INTERIM REPORT AS OF 31 MARCH 2015

Q1 2015

freenet GROUP

MOBILCOM-DEBITEL / FREENET / GRAVIS / FREENET DIGITAL / KLARMOBIL.DE / TALKLINE / MFE ENERGIE / MOTION TM

LIST OF CONTENTS

KEY FINANCIALS GROUP OVERVIEW

Result

In EUR million/as indicated	Q1/2015	Q1/2014	Change same quarter of previous year in per cent	Q4/2014	Change previous quarter in per cent
Revenue	748.5	717.5	4.3	833.7	-10.2
Gross profit	191.4	182.5	4.9	210.8	-9.2
EBITDA	86.0	85.4	0.7	96.3	-10.6
EBIT	70.6	69.5	1.6	79.6	-11.3
EBT	61.0	60.0	1.7	68.6	-11.0
Group result from continued operations	56.2	57.4	-2.1	67.5	-16.7
Group result from discontinued operations	0	0	0	0	0
Group result	56.2	57.4	-2.1	67.5	-16.7
Earnings per share in EUR (diluted and undiluted)	0.44	0.45	-2.2	0.53	-17.0

Balance Sheet

In EUR million/as indicated	31.3.2015	31.3.2014	Change same quarter of previous year in per cent	31.12.2014	Change previous quarter in per cent
Balance sheet total	2,512.1	2,520.9	-0.3	2,498.3	0.6
Shareholders' equity	1,346.0	1,297.0	3.8	1,293.6	4.0
Equity ratio in %	53.6	51.5	4.1	51.8	3.5

Finances and investments

In EUR million	Q1/2015	Q1/2014	Change same quarter of previous year in per cent	Q4/2014	Change previous quarter in per cent
Free cash flow[1,2]	62.2	57.1	9.0	55.6	11.8
Depreciation and amortisation	15.5	16.0	-3.1	16.7	-7.3
Net investments[2] (CAPEX)	8.3	5.8	42.2	9.2	-10.1
Net cash[2,3]	-373.6	-424.9	-12.1	-426.6	-12.4

Share

	31.3.2015	31.3.2014	Change same quarter of previous year in per cent	31.12.2014	Change previous quarter in per cent
Closing Price Xetra in EUR	28.08	25.39	10.6	23.70	18.5
Number of issued shares in '000s	128,061	128,061	0.0	128,061	0.0
Market capitalisation in EUR '000s[3]	3,595.3	3,250.8	10.6	3,034.4	18.5

Employees

	31.3.2015	31.3.2014	Change same quarter of previous year in per cent	31.12.2014	Change previous quarter in per cent
Employees[3]	4,713	4,961	-5.0	4,826	-2.3

KEY FINANCIALS OVERVIEW MOBILE COMMUNICATIONS SEGMENT

Customer Development

In million	Q1/2015	Q1/2014	Change same quarter of previous year in per cent	Q4/2014	Change previous quarter in per cent
Mobile Communications customers/cards[3]	12.54	13.13	-4.5	12.73	-1.5
Thereof Customer Ownership	9.04	8.79	2.8	8.92	1.3
Thereof Postpaid	6.10	5.87	3.8	6.01	1.4
Thereof No-frills	2.94	2.92	0.7	2.91	1.1
Thereof Prepaid	3.50	4.34	-19.2	3.81	-7.9
Gross new customers	0.71	0.69	2.4	0.85	-17.4
Net change	-0.19	-0.16	-14.6	-0.10	78.6

Result

In EUR million	Q1/2015	Q1/2014	Change same quarter of previous year in per cent	Q4/2014	Change previous quarter in per cent
Revenue	734.6	704.0	4.4	820.3	-10.4
Gross profit	178.9	171.5	4.3	196.5	-9.0
EBITDA	91.3	90.5	0.9	98.0	-6.8
EBIT	78.6	76.9	2.2	84.0	-6.5

Monthly average revenue per user (ARPU)

In EUR	Q1/2015	Q1/2014	Change same quarter of previous year in per cent	Q4/2014	Change previous quarter in per cent
Postpaid	21.1	21.2	-0.6	21.1	0.2
No-frills	2.4	2.9	-15.8	2.5	-2.8
Prepaid	2.6	2.7	-3.1	2.8	-6.9

1 Free cash flow (FCF) is defined as cash flow from operating activities minus investment in property, plant and equipment and intangible assets, plus proceeds from the disposal of property, plant and equipment and intangible assets.
2 This information relates to the overall Group (including discontinued operations).
3 At the end of period.

LETTER TO SHAREHOLDERS

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

In a recent interview, one of the most successful German fund managers of the last two decades formulated the criteria by which he measures skilful corporate governance: "The defining mission of any stock corporation's executive board is to increase enterprise value in the long term, whether through innovation, improvements in efficiency, increases in market shares or the opening up of new markets", he posited.

freenet AG operates with its traditional mobile communications activities in an intensely competitive market environment that would permit appreciable gains in market shares only in return for reduced profitability. Instead, especially with our main brand mobilcom-debitel, we focus on high-quality contract customers with high advisory needs and individual user profiles, while our inexpensive discount brands are primarily aimed at price-conscious smartphone users. As a positive consequence of this strategy, we have been registering growing customer numbers in these target groups for several years now; at the same time, we have succeeded in keeping our ARPU, otherwise sinking steadily across the market, comparatively stable and have ensured that freenet AG enjoys a consistently high level of profitability. We will continue using this profitability to pursue an attractive dividend.

In addition, we are increasingly opening up the attractive, fast-growing digital lifestyle market – particularly in the fields of Home Automation & Security, Entertainment, Health and Data Security. We are doing this from the tried-and-tested position of the reseller: without any expensive investments in research and development and/or infrastructure, we market innovative products and services that have already proven their worth in test phases. In this way, we also guarantee independent customer advice that is essential for a service provider.

Once again, we have started the new financial year well with this strategy of prudently and profitably expanding our traditional core business and innovative digital lifestyle business, as the figures for the first quarter of 2015 demonstrate:

- As a key control parameter for our company, the customer ownership portfolio continues to show a positive trend: the number of customers in the postpaid and no-frills segments once again increased by 245 thousand to 9.04 million; of which the number of contract customers likewise increased, rising to 6.10 million by the end of March 2015. This is the eleventh successive quarter of growth in this business segment.

- At the same time, postpaid ARPU – also in relation to the market as a whole – again remained comparatively stable at 21.1 euros.
- Both as a consequence of these developments and as a result of increasing revenue in the digital lifestyle segment, revenues increased slightly compared to the first quarter of 2014 and totalled 748.5 million euros.
- Compared to the same quarter in 2014, gross profit likewise increased slightly to 191.4 million euros, equivalent to a gross margin of 25.6 per cent.
- EBITDA improved by 0.7 per cent over the comparative quarter in 2014 to 86.0 million euros, and
- free cash flow is now 9.0 per cent higher than in the comparative quarter at 62.2 million euros.

Such promising figures reflect the constant efforts with which we are broadening and improving our spectrum of attractive products and customer-oriented services. In the first few months of the current year, for example, we launched digital lifestyle product drives via our main brand mobilcom-debitel and our subsidiary GRAVIS respectively. These activities were focused primarily on the Entertainment and Health segments – for example with particularly inexpensive Bluetooth speakers, headsets and headphone splitters, innovative extra batteries, plus fitness armbands or bike mounts for the user's smartphone, including special apps.

This drive was accompanied by a number of smaller activities outside of day-to-day business that involved smartphones and tablets: these were designed to familiarise users with the advantages and fascination of digital lifestyle besides direct commercial use, to strengthen our brands across the board and thereby contribute indirectly to the company's market success. Special promotions included, for example, our participation in the "Long Night of E-books" at GRAVIS in Munich and our two-week pop-up store "#digitalrepublic" in Hamburg's city centre, where anyone who was interested could discover and explore digital worlds of experience encompassing everything from our SmartHome solutions, app-controlled games, cars and flying objects to a diversity of infotainment programs. We also staged a start-up competition there for young entrepreneurs in the digital lifestyle segment who, tempted by a prize comprising 10,000 euros of start-up capital, presented their respective business ideas in person.

Also in the first quarter, we again attracted the market's attention with numerous special tariff promotions. Within this framework, mostly via the company's own online platforms, we offered temporarily reduced voice and data tariffs for virtually all of our brands and in all networks; this enabled some customers to save several hundred euros over the two-year contractual period compared to their regular charges – and enabled us to occupy leading positions in tariff and supplier tests once again.

Against the backdrop of these strategic digital lifestyle objectives, we launched a new umbrella marketing campaign in the first quarter. Its theme is summed up by the slogan "Do what you like. We'll make it possible" ("Macht was ihr wollt. Wir machen's möglich"), with which it expresses our aspirations as a leading supplier in this area while demonstrating the immense number of ways in which digital lifestyle enriches and simplifies our lives.

