freenet

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2023 Annual report

Mobile Communications. Internet. TV entertainment.

Key figures

Operational key figures

In EUR million/as indicated	2023	2022	Change absolute	relative
Revenues	2,627.3	2,556.7	70.6	2.8%
Gross profit	951.2	886.7	64.5	7.3%
EBITDA	500.2	478.7	21.5	4.5%
Adjusted consolidated profit [1]	240.5	248.4	– 7.9	– 3.2%
Adjusted earnings per share (in EUR) [1,2]	2.01	2.07	– 0.06	– 2.8%

Subscribers

In ’000s	31.12.2023	31.12.2022	Change absolute	relative
Postpaid customers	7,418.3	7,273.7	144.6	2.0%
App-based tariffs [3]	121.3	113.1	8.2	7.3%
freenet TV subscribers (RGU)	583.8	685.6	– 101.8	– 14.9%
waipu.tv subscribers	1,369.3	970.0	399.2	41.2%
Number of subscribers (total)	9,492.7	9,042.4	450.3	5.0%

Balance sheet

	31.12.2023	31.12.2022	Change absolute	relative
Equity ratio	42.1%	40.5%	1.6 PP	3.9%
Leverage (x times EBITDA)	1.2	1.5	– 0.3	– 21.2%

Cash flow, investments and depreciation and amortisation

In EUR million	2023	2022	Change absolute	relative
Free cash flow	262.6	249.2	13.3	5.3%
Net investments (CapEx)	– 52.7	– 60.0	7.3	– 12.2%
Depreciation	– 254.1	– 349.3	95.2	– 27.2%
Thereof amortisation of the mobilcom-debitel trademark	– 98.5	– 194.7	96.2	– 49.4%

Share

In EUR/as indicated	31.12.2023	31.12.2022	Change absolute	relative
Share price [4]	25.34	20.42	4.92	24.1%
Market capitalisation (in EUR million) [4]	3,010	2,428	582	24.1%
Dividend per share	1.77 [5]	1.68	0.09	5.4%

Employees

	31.12.2023	31.12.2022	Change absolute	relative
Headcount	3,690	3,660	30	0.8%

[1] Adjusted for effects from the amortisation of the mobilcom-debitel trademark
[2] Basic and diluted
[3] Includes subscribers of freenet FUNK and freenet FLEX
[4] Based on Xetra closing price
[5] Subject to the approval of the 2024 Annual General Meeting

Content

For more information on 2023 financial year including statements from our Executive Board members, go to fn.de/23fy

CEO Letter

Dear shareholders,

We can look back on a successful 2023 financial year. At EUR 500.2 million, our EBITDA is half a billion euros for the first time! This means that we have met our guidance for the past year, which we raised during the year (EUR 495 to 505 million). At EUR 262.6 million (guidance: EUR 260 – 270 million), the free cash flow, which is relevant for our dividend amount, forms a financially strong basis for distribution. Following last year's record dividend (EUR 1.68 per share), we are recommending a further dividend increase of 5.4% to EUR 1.77 per share to the Annual General Meeting after this very successful year.

“We are generating EBITDA of half a billion euros for the first time!”

In our core business of mobile communications, we continue to defend our position in a largely saturated mobile communications market for private customers with growth to 7.4 million postpaid customers. We are growing on the customer side thanks to our strong marketing and sales expertise and continue to claim a relevant market share for ourselves in the private customer segment. The positioning of our freenet brand last summer with the claim “freenet, get set, go!”, which summarises our identity in three apt words, will continue to help us in the future. The alignment of our products with our umbrella brand “freenet” not only creates greater identification among customers and employees, but also promotes synergies in marketing and sales. This is already reflected in our brand awareness: compared to the start of the campaign, twice as many Germans now know freenet! To ensure that everyone in the country knows our company soon, we are now also an advertising partner in Bundesliga football stadiums and a sponsor of the 2024 European Handball Championship in our own country – in line with the motto “We have the nets, you have the goals!”.

“Our waipu.tv product delivers linear television the way it should be watched in 2024 – and is therefore establishing itself on the German market.”

Our TV product waipu.tv, which focuses on IPTV – the future of linear television – generated impressive growth. waipu.tv reached its first milestone shortly after the start of the past year when we welcomed our one millionth customer to the platform. At