,475	-49,393	0
Total revenue	1,892,374	211,251	49,039	-49,393	2,103,271
Cost of materials, third party	-1,337,235	-85,510	-11,910	0	-1,434,655
Intersegment cost of materials	-15,147	-24,988	-3,899	44,034	0
Total cost of materials	-1,352,382	-110,498	-15,809	44,034	-1,434,655
Segment gross profit	539,992	100,753	33,230	-5,359	668,616
Other operating income	38,180	34,831	2,775	-2,115	73,671
Other own work capitalised	6,551	4,902	1,484	0	12,937
Personnel expenses	-91,667	-44,774	-24,827	0	-161,268
Other operating expenses	-211,481	-42,214	-19,826	7,474	-266,047
Thereof result from the allowance of financial assets	-37,593	-443	-105	0	-38,141
Thereof exclusive the result from the allowance of financial assets	-173,888	-41,771	-19,721	7,474	-227,906
Profit share of results of associates accounted for using the equity method	29,583	0	-15	0	29,568
Segment-EBITDA	311,158	53,498	-7,179	0	357,477
Depreciation and impairment write-downs					-97,342
Subsequent accounting for associates accounted for using the equity method					-14,292
EBIT					245,843
Financial result					-83,255
Taxes on income					-14,517
Group result					148,071
Group result attributable to shareholders of freenet AG					156,462
Group result attributable to non-controlling interest					-8,391
Cash-effective net investments	13,804	15,823	4,024		33,651

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

In EUR '000s	Mobile Communications	TV and Media	Other/Holding	Elimination of intersegment revenue and costs	Total
Third-party revenue	2,292,742	218,080	46,555	0	2,557,377
Intersegment revenue	30,837	1,057	10,220	-42,114	0
Total revenue	2,323,579	219,137	56,775	-42,114	2,557,377
Cost of materials, third party	-1,771,928	-70,857	-16,467	0	-1,859,252
Intersegment cost of materials	-9,758	-22,450	-3,732	35,940	0
Total cost of materials	-1,781,686	-93,307	-20,199	35,940	-1,859,252
Segment gross profit	541,893	125,830	36,576	-6,174	698,125
Other operating income	41,224	1,247	3,450	-6,131	39,790
Other own work capitalised	5,632	5,793	1,660	0	13,085
Personnel expenses	-94,126	-47,177	-25,974	0	-167,277
Other operating expenses	-212,216	-61,171	-21,731	12,305	-282,813
Thereof result from the allowance of financial assets	-39,326	-152	-13	0	-39,491
Thereof exclusive the result from the allowance of financial assets	-172,890	-61,019	-21,718	12,305	-243,322
Profit share of results of associates accounted for using the method	123,064	0	-997	0	122,067
Segment-EBITDA	405,471	24,522	-7,016	0	422,977
Depreciation and impairment write-downs					-104,218
Subsequent accounting for associates accounted for using the equity method					-15,546
EBIT					303,213
Financial result					-37,282
Taxes on income					-16,945
Group result					248,986
Group result attributable to shareholders of freenet AG					257,546
Group result attributable to non-controlling interest					-8,560
Cash-effective net investments	13,451	27,307	2,806		43,564