In doing so, the campaign makes a distinction between brand and emotions on the one hand and pushing sales on the other: the channels TV, online and events, in particular, are aimed at image enhancement, while POS, promotions and outdoor advertising focus on specific sales. The campaign kicked off in February with the fitness/wearables theme, broadcasting TV commercials on all wide-coverage private channels more than 1,100 times in all. This was supplemented by a broad-based online presence – first and foremost on Spiegel Online, Ströer Digital Media, Axel Springer Media, Yahoo and Facebook – and extensive print and POS activities, as well as activities in shopping centres and gyms.

For the past six years now, we have also been working intensively on systematically addressing the topic of increased efficiency – throughout all business segments. Firstly, with elaborate projects such as the harmonisation of IT landscapes following the large-scale mergers over the past decade. Secondly, by working systematically on seemingly less spectacular but nevertheless extremely important improvements in our selling activities. These include the steady enhancement of our sales channels and the optimisation of our shop chain with regard to its locations and equipment and fittings, offers and on-site sales promotion. Over and above that, we attach special importance to providing the most comprehensive and smooth customer service as possible – an aim to which we have devoted our own highly extensive "Balance" project in recent years.

The fact that these efforts are paying off is documented not least by awards and top placements in various tests. At the 1st Annual German Stevie Awards in March, for example, mobilcom-debitel received the Golden Stevie in the "Management Team of the Year" category for customer support. At the same time, the head of customer support was awarded a Silver Stevie in the "Manager of the Year" category.

Then, in October last year, "Hybris" was launched as a further project for online trading. First of all, we implemented the sale of prepaid products, smartphones and accessories in customised versions and tested the suitability and flexibility of the underlying software for the specific requirements of our industry. As the results are thoroughly positive, we are now planning the next steps: to improve how we advertise offers, to introduce a further payment procedure and to offer the option of collecting online goods from our shops.

Apart from the projects highlighted, we are constantly striving to steadily improve processes and structures across all departments and segments; this applies to previous years as much as it does to the months and quarters ahead. For only swift, lean processes will enable us to cement freenet's strong position over the long haul in our fiercely competitive market environment. We are doing this

- in the interests of our customers, who expect first-class yet inexpensive offers and optimum service from us,
- for our shareholders, to increase the value of our company in the long term and enable attractive dividends, and not least also
- in the interests of all of our employees, to whom we want to offer long-term job security.

All of these measures – from increasing core customer numbers in mobile communications and innovative offers in the growing digital lifestyle market to efficient processes and structures within the Group – are aimed at fulfilling the requirements of skilful corporate governance that were mentioned at the outset. At the same time, the positive results for Q1 2015 represent the first step on the way towards another successful financial year for freenet AG.

The targets along the way are clear: further growth in customer ownership with stable ARPU and revenue, a modest increase in EBITDA to 370 million euros and free cash flow of 280 million euros. And we – the management and employees of freenet AG – will continue to use all of our expertise, strength and experience to achieve these goals again in the current financial year.

Christoph Vilanek | Joachim Preisig | Stephan Esch

FREENET AG AND THE CAPITAL MARKETS

Capital market environment

The German economy is expecting a continued strong performance growth in the first quarter 2015. New orders for the German industry were still at a high level and the upward movement in the labour market has been fortified at the beginning of the financial year.

The Bundesbank has recognized significant inflows into domestic mutual funds at the beginning of the year, however most of it was due to the special funds reserved for institutional investors. Additionally, in particular mixed security funds were able to sell new shares.

At the political level, dealing with existing risks is determining the further economic development.

Whilst the German capital market listed on several highs, the mood of the medium-term institutional investors clouded temporarily during the first quarter. The Frankfurt Stock Exchange sentiment index recorded a significant decline for the first time in early March. This decrease, however, was attributed mainly to the motivation of active fund managers to recognize corrections early and using them for yield optimization.

Against this background, the German stock market developed positively in the first quarter of 2015. While the DAX increased by 22 per cent with a final score of 11,966 points, the TecDAX recorded during the reporting period an increase of 18 per cent to 1,615 points.

freenet share

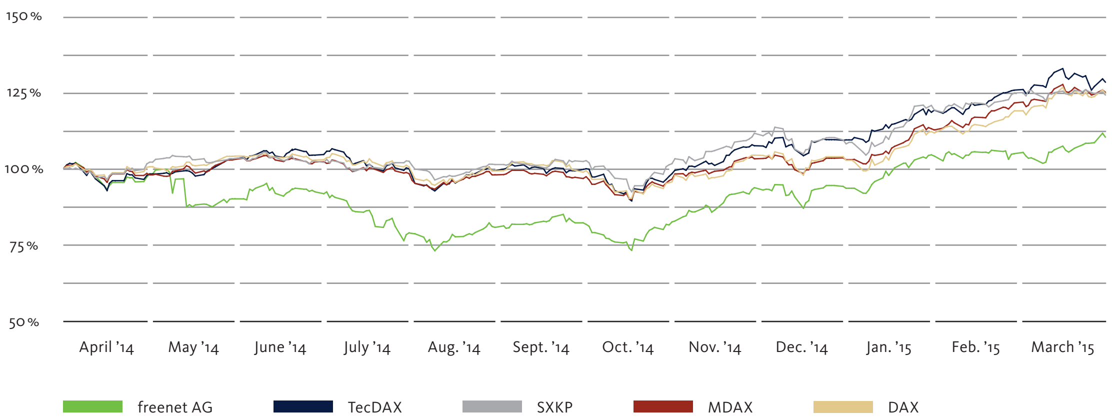
The freenet share continued its increase from the previous quarter in the first quarter 2015. The share launched with a closing price in Xetra of 23.70 euros into the new year and developed dynamically to 28.08 euros. The average Xetra closing price during the reporting period was 26.23 euros.

In the past quarter a total of approximately 37.1 million freenet shares were traded via the electronic trading platform Xetra, against 30.6 million in the fourth quarter 2014 and 32.8 million in the first quarter 2014. The trading volume via alternative trading venues ("dark pools") remained unchanged at around 41 per cent of the entire trading volume in the first quarter. The average daily Xetra trading volume amounted to 588.4 thousand units. In the previous quarter an average of 477.7 thousand freenet shares were traded per day on Xetra, compared to 511.8 thousand trades in the prior-year quarter.

In the first quarter 2015, the freenet share developed with an increase of about 18 per cent in the result just as their benchmark index TecDAX. The SXKP, which bundles the performances of the European telecommunications companies, recorded only an increase of 15 per cent at the end of the quarter. In the 12-month comparison, the freenet share also developed pleasingly with an increase of around 11 per cent, however at a lower dynamic than the TecDAX (29 per cent) and the SXKP (25 per cent).

At the end of the fourth quarter the freenet share ranked unchanged on place 4 in terms of market capitalization and place 5 in terms of trading volume in the TecDAX.

Figure 1: **12-months performance of the freenet share (Indexed; 100 = Xetra closing price on 31 March 2014)**



Analyst recommendations

Table 1: **Current recommendations for the freenet share***

Bankhaus Lampe	Hold	25.00 €
Berenberg	Hold	21.00 €
Citi Research	Sell	21.00 €
Commerzbank	Buy	33.00 €
Deutsche Bank	Hold	24.00 €
DZ-Bank Research	Buy	31.00 €
equinet-Bank	Buy	33.50 €
Hauck & Aufhäuser	Buy	30.00 €
HSBC Global Research	Hold	30.00 €
Independent Research	Hold	29.00 €
Landesbank Baden-Württemberg	Buy	29.00 €
Metzler Equity Research	Buy	27.00 €
Oddo Seydler	Buy	30.00 €
UBS Investment Research	Hold	23.50 €
Warburg Research	Hold	28.00 €

** As of: 31 March 2015*

Dividend

The Executive Board and Supervisory Board have decided to propose the payment of a dividend for the financial year 2014 in the amount of 1.50 euros per no-par-value share from net income to the Annual General Meeting on 21 May 2015. This corresponds to a dividend payout ratio of around 72.1 per cent of free cash flow in 2014.

Shareholder structure

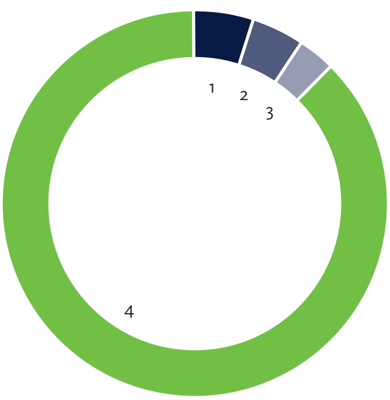
freenet AG's share capital totals 128,061,016 euros and is divided into 128,061,016 registered no-par-value shares. Each share represents 1.00 euro of the share capital.

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

- In February, Allianz Global Investors (Germany) informed us that it had fallen below the 5 per cent reporting threshold. On 17 February its share of the voting rights in freenet AG amounted to 4.98 per cent (6,379,221 voting rights)
- In February, Allianz Global Investors (Germany) informed us that it had exceeded the 5 per cent reporting threshold. On 20 February its share of the voting rights in freenet AG amounted to 5.16 per cent (6,611,697 voting rights)
- In February, UBS Group (Switzerland) informed us that it had exceeded the 3 per cent reporting threshold. On 24 February its share of the voting rights in freenet AG amounted to 3.84 per cent (4,917,036 voting rights)
- In March, UBS Group (Switzerland) informed us that it had fallen below the 3 per cent reporting threshold. On 27 February its share of the voting rights in freenet AG amounted to 1.97 per cent (2,520,128 voting rights)
- In March, Deutsche Asset & Wealth Management Investment (Germany) informed us that it had fallen below the 5 per cent reporting threshold. On 25 February its share of the voting rights in freenet AG amounted to 4.65 per cent (5,958,959 voting rights)
- In March, UBS Group (Switzerland) informed us that it had exceeded the 3 per cent reporting threshold. On 20 March its share of the voting rights in freenet AG amounted to 3.03 per cent (3,882,763 voting rights)
- In March, UBS Group (Switzerland) informed us that it had fallen below the 3 per cent reporting threshold. On 23 March its share of the voting rights in freenet AG amounted to 2.89 per cent (3,703,804 voting rights)
- In March, UBS Group (Switzerland) informed us that it had exceeded the 3 per cent reporting threshold. On 26 March its share of the voting rights in freenet AG amounted to 3.03 per cent (3,881,955 voting rights)
- In April, UBS Group (Switzerland) informed us that it had fallen below the 3 per cent reporting threshold. On 27 March its share of the voting rights in freenet AG amounted to 2.65 per cent (3,398,308 voting rights)
- In April, BlackRock (USA) informed us that it had fallen below the 3 per cent reporting threshold. On 31 March its share of the voting rights in freenet AG amounted to 2.96 per cent (3,789,344 voting rights)

As a result, the shareholder structure of freenet AG on 31 March 2015 was as follows:

Figure 2: **Shareholder structure as of 31 March 2015**



1	**5.16 %**	Allianz Global Investors GmbH*
2	**4.65 %**	Deutsche Asset & Wealth Investment GmbH*
3	**3.04 %**	Flossbach von Storch AG*
4	**87.15 %**	Free Float**

* *Including attributions according to German Securities Trading Act*
** *free float according to Deutsche Börse AG amounts to 94.84%*

Based on the voting rights disclosures received during the quarter under review, free float has increased from 83.42 per cent by 3.73 percentage points to 87.15 per cent compared with the end of 2014.

INTERIM GROUP MANAGEMENT REPORT

ECONOMIC REPORT

Business performance

As an independent service provider, freenet AG serves the fast-growing digital lifestyle market with integrated product ranges, customer-oriented services and inexpensive mobile communications tariffs for all German mobile networks. The portfolio encompasses its own tariffs and services on the one hand, plus suitable offers from the network operators in Germany in the traditional mobile communications/mobile internet business segment on the other. In addition to this, the company offers innovative digital applications relating to Home Automation & Security, Health, Data Security, Entertainment and Infotainment – including the latest smartphones, tablets and notebooks as terminals and attractive accessories.

Private customers make up its key target group as part of a multi-brand strategy: in view of the intense level of competition in the industry, the main brand, mobilcom-debitel, concentrates primarily on high-quality contractual relationships when acquiring customers and managing existing ones, while freenet's discount brands cover the no-frills segment.

In the first quarter of 2015, freenet continued to pursue its successful strategy in the fields of digital lifestyle and mobile communications/mobile internet, and further enhanced its products, services and activities in these segments.

Product drive with digital lifestyle

As in the previous year, the company launched particularly inexpensive product offers for Valentine's Day as a double pack. Buyers in the mobilcom-debitel shops and on the online channels, for example, received two wireless HMDX Jam Plus Bluetooth speakers for the regular price of one, which is around 50 euros; the model combines compact design with powerful music and a clear sound.

Outstanding sound quality is likewise offered by the in-ear headset Networx Premium, including remote control and microphone for smartphones. The price of the ceramic headphones fell from around 45 euros to just under 20 euros in the double variant. And as a free encore there was the Networx Mr. Jack headphones splitter, with which two people can use their headsets at the same time via just one player. To ensure the optimum care of their iPhone and iPod in their trouser or jacket pockets, buyers also received the Bugatti SoftCase at a price of around 15 euros – plus another one for free.

In the fitness segment, moreover, the company offered a reduced "pair price": the Networx sports armband with a flexible fastening strap in different colours is – in combination with the personal sports app – the ideal training companion. It shows, for example, training histories, new best times and/or calorie consumption. At a price of just under 15 euros, the double pack was 70 per cent cheaper than the regular offer.

Another attractive combination of hardware and software was the Samsung Galaxy Tab 4 10.0 with the internet flat rate 3000. At a monthly price in the vicinity of 23 euros, the data tariff offers three gigabytes plus the Game-Flat Option from mobilcom-debitel. At the same time, the price of the tablet was reduced from its usual 50 euros to 14 euros.

Just in time for spring, the company's subsidiary GRAVIS, too, launched a number of low-priced offers in the field of outdoor activities with its own brand Networx. One of these is Finn, an innovative, flexible bike mount for a smartphone at a price of 11.99

euros: the mount, made from high-strength, transparent silicon, fits devices from different manufacturers and has been tested in downhill riding. The pack also contains map material, including suggested tours in two European cities for the free bike navigation app BikeCityGuide.

In cases where, for example, the smartphone or Bluetooth speaker runs out of energy during a ride, the Powerbank Macaron provides assistance. Available in a variety of trendy colours, the additional battery costs just under 15 euros and has a capacity of 2,400 mAh.

Excellent tariff offers

As in the previous financial year, freenet left another distinctive mark in the respective market segments with time-limited campaigns featuring its main and discount brands. The particularly favourably-priced tariffs were generally offered for a short period via the company's own deal platform *www.crash-tarife.de* or comparable online platforms. Here is a selection:

- In January, debitel light halved the AllNet Flat rate to 9.95 euros per month in the D1 network for the first three months. The tariff includes 100 free minutes to all German networks, an SMS flat rate and an HSDPA flat rate for mobile surfing with a data volume of 300 MB and a download speed of up to 3.6 Mbit/s.
- The AllNet-Spar-Flat rate from klarmobil that was offered in February for 16.85 euros per month in the Vodafone network enabled users to save 117 euros compared with the regular price over the contractual period thanks to various bonuses. The tariff contains free calls to all German networks and a 250 MB data flat rate with up to 7.2 Mbit/s.
- Also in February, Telekom Talk Easy 100 from Talkline made savings of just over 400 euros possible for users over the term of the contract. The D1 tariff – reduced from around 20 euros to 2.90 euros per month – offers a 250 MB internet flat rate, an SMS flat rate, 100 free minutes and Norton Mobile Security 3.0 as a free security solution.
- In March, in turn, klarmobil reduced the AllNet Starter in the Vodafone network from 9.95 to 6.95 euros per month. Anyone who ordered the tariff before the end of the month received 400 MB data volume plus 100 free minutes and text messages in return. And the AllNet-Spar-Flat 24 from the discount subsidiary became cheaper by way of credit notes in the first year of the contractual period, falling from 19.85 euros per month to just 4.85 euros, before increasing to 14.85 euros in the second year. It offers a telephony flat rate for calls to German networks and 250 MB with a maximum of 7.2 Mbit/s.
- Finally, the main brand mobilcom-debitel reduced the price of its Talk-Allnet by 20 euros to around 15 euros per month. It contains a voice and SMS flat rate to all German landline and mobile networks, plus a 500 MB internet flat rate with a maximum of 7.2 Mbit/s downstream.

In March, as a major highlight of the quarter, mobilcom-debitel then scrapped the roaming costs for the premium Allnet tariff within the European Union plus Norway, Switzerland and Liechtenstein. For around 50 euros in the D-network and 40 euros in the E-network, the flat rate contains telephony, SMS and mobile internet as free services within the EU at a maximum bandwidth of up to 2 GB and 50 Mbit/s.

New ways to approach customers

freenet AG is working continuously to optimise its proximity to customers. This proximity is based firstly on traditional interfaces such as its own approximately 570 mobilcom-debitel shops, 45 GRAVIS stores, just over 400 exclusive partnerships with consumer electronics stores and some 5,600 specialist retail and distribution partners. Further elements include efficient online channels, social networks and a comprehensive dialogue by app, chat, email, telephone or letter.

Irrespective of this, the company is also taking innovative approaches in its communication with customers – with the aim of familiarising them with the diverse possibilities of digital lifestyle. In Munich, for example, it co-organised the "Long Night of E-books" in February: during the event, the local GRAVIS store at Im Tal 38 functioned as the platform for a talk about "Unlimited reading – with the e-book flat rate Skoobe".