FURTHER INFORMATION

Financial Calendar¹

8 November 2018

Publication of interim report as of 30 September 2018 – 3rd quarter 2018

15 und 16 November 2018

TMT Conference 2018 (Morgan Stanley) | Barcelona | Spain

5 December 2018

European Conference 2018 (Berenberg) | Surrey | Great Britain

9 January 2019

Citi Global TMT West Conference (Citi) | Las Vegas | USA

15 January 2019

German Investment Seminar (Commerzbank) | New York | USA

22 January 2019

German Corporate Conference (Kepler Cheuvreux) | Frankfurt | Germany

16 May 2019

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

¹ All dates are subject to change

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

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

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



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

GLOSSARY

ARPU (Mobile Communications)	Average Revenue Per User; i.e. the revenue for the specific customer groups (before application of IFRS 15) divided by the average number of customers as of the respective reference date.
Customer ownership	Customers of the freenet Group in the Mobile Communications segment who have concluded one of freenet's own tariffs or a tariff of the network operators in the form of a postpaid or no-frills agreement at the freenet Group. For its own existing customers, the freenet Group handles all major services of the network operators; i.e. particularly own account billing, contract renewal as well as customer service.
Debt ratio	Ratio between net debt (see "Net debt") and EBITDA achieved in the last 12 months (see "EBITDA").
Digital lifestyle	Describes simplification of everyday life via technical equipment based on Internet and/or smartphones.
EBIT	Earnings before interest and financial result, including the share of results of associates accounted for using the equity method.
EBITDA	EBIT (see "EBIT") excluding depreciation and amortisation as well as deferred taxes relating to the subsequent recognition of associates accounted for using the equity method, plus depreciation and impairment write-downs.
EBITDA exclusive of Sunrise	See EBITDA, but without the profit share of the Sunrise shareholding accounted for using the equity method.
Equity ratio	The ratio between shareholders' equity and the balance sheet total.
Free cash flow	Free cash flow from operating activities, minus the investments in property, plant and equipment and intangible assets, plus proceeds from disposals of property, plant and equipment and intangible assets.
Free cash flow exclusive of Sunrise	See Free cash flow, but without the dividend from the Sunrise shareholding.
freenet TV ARPU	Average monthly revenue per freenet TV subscriber; i.e. the monthly freenet TV revenue divided by the average number of revenue generating freenet TV subscriber (see "freenet TV subscriber (RGU)") as of the respective reference date.
freenet TV subscribers	Customers who purchased a freenet TV access in the form of a voucher (prepaid card) or by means of a postpaid contract.
freenet TV subscribers (RGU)	RGU as the abbreviation for "Revenue Generating Unit" refers to freenet TV subscribers who purchased and also activated the freenet TV access.

Gross profit	Revenue less cost of materials.
Gross profit margin	Ratio between revenue and gross profit.
Interest cover	Ratio between EBITDA and interest result in the last 12 months.
Interest result	Balance of "interest and similar income" and "interest and similar expenses".
IPTV	Internet Protocol Television (IPTV) describes the process of broadcasting TV programmes and films by means of the Internet protocol. As opposed to the transmission channels of cable TV, DVB-T or satellite.
Net debt	Long-term and short-term borrowings shown in the balance sheet, less cash and cash equivalents, less shareholdings (see "Shareholdings").
Net investments (CAPEX)	Investments in property, plant and equipment and intangible assets, less proceeds from disposals of property, plant and equipment and intangible assets.
No-frills	Traditionally, no-frills describes the distribution of mobile tariffs by direct means (e.g. online) and not via specialist outlets. The tariffs deliberately feature a simple structure, and in general do not comprise a subsidised device.
Postpaid	Mobile services billed at the end of the month (for 24 months).
Prepaid	Mobile communications services paid in advance.
Pro-forma debt ratio	Ratio between pro-forma net debt (see "Pro-forma net debt") and EBITDA achieved in the last 12 months (see "EBITDA").
Pro-forma net debt	Long-term and short-term financial debt recognised in the balance sheet, less cash and cash equivalents.
Shareholdings	Market value of the Sunrise Communications Group AG's and CECONOMY AG's interest of the freenet Group as of the reference date. The market value of Sunrise Communications Group AG is calculated by multiplying the closing price of the share on the Swiss stock exchange by the number of shares held by the freenet Group (11,051,578) as of the relevant reference date. Swiss francs are converted into euros using an officially defined reference date rate based on data of Bloomberg. Similarly, the market value of CECONOMY AG is calculated by multiplying the closing price of the no-par share on Frankfurt stock exchange by the number of shares held by the freenet Group (32,633,555) as of the relevant reference date.
waipu.tv registered customers	Customers who use the service of waipu.tv free-of-charge or in a subscription model (see "waipu.tv subscribers").
waipu.tv subscriber	Customers who use the service of waipu.tv in conjunction with one of the offered pay tariffs (e.g. Comfort or Perfect).