In the centre of Hamburg, moreover, mobilcom-debitel opened a pop-up store called #digitalrepublic close to the town hall. For two weeks in March, interested parties could discover and explore digital worlds of experience for themselves – ranging from smart home solutions and 3D printing to interactive games and the latest trendy devices – on the former premises of a bank which, with a total of 250 square metres, was well in excess of a normal shop's size. Highlights included the car-racing game "Anki Drive" with "learning" cars and innovative flying objects, gamer corners with virtual reality headsets or diverse infotainment programmes – all smartphone-controlled. In addition, young entrepreneurs from the digital lifestyle segment were able to present their business ideas as part of the competition “The Ramp” – with a prize of 10,000 euros of start-up capital for the winner.

The fact that the company’s many and varied efforts to generate customer proximity and service are very well-received is demonstrated by the growth in the core customer segment and repeated awards and top placements in tests. At the 1st Annual German Stevie Awards in March, for example, mobilcom-debitel received the Golden Stevie in the “Management Team of the Year” category for customer support. At the same time, the head of customer support was awarded a Silver Stevie in the “Manager of the Year” category. The renowned Stevie Awards, founded in the USA in 2002, are presented within the framework of six programmes: the American Business Awards, German Stevie Awards, International Business Awards, Stevie Awards for Women in Business, Stevie Awards for Sales & Customer Service and Asia-Pacific Stevie Awards. They reward enterprises of all sizes, but also individuals from the business world, for outstanding achievements.

Developing the marketing campaign

“Together we can do more!” – it was under this slogan from the umbrella campaign that mobilcom-debitel had positioned itself in the traditional mobile communications business in previous years. It put its faith in the promise that it would be able to offer the best price-performance ratio on the basis and strength of the around 13 million customers within the freenet Group – with all networks, all tariffs and all top smartphones at the respective best prices.

The new umbrella campaign that was launched in the first quarter now expresses the company’s ambitions of being a leading provider of digital lifestyle in Germany. It also shows potential ways in which smartphones and tablets can enrich and simplify our lives. The new campaign slogan “Do what you like. We’ll make it possible.” takes greater account of the customer’s viewpoint and positions mobilcom-debitel as a supplier that makes digital lifestyle possible and tangible with its varied range of smartphones, tablets, tariffs, technology and gadgets.

The new, revamped campaign draws a clear line between image and sales while simultaneously allowing the company greater flexibility in its marketing activities: the channels TV, online and events focus more on image, while specific communication measures at the POS are highlighted via promotions and BTL activities. In 2015, the three strategic business segments – Fitness/Wearables, Entertainment and Smart Home – are to be promoted in a number of campaigns spread throughout the year.

Kicking off with the Fitness/Wearables segment, a new TV commercial was launched at the beginning of February for four weeks on all wide-coverage private channels, broadcasting more than 1,100 times and generating 260 million gross contacts. Charming stories were used to show the huge – and still partly untapped – potential of digital lifestyle, for example access to 25 million songs or a wearable “fitness coach” on the wrist.

The campaign also relied on a broad-based online presence, particularly on Spiegel Online, Ströer-Digital Media, Axel Springer Media, Yahoo and Facebook. And extensive measures in the print and social media channels, at the POS and in promotions in 48 ECE shopping centres and 37 Fitness First gyms rounded off the campaign.

Key drivers of the business development

Customer development

Table 2: **Development of Mobile Communication customers**

In million	31.3.2015	31.12.2014	30.9.2014	30.6.2014	31.3.2014
Mobile Communications customers/cards	12.54	12.73	12.83	12.99	13.13
Thereof Customer Ownership	9.04	8.92	8.90	8.84	8.79
Thereof Postpaid	6.10	6.01	5.97	5.90	5.87
Thereof No-frills	2.94	2.91	2.93	2.94	2.92
Thereof Prepaid	3.50	3.81	3.93	4.14	4.34

In what continues to be a competitive market environment for mobile communications services, the pricing policy that prevailed in the quarter under review was generally a rational one. Accordingly, customer ownership as a non-financial performance indicator again increased. Compared with the corresponding quarter last year, it was up by 245 thousand or 2.8 per cent to its current level of 9.04 million. Compared to the end of 2014, this amounts to an increase of around 115 thousand or 1.3 per cent.

The increase originates primarily from the increase in the postpaid customer portfolio, in which all of the mobile communications contracts with a term of 24 months that are marketed in the Group are consolidated. Accordingly, the freenet Group was able to benefit from the ongoing competition among mobile network operators, without price adjustments in the reporting quarter (postpaid ARPU) were required. In the year-on-year comparison, this strategically significant customer group showed disproportionately robust growth of 225 thousand or by 3.8 per cent, taking its total to 6.10 million. Compared to the end of 2014, this amounts to an increase of around 84 thousand or 1.4 per cent.

In the no-frills segment, which comprises all of the mobile communications tariffs with a term of less than 24 months that are marketed via discount brands belonging to the Group, the customer portfolio exceeded that of the previous year by 19 thousand or 0.7 per cent to 2.94 million. Compared to the end of 2014, this amounts to an increase of around 31 thousand or 1.1 per cent.

The number of prepaid SIM cards in circulation that were marketed via the main brand mobilcom-debitel declined further to a final total of 3.50 million during the quarter under review. This further decrease is the result of inactive SIM cards being deactivated by the network operators.

Monthly average revenue per user (ARPU)

Table 3: **Development of ARPU**

In EUR	Q1/2015	Q4/2014	Q3/2014	Q2/2014	Q1/2014
Postpaid	21.1	21.1	21.7	21.5	21.2
No-frills	2.4	2.5	2.9	3.0	2.9
Prepaid	2.6	2.8	3.1	3.0	2.7

The average monthly revenue per user in the postpaid customer segment stabilised at the previous quarter's level with 21.1 euros in the first quarter of 2015. The year-on-year comparison still showed a slight decrease of 0.1 euros. The recently steady process of existing customers switching to up-to-date, more favourably priced offerings, however, had no appreciable further impact on postpaid ARPU in the quarter under review.

The average monthly revenue of 2.4 euros generated in the no-frills customer segment is 0.1 euros below the previous quarter's level. No-frills ARPU is reported at 0.5 euros lower than in the first quarter of 2014.

Prepaid ARPU decreased by 0.2 euros during the first quarter of 2015 and closed the quarter at 2.6 euros. Prepaid ARPU is reported at 0.1 euros lower than in the first quarter of 2014.

Management system

Financial and non-financial performance indicators

In its strategic alignment, the Executive Board of freenet AG orients itself towards the interests of all stakeholders. To implement this, a standardised management system is used at the highest Group level and in the freenet Group's individual companies, where it draws on financial and non-financial control parameters. These financial performance indicators are of particular relevance for the control function:

- Revenue,
- EBITDA,
- free cash flow,
- Postpaid-ARPU.

Furthermore, the Executive Board has defined this non-financial performance indiccator:

- Customer Ownership.

Taking account of the continuous expansion of our digital lifestyle activities in line with our key corporate strategy, we constantly check the composition of all our internal control parameters and will adjust these whenever a relevant necessity is identified. Compared to the previous year, only clarifying adjustments were carried out, with the performance indicator "customer ownership" being reported henceforth as a non-financial performance indicator. This did not lead to an adjustment in the management system.

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.

As at the end of the first quarter 2015, the number of employees declined to 4,713 compared to 4,826 at the end of the fourth quarter 2014 and to 4,961 at the end of the first quarter of 2014. The decline results mainly from structural measures to optimize business performance processes.

Assets, earnings and financial position

Revenue and earnings position

Table 4: **The Group's key performance indicators**

In EUR '000s	Q1/2015	Q1/2014	Change
Revenues	748,474	717,524	30,950
Gross profit	191,391	182,506	8,885
Overhead costs	-105,362	-97,057	-8,305
EBITDA	86,029	85,449	580
EBIT	70,574	69,492	1,082
EBT	61,028	60,024	1,004
Group result	**56,214**	**57,428**	**-1,214**

GROUP REVENUE increased by 4.3 per cent in the first quarter of 2015 compared with the same period of the previous year. This was achieved first and foremost as a result of the significant growth in the customer ownership portfolio (9.04 million customers as at the end of March 2015 compared with 8.79 million customers as at the end of March 2014) accompanied by almost constant postpaid ARPU (21.1 euros in Q1 2015 compared with 21.2 euros in Q1 2014) – and was therefore within the high-margin revenue range.

The **GROSS PROFIT MARGIN** showed a slight increase of 0.2 percentage points compared with Q1 2014 and totalled 25.6 per cent. **GROSS PROFIT** was 8.9 million euros up on the same quarter last year at 191.4 million euros – mainly as a result of the increased customer ownership portfolio.

OVERHEAD EXPENSES – which constitute the difference between gross profit and EBITDA and include the items **OTHER OPERATING INCOME, OTHER OWN WORK CAPITALISED, PERSONNEL EXPENSES, OTHER OPERATING EXPENSES** and the **RESULTS OF COMPANIES CONSOLIDATED USING THE EQUITY METHOD** – increased by 8.3 million euros compared with Q1 2014, mainly as a result of increased spending on marketing and personnel.

The Group result from continued operations before depreciation and amortisation, interest and taxes **(EBITDA)** in Q1 2015 amounted to 86.0 million euros, slightly above the level attained in the same quarter last year.

Compared to Q1 2014, **DEPRECIATION AND AMORTISATION** fell slightly by 0.5 million euros to 15.5 million euros. As in the previous year, these were accounted for primarily by distribution rights, intangible assets in relation to purchase price allocations from corporate acquisitions, and internally generated software.

NET INTEREST INCOME as the balance of interest income and expenses was reported unchanged at −9.5 million euros in the quarter under review – the same as in the corresponding quarter last year. As in the previous year, net interest expenses largely comprised the corporate bond with a nominal value of 400 million euros.

As a result of the effects outlined above, the **GROUP'S PRE-TAX EARNINGS (EBT)** totalled 61.0 million euros, a slight increase of 1.0 million euros compared to the previous year.

INCOME TAX expenses totalling 4.8 million euros were reported for Q1 2015 (Q1 2014: 2.6 million euros). This figure resulted from the offsetting of current income tax expenses in the amount of 8.2 million euros (previous year: 8.0 million euros) against deferred tax income, primarily from the write-up of deferred tax assets from tax loss carryforwards totalling 3.4 million euros (previous year: 5.4 million euros).

The **GROUP PROFIT** reported for the first quarter of 2015 resulted solely from continuing operations, as in the corresponding quarter last year, and amounted to 56.2 million euros. This represents a slight fall of 1.2 million euros compared with the 57.4 million euros earned during Q1 2014.

Assets and financial position

Table 5: **Selected Group balance sheet figures**

Assets

In EUR million	31.3.2015
Non-current assets	1,881.6
Current assets	630.5
Total assets	**2,512.1**

In EUR million	31.12.2014
Non-current assets	1,872.2
Current assets	626.1
Total assets	**2,498.3**

Shareholders' equity and liabilities

In EUR million	31.3.2015
Shareholders' equity	1,346.0
Non-current and current liabilities	1,166.1
Total equity and liabilities	**2,512.1**

In EUR million	31.12.2014
Shareholders' equity	1,293.6
Non-current and current liabilities	1,204.7
Total equity and liabilities	**2,498.3**

As at 31 March 2015, the **BALANCE SHEET TOTAL** amounted to 2,512.1 million euros, having increased by 13.8 million euros (0.6 per cent) since 31 December 2014 (2,498.3 million euros).

On the **ASSETS SIDE**, non-current assets increased by 9.4 million euros. This can be attributed largely to an increase of 6.7 million euros in intangible assets, raising their total to 396.9 million euros, which in turn results primarily from investments in rights of use, as well as an increase of 5.0 million euros in deferred tax assets to 204.9 million euros, mainly as a consequence of the write-up of deferred income tax assets from tax loss carryforwards.

Among the current assets, the decrease of 61.4 million euros in trade receivables to 347.1 million euros and the corresponding increase of 61.0 million euros in cash and cash equivalents to 173.0 million euros are worthy of emphasis. On the one hand, the decrease in current trade receivables compared with 31 December 2014 can be attributed to the lower level of receivables from network operators resulting from annual bonuses, as the incoming payments had to be entered in Q1 2015. On the other, the decline in current trade receivables compared to 31 December 2014 can be associated with the increased factoring volume for mobile option receivables, in connection with which we refer to note 3 in the selected explanatory notes in accordance with IAS 34.

The **LIABILITIES SIDE,** in addition to the shareholders' equity, is dominated by gross financial liabilities, which have increased by 8.1 million euros to 546.6 million euros since 31 December 2014 as a result of the accrued interest on the corporate bond.

The increase of 6.0 million euros to 65.4 million euros in pension provisions is connected with the further reduction of 0.4 percentage points in the actuarial interest rate since 31 December 2014.

Trade payables declined by 15.9 million euros to 354.6 million euros – the main reason for this was the payment of annual bonuses to stockists. The decrease in other liabilities and accruals is attributable primarily to the payment of a half-yearly instalment with a nominal sum of 12.5 million euros for the exclusive distribution right with Media-Saturn Deutschland GmbH.

The **EQUITY RATIO** increased from 51.8 per cent at the end of December 2014 to 53.6 per cent at the end of March 2015, mainly due to the Group's net profit in the quarter under review. **NET BORROWING** amounted to 373.6 million euros as at 31 March 2015 (31 December 2014: 426.6 million euros).

Liquidity position

Table 6: **The Group's key cash flow indicators**

In EUR million	Q1/2015	Q1/2014	Change
Cash flow from operating activities	70.5	62.9	7.6
Cash flow from investing activities	-8.0	-51.9	43.9
Cash flow from financing activities	-1.5	-0.5	-1.0
Change in cash and cash equivalents	**61.0**	**10.5**	**50.5**
Free cash flow[1]	62.2	57.1	5.1

In the first quarter of 2015, **cash flow from operating activities** is reported as 70.5 million euros, which equates to a year-on-year increase of 7.6 million euros. With EBITDA improving slightly, this increase is attributable primarily to a reduction of 10.0 million euros, to 5.5 million euros, in the increase in net working capital. The main underlying reason for this is the higher level of incoming payments for network operator bonuses in the quarter under review compared with Q1 2014. A contrary effect arises from the fact that the cash flow increase of 23.2 million euros from the mobile option factoring in Q1 2014 was higher than the corresponding sum of 10.6 million euros in Q1 2015. Tax payments increased by 3.1 million euros to 10.0 million euros compared with Q1 2014.

cash flow from investing activities amounted to −8.0 million euros in Q1 2015, compared with −51.9 million euros in the first quarter of 2014. Payments for investments in property, plant and equipment and for intangible assets increased from 6.1 million euros to 8.4 million euros. The most significant investment activity in the quarter under review concerned intangible rights of use and internally generated software. Apart from this, investing activities in Q1 2014 were dominated by the acquisition of freenet digital Group, which prompted a cash outflow of 46.3 million euros less the cash and cash equivalents acquired.

cash flow from financing activities in the quarter under review totalled −1.5 million euros, compared with −0.5 million euros in the same period last year – in both cases largely for interest payments.

As a result of the factors described above, **free cash flow** in the first quarter of 2015 increased by 5.1 million euros over the previous year to 62.2 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 underpinned by focused financial management, with the capital structure and liquidity development being performance indicator. The strategy is implemented by means of a comprehensive treasury management system based on established controlling structures.

The capital structure is managed primarily through financial KPIs consisting of gearing, interest cover and the equity ratio. Gearing indicates how much of the current operating result (EBITDA) would be needed to pay off the company's net debt (borrowing less cash and cash equivalents). The interest cover is reflecting the ratio of EBITDA to interest balance.

The following table shows the key figures of financial management in comparison to the same quarter of the previous year. In each case, the last 12 months (thus April 2014 to March 2015 or for the prior year April 2013 to March 2014) were used for all period-related figures such as EBITDA and net interest.

Table 7: **Key figures of financial management**

	Q1/2014	Target 2014/15	Q1/2015	Target 2015/16
Debt factor	1.2	1.0 – 2.5	1.0	1.0 – 2.5
Interest Cover	8.4	> 5	9.0	> 5
Equity ratio (in %)	51.5	> 50	53.6	> 50

At 1.0, gearing remains in the lower portion of the strategic range of 1.0 to 2.5. Borrowing is dominated by the corporate bullet bond in the amount of 400 million euros due in April 2016. Gearing will rise in the second quarter of 2015 as a result of the pending dividend payout.

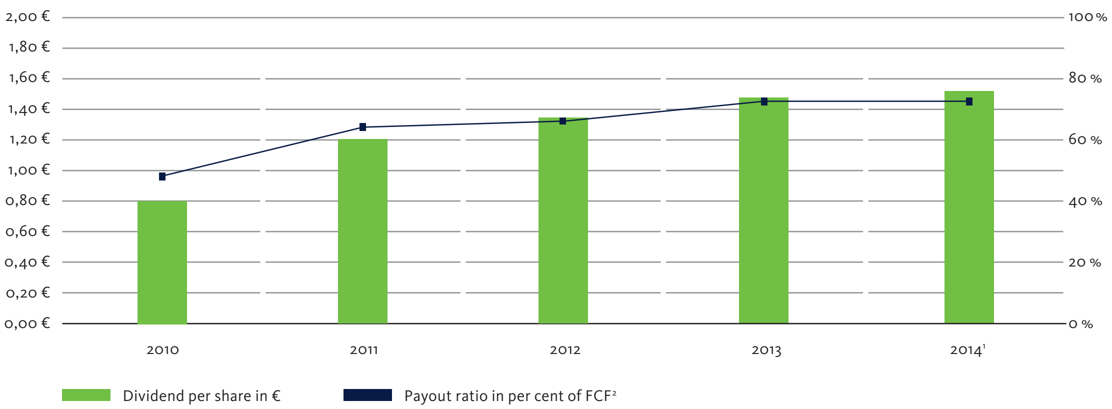
Interest coverage is slightly higher than in Q1 2014 (8.4) at 9.0 as a result of the increase in EBITDA in the twelve-month comparison accompanied by a slight decrease in the interest rate burden, and is therefore well above the target.

The equity ratio as at 31 March 2015 is just above the target level of 50 per cent. The increase compared with the previous year primarily stemmed from the Group's positive earnings situation. However, the equity-reducing effect of next quarter's forthcoming dividend payout also needs to be taken into account when considering this key indicator.

Dividend policy

The current dividend policy, adopted by the Executive Board at the beginning of 2013 and endorsed by the Supervisory Board, stipulates annual dividend payments of 50 to 75 per cent of free cash flow. By defining this range, the Executive Board is taking into account the interests of value-oriented shareholders who wish to participate to a reasonable extent in the company's free cash flow, while at the same time ensuring an optimum capital structure to safeguard the company's long-term value.

Figure 3: **Key figures of dividend policy**



SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There were no events after the balance sheet date which was of significance to the freenet Group.

1 As Suggested by the Executive Board and the Supervisory Board.
2 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.

OPPORTUNITIES AND RISK REPORT

In the first quarter of 2015, there were no significant changes in the opportunities and risks as described in detail in the “Opportunities and risk report” of our 2014 annual report. The 2014 annual report is available online at www.freenet-group.de/investor/publications.

FORECAST

The Executive Board confirms its guidance for the current financial year as included in the Group management report 2014 for the 2015 and 2016 financial years. There were no significant changes in the first quarter of 2015.

freenet AG expects to see a stabilisation in Group revenue in the financial year 2015 and a slight increase in the financial year 2016. The company’s optimism is based not only on the aforementioned expectations regarding the development of customer ownership and postpaid ARPU in the core business segment of mobile communications, but also the increasing cultivation of revenue sources from the sale of devices, accessories and services for mobile applications covering various aspects of digital lifestyle.

Table 8: **Development of the key performance indicators**

		Year-to-date/	Forecast	
In EUR million/as indicated	2014	Q1/2015	2015	2016
Financial performance indicators				
Group revenue	3,040.6	748.5	stable	slight increase
Group EBITDA	365.6	86.0	370	375
Group free cash flow[1]	266.6	62.2	280	285
Postpaid-ARPU (in EUR)[2]	21.4	21.1	stable	stable
Non-financial performance indicators				
Customer Ownership[2]	8.92	9.04	slight increase	slight increase

In line with the developments described above, free net AG aims to achieve a Group EBIDTA of around 370 million euros for the 2015 financial year and around 375 million euros for the 2016 financial year.

freenet AG also aims to achieve free cash flow for the freenet Group, defined as cash flow from current operating activities, less investments in property, plant and equipment and intangible assets, plus the cash inflows from disposals of intangible assets and property, plant and equipment in the amount of approx. 280 million euros in the 2015 financial year and approx. 285 million euros in the 2016 financial year.

TRANSACTIONS WITH RELATED PARTIES

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

In EUR '000s	1.1.2015-31.3.2015	1.1.2014-31.3.2014
Sales and income attributable to services		
Joint ventures		
FunDorado GmbH, Hamburg	53	82
Total	**53**	**82**

The following major receivables due from related parties existed as at 31 March 2015:

In EUR '000s	31.3.2015	31.3.2014
Receivables from regular transactions		
Joint ventures		
FunDorado GmbH, Hamburg	47	77
Total	**47**	**77**

All transactions were at market rates.


Bowers & Wilkins

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

for the period from 1 January to 31 March 2015

In EUR '000s/as indicated	Q1/2015 1.1.2015 - 31.3.2015	Q1/2014 1.1.2014 - 31.3.2014
Revenue	748,474	717,524
Other operating income	13,670	15,233
Other own work capitalized	2,566	2,398
Cost of material	-557,083	-535,018
Personnel expenses	-50,173	-46,295
Depreciation and impairment write-downs	-15,455	-15,957
Other operating expenses	-71,456	-68,463
Operating result	**70,543**	**69,422**
Share of results of associates	31	70
Interest receivable and similar income	250	292
Interest payable and similar expenses	-9,796	-9,760
Result before taxes on income	**61,028**	**60,024**
Taxes on income	-4,814	-2,596
Group result from continued operations	**56,214**	**57,428**
Group result from discontinued operations	**0**	**0**
Group result	**56,214**	**57,428**
Group result attributable to shareholders of freenet AG	55,965	57,331
Group result attributable to non-controlling interest	249	97
Earnings per share in EUR (undiluted)	**0.44**	**0.45**
Earnings per share in EUR (diluted)	**0.44**	**0.45**
Earnings per share from continued operations in EUR (undiluted)	0.44	0.45
Earnings per share from continued operations in EUR (diluted)	0.44	0.45
Earnings per share from discontinued operations in EUR (undiluted)	0.00	0.00
Earnings per share from discontinued operations in EUR (diluted)	0.00	0.00
Weighted average of shares outstanding in thousand (undiluted)	128,011	128,011
Weighted average of shares outstanding in thousand (diluted)	128,011	128,011

Consolidated statement of comprehensive income

for the period from 1 January to 31 March 2015

In EUR '000s	Q1/2015 1.1.2015 - 31.3.2015	Q1/2014 1.1.2014 - 31.3.2014
Group result	**56,214**	**57,428**
Change in fair value of available-for-sale financial instruments	-32	-32
Currency difference	237	1
Income tax recognized in other comprehensive income	-62	9
Other comprehensive income / to be reclassified to the income statement in the following periods	**143**	**-22**
Recognition of actuarial gains and losses arising from the accounting for pension plans acc. IAS 19 (2011)	-5,721	0
Income tax recognized in other comprehensive income	1,719	0
Other comprehensive income / not to be reclassified to the income statement in the following periods	**-4,002**	**0**
Other comprehensive income	**-3,859**	**-22**
Consolidated comprehensive income	**52,355**	**57,406**
Consolidated comprehensive income attributable to shareholders of freenet AG	52,106	57,309
Consolidated comprehensive income attributable to non-controlling interest	249	97

Consolidated balance sheet as of 31 March 2015

Assets

In EUR '000s	31.3.2015	31.12.2014
Non-current assets		
Intangible assets	396,870	390,137
Goodwill	1,153,298	1,153,298
Property, plant and equipment	33,974	34,307
Investments in associates	1,550	1,519
Other investments	1,531	1,534
Deferred income tax assets	204,877	199,853
Trade accounts receivable	79,921	79,581
Other receivables and other assets	9,575	11,950
	1,881,596	**1,872,179**
Current assets		
Inventories	81,954	79,996
Current income tax assets	2,066	1,826
Trade accounts receivable	347,056	408,482
Other receivables and other assets	26,462	23,879
Cash and cash equivalents	172,987	111,944
	630,525	**626,127**
	2,512,121	**2,498,306**

Consolidated balance sheet as of 31 March 2015

Shareholders' equity and liabilities

In EUR '000s	31.3.2015	31.12.2014
Shareholders' equity		
Share capital	128,061	128,061
Capital reserve	737,536	737,536
Cumulative other comprehensive income	-25,154	-21,295
Retained earnings	501,590	445,625
Capital and reserves attributable to shareholders of freenet AG	**1,342,033**	**1,289,927**
Capital and reserves attributable to non-controlling interest	3,942	3,693
	1,345,975	**1,293,620**
Non-current liabilities		
Trade accounts payable	544	540
Other payables	23,333	38,351
Borrowings	518,504	518,223
Deferred income tax liabilities	119	123
Pension provisions	65,357	59,346
Other provisions	9,531	9,097
	617,388	**625,680**
Current liabilities		
Trade accounts payable	354,011	369,931
Other payables	105,011	124,318
Current income tax liabilities	36,786	38,663
Borrowings	28,102	20,333
Other provisions	24,848	25,761
	548,758	**579,006**
	2,512,121	**2,498,306**

Schedule of changes in equity

from the period from 1 January to 31 March 2015

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 reservces attributable to non-controlling interest	Shareholders' equity
As of 1.1.2014	**128,061**	**737,536**	**-69**	**0**	**-12,717**	**383,776**	**1,236,587**	**2,995**	**1,239,582**
Group result	0	0	0	0	0	57,331	57,331	97	57,428
Change in fair value of available-for-sale financial instruments[1]	0	0	-23	0	0	0	-23	0	-23
Foreign currency translation[1]	0	0	0	1	0	0	1	0	1
Sub-total: Consolidated comprehensive income	0	0	-23	1	0	57,331	57,309	97	57,406
As of 31.3.2014	**128,061**	**737,536**	**-92**	**1**	**-12,717**	**441,107**	**1,293,896**	**3,092**	**1,296,988**

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 reservces 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**
Group result	0	0	0	0	0	55,965	55,965	249	56,214
Recognition of actuarial gains and losses acc. IAS 19 (2011)[1]	0	0	0	0	-4,002	0	-4,002	0	-4,002
Change in fair value of available-for-sale financial instruments[1]	0	0	-23	0	0	0	-23	0	-23
Foreign currency translation[1]	0	0	0	166	0	0	166	0	166
Sub-total: Consolidated comprehensive income	0	0	-23	166	-4,002	55,965	52,106	249	52,355
As of 31.3.2015	**128,061**	**737,536**	**-122**	**413**	**-25,445**	**501,590**	**1,342,033**	**3,942**	**1,345,975**

1 Figures are balanced in income tax of other comprehensive results

Consolidated statement of cash flows

for the period from 1 January to 31 March 2015

In EUR '000s	Q1/2015 1.1.2015 - 31.3.2015	Q1/2014 1.1.2014 - 31.3.2014
Result from continued and discontinued operations before interest and taxes (EBIT)	**70,574**	**69,492**
Adjustments		
Depreciation and impairment on items of fixed assets	15,455	15,957
Share of results of associates	-31	-70
Gains on the disposal of fixed assets	-56	-140
Increase in net working capital not attributable to investing or financing activities	-5,464	-15,502
Tax payments	-9,971	-6,825
Cash flow from operating activities	**70,507**	**62,912**
Investments in property, plant and equipment and intangible assets	-8,395	-6,123
Proceeds from the disposal of property, plant and equipment and intangible assets	121	304
Payments for the acquisition of subsidiaries	0	-46,292
Proceeds from the sale of subsidiaries	100	0
Interest received	188	190
Cash flow from investing activities	**-7,986**	**-51,921**
Cash repayments of borrowings	-98	-98
Interest paid	-1,38	-398
Cash flow from financing activities	**-1,478**	**-496**
Cash-effective change in cash and cash equivalents	**61,043**	**10,495**
Cash and cash equivalents 1.1.	**111,944**	**110,766**
Cash and cash equivalents 31.3.	**172,987**	**121,261**

Composition of cash and cash equivalents In EUR '000s	31.3.2015	31.3.2014
Cash and cash equivalents of continued operations	172,987	121,261
	172,987	**121,261**

Composition of free cash flow In EUR '000s	31.3.2015	31.3.2014
Cash flow from operating activities	70,507	62,912
Investments in property, plant and equipment and intangible assets	-8,395	-6,123
Proceeds from the disposal of property, plant and equipment and intangible assets	121	304
Free cash flow (FCF)	**62,233**	**57,093**

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 Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, based on the international accounting standards endorsed by the European Union, the International Financial Reporting Standards (IFRS), in accordance with IAS 34. The Group took into account all IFRS adopted and mandated by the EU. No review of these condensed consolidated interim financial statements has been carried out.

   The Group applied all of the accounting standards which have been mandatory since 1 January 2015. The accounting standards whose application has been mandatory for the first time since 1 January 2015 have no appreciable impact on freenet AG's consolidated financial statements. These are the Annual Improvements Project 2010 to 2012 – Improvements in IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38), the Annual Improvements Project 2011–2013 – Improvements in IFRS (IFRS 1, IFRS 3, IFRS 13, IAS 40), the amendments to IAS 19, Employee Benefits, and IFRIC 21 (Levies).

   The accounting and valuation methods used to prepare the interim report for the period ending 31 March 2015 and to establish the benchmark figures for the previous year are the same as those which were applied in the consolidated financial statements for the period to 31 December 2014. A detailed description of the Group's accounting and valuation methods is included in the notes to the consolidated financial statements of freenet AG as at 31 December 2014.

2. The composition of the cash-generating units (CGU) was adjusted to the internal management control process in the first quarter of 2015. The CGU freenet digital (goodwill carrying amount as at 31 March 2015: 29,162 thousand euros) and the CGU Portal (goodwill carrying amount as at 31 March 2015: 588 thousand euros) were merged to form the CGU Online, as a reorganization of the areas had been made. For reasons of comparability, the previous year's figure was adjusted.

   The goodwill in the balance sheet apportioned to CGUs is shown below:

In EUR '000s	31.3.2015	31.12.2014 (adjusted)
Mobile Communications	1,119,396	1,119,396
Online	29,750	29,750
Other	4,152	4,152
Total	**1,153,298**	**1,153,298**

Significant events and transactions

3. For some time now, the freenet Group has been offering its customers the opportunity to choose higher-value devices for an additional monthly fee with its mobile phone upgrade option. Contracts with this mobile phone upgrade option continue to be recognised as follows: freenet has an unconditional right to payment from the customer receiving the mobile phone as part of the mobile phone upgrade option. freenet records a receivable in the amount of the present value of the additional monthly amounts to be paid by the customer for the higher-value mobile phone over the term of the contract when the contract is signed and the mobile phone is handed over. As customers' willingness to pay more for higher-value smartphones has increased, the number of postpaid customers selecting this mobile phone upgrade option has risen steadily over the past few financial years. This also means that the figure for deferred receivables relating to the mobile phone upgrade option recognised under non-current and current trade receivables has climbed continuously. For the freenet Group, this means that tied-up capital has been increasing for years: today's higher-value smartphones are more expensive to purchase than the mobile phones of the past, and while cash outflows to acquire these devices occur before or when a contract is signed with the end customer, cash inflows from the mobile phone upgrade option are spread over the 24 months of the contract with the end customer.

   With this in mind, the Group has concluded a factoring agreement with a bank, which was first utilised in the Q1 2014. The agreement is a master agreement with an indefinite term. The sale of mobile phone option receivables is possible on a quarterly basis. The bank purchases the receivables with a defined delcredere discount and it also bills freenet for interest and fees. The relevant risks (such as the risk of default in particular) and opportunities are transferred to the bank, with the result that the receivables sold are derecognised in their entirety. The freenet Group continues to bear the risk of late payment, as well as being responsible for the collection and administration of the receivables sold (known as "servicing").

   As at 31 March 2015, receivables in the amount of 60.2 million euros (31 December 2014: 49.6 million euros) have been sold and derecognised, but not yet paid for.

4. The underlying figure for the cash flow statement is the earnings generated by ongoing and discontinued operations before interest and income taxes (EBIT). The following shows the way in which this EBIT figure is derived from the consolidated income statement:

Calculating the underlying figure for the consolidated cash flow statement

In EUR '000s	1.1.2015-31.3.2015	1.1.2014-31.3.2014
Result before taxes on income	61,028	60,024
Interest payable and similar expenses	9,796	9,760
Interest receivable and similar income	-250	-292
Earnings before interest and taxes (EBIT) of continued and discontinued operations	**70,574**	**69,492**

Other disclosures

5. Our disclosures concerning fair values are as follows:

   The following overview, "Fair value hierarchy as at 31 March 2015", provides an explanation as to what significant parameters constitute the basis for the measurement of, firstly, the financial instruments measured at fair value and, secondly, the portion of the financial instruments measured at amortised cost, for which a fair value was calculated. For the definition of the individual levels in accordance with IFRS 13, see the notes to the consolidated financial statements of freenet AG as at 31 December 2014.

Financial instruments according to classes as of 31 March 2015

In EUR '000s	Valuation category acc. to IAS 39	Carrying amount 31.3.2015	Value approach				Fair value 31.3.2015
			Amortised cost	Cost	Fair value recognized in profit or loss	Fair value recognized in equity	
Assets							
Cash and cash equivalents	LR	172,987	172,987				172,987
Total cash and cash equivalents		**172,987**	**172,987**				**172,987**
Other financial assets (measured at cost)	AFS	503		503			-
Other financial assets (measured at fair value)	AFS	1,028				1,028	1,028
Total other financial assets		**1,531**					
Trade accounts receivable	LR	**426,977**	**426,977**				**427,415**
Other non-derivative financial assets	LR	23,205	23,205				23,205
Available-for-sale financial assets	AFS	2,813				2,813	2,813
Non-financial assets		10,019					
Total other receivables and other assets		**36,037**					
Liabilities							
Trade accounts payable	FLAC	354,555	354,555				354,555
Financial debt	FLAC	546,606	546,485				578,095
Total financial debt within the scope of IFRS 7		**546,606**					**578,095**
Other non-derivative financial liabilities	FLAC	49,184	49,184				49,184
Non-financial liabilities		79,160					
Total other liabilities and deferrals		**128,344**					
Financial instruments not covered by the scope of IFRS 7							
Pension provisions acc. to IAS 19		65,357					65,357
Provisions for employee participation programmes acc. to IFRS 2		4,929					4,929
Total financial instruments not covered by the scope of IFRS 7		**70,286**					
Thereof aggregated by valuation categories acc. to IAS 39							
Availabe-for-sale financial instruments	AFS	4,344		503		3,841	3,841
Loans and receivables	LR	623,169	623,169				623,607
Financial liabilities, measured at amortized cost	FLAC	-950,345	-950,224				-981,834

Fair value hierarchy as of 31 March 2015

In EUR '000s	Total	Level 1	Level 2	Level 3
Available-for-sale financial assets	2,813	2,813	0	0
Other financial assets	1,028	1,028	0	0
Trade accounts receivable	79,708	0	0	79,708
Borrowings	549,850	425,348	0	124,502
Total	**-466,301**	**-421,507**	**0**	**-44,794**

There were no shifts regarding the levels.

Other financial assets are generally measured at fair value. Wherever a reliable estimate of fair value is not possible, the asset is valued at its acquisition cost. The shares that are valued at acquisition cost are not publicly traded and there is no active market for them. Furthermore, a sale is not currently planned. If there are indications that fair values are lower, these are used.

6. The group of consolidated companies remained unchanged compared with the consolidated financial statements for the period ending 31 December 2014.

7. Based on an updated interest rate of 1.5 per cent (31.12.2014: 1.9 per cent) but with the other premises remaining unchanged, the pension provisions were reassessed as at 31 March 2015. Of the resultant appropriation totalling 5.7 million euros, the sum of 4.0 million euros was reported in other comprehensive income and the sum of 1.7 million euros was reported in deferred income tax assets.

8. As was the case in the 2014 consolidated financial statements, an average rate of 30.05 per cent (comparative period last year: 29.85 per cent) was used to calculate the current and deferred income taxes.

9. During the first three months of 2015, net borrowing decreased by 53.0 million euros from 426.6 million euros to 373.6 million euros. The cash flow from operating activities amounting to 70.5 million euros was the most significant factor reducing the net financial liabilities.

10. There were no events of significance after the balance sheet date.

11. Segment reporting

As its main decision-making body, the Executive Board organises and manages the company on the basis of the differences between the individual products and services offered by the company. As the Group performs its business operations almost entirely in Germany, it has no organisation and management based on geographical regions. The Group was active in the following operating segments in the first quarter 2015:

- Mobile Communications:
  - Activities as a mobile communications service provider – marketing of mobile communications services (voice and data services) from the mobile communications network operators T-Mobile, Vodafone, E-Plus and O2 in Germany
  - Based on the network operator agreements concluded with these network operators, a range of the company's own network-independent services and tariffs as well as a range of network operator tariffs
  - Distribution and sale of mobile communications devices as well as additional services in the fields of mobile data communications and digital lifestyle
  - Rendering of sales services

- Other/Holding:
  - Provision of portal services such as e-commerce/advertising services (these essentially comprise the offer of online shopping and the marketing of advertising space on websites), of payment services for end customers and a varied range of digital products and entertainment formats to download and/or for display and use on mobile communications devices
  - Development of communication solutions, IT solutions and other services for corporate customers
  - Range of narrowband voice services (call-by-call, preselection) and data services
  - Rendering of sales services

The “Other/Holding” segment includes other business activities in addition to operating activities. These primarily include freenet AG’s activities as a holding company (with the provision of intra-Group services in central divisions such as Legal, HR and Finance), as well as other accounting entries that cannot be clearly allocated. The segment revenue of 21.9 million euros (previous year: 19.9 million euros) reported for the “Other/Holding” segment in Q1 2015 is attributable to operating activities (19.8 million euros; previous year: 17.4 million euros) and other business activities with 2.1 million euros (previous year: 2.5 million euros). The gross profit of 14.2 million euros reported for the “Other/Holding” segment in Q1 2015 (previous year: 12.5 million euros) is attributable to operating activities in the amount of 14.4 million euros (previous year: 12.6 million euros) and to other business activities in the amount of –0.2 million euros (previous year: –0.1 million euros). The EBITDA of –5.3 million euros reported for the “Other/Holding” segment in Q1 2015 (previous year: –5.1 million euros) was generated by operating activities to the extent of 0.7 million euros (previous year: –0.7 million euros) and by other business activities in the amount of –6.0 million euros (previous year: –4.4 million euros). The EBIT of –8.0 million euros reported for the “Other/Holding” segment in Q1 2015 (previous year: –7.4 million euros) is accounted for by operating activities in the amount of –1.8 million euros (previous year: –2.8 million euros) and by other business activities in the amount of –6.2 million euros (previous year: –4.6 million euros).

Segment report for the period from 1 January to 31 March 2015

In EUR '000s	Mobile Communications	Other/ Holding	Elimination of intersegment revenue and expenses	Total
Third-party revenue	**731,694**	**16,780**	**0**	**748,474**
Intersegment revenue	2,935	5,132	-8,067	0
Revenue, total	734,629	21,912	-8,067	748,474
Cost of materials, third party	**-552,135**	**-4,948**	**0**	**-557,083**
Intersegment cost of materials	-3,584	-2,741	6,324	0
Cost of materials, total	-555,719	-7,688	6,324	-557,083
Segment gross profit	**178,911**	**14,224**	**-1,743**	**191,391**
Other operating income	13,512	1,167	-1,010	13,670
Other own work capitalized	1,993	573	0	2,566
Personnel expenses	-38,715	-11,458	0	-50,173
Other operating expenses	-64,376	-9,834	2,753	-71,457
Share of result in associates	0	31	0	31
Segment EBITDA	**91,324**	**-5,296**	**0**	**86,029**
Depreciation and impairment write-downs	-12,734	-2,721	0	-15,455
Segment EBIT	**78,590**	**-8,016**	**0**	**70,574**
Group financial result				-9,546
Taxes on income				-4,814
Group result from continued operations				**56,214**
Group result from discontinued operations				**0**
Group result				**56,214**
Group result attributable to shareholders of freenet AG				55,965
Group result attributable to non-controlling interest				249
Investments in continued operations	**7,384**	**1,011**		**8,395**

Segment report for the period from 1 January to 31 March 2014

In EUR '000s	Mobile Communications	Other/ Holding	Elimination of intersegment revenue and expenses	Total
Third-party revenue	**700,934**	**16,590**	**0**	**717,524**
Intersegment revenue	3,023	3,286	-6,309	0
Revenue, total	703,957	19,876	-6,309	717,524
Cost of materials, third party	**-530,465**	**-4,553**	**0**	**-535,018**
Intersegment cost of materials	-2,028	-2,847	4,875	0
Cost of materials, total	-532,493	-7,400	4,875	-535,018
Segment gross profit	**171,464**	**12,476**	**-1,434**	**182,506**
Other operating income	14,905	1,266	-938	15,233
Other own work capitalized	2,180	217	0	2,398
Personnel expenses	-36,352	-9,943	0	-46,295
Other operating expenses	-61,665	-9,169	2,371	-68,463
Share of result in associates	0	70	0	70
Segment EBITDA	**90,532**	**-5,083**	**0**	**85,449**
Depreciation and impairment write-downs	-13,655	-2,302	0	-15,957
Segment EBIT	**76,877**	**-7,385**	**0**	**69,492**
Group financial result				-9,468
Taxes on income				-2,596
Group result from continued operations				**57,428**
Group result from discontinued operations				**0**
Group result				**57,428**
Group result attributable to shareholders of freenet AG				57,331
Group result attributable to non-controlling interest				97
Investments in continued operations	**5,601**	**522**		**6,123**

FINANCIAL CALENDAR

7 May 2015	Publication of Interim Report as of 30. September 2015 – 1st quarter 2015
21 May 2015	Annual General Meeting of freenet AG, CCH Hamburg
27 May 2015[1]	Berenberg TMT Conference, Zurich, Switzerland
17-19 June 2015[1]	dbAccess German, Swiss & Austrian Conference, Berlin, Germany
6 August 2015[1]	Publication of Interim Report as of 30 June 2015 – 2nd quarter 2015
3-4 September 2015[1]	dbAccess European TMT Conference, London, Great Britain
9 September 2015[1]	Commerzbank TMT and Consumer Conference, Frankfurt, Germany
10 September 2015[1]	ESN European Conference, Frankfurt, Germany
21-22 September 2015[1]	Berenberg and Goldman Sachs German Corporate Conference, Munich, Germany
6 November 2015[1]	Publication of Interim Report as of 30 September 2015 – 3rd quarter 2015
11-13 November 2015[1]	Morgan Stanley TMT Conference, Barcelona, Spain
2 Dezember 2015[1]	Berenberg European Conference, Surrey Heath, Great Britain

1 All dates are subject to change.

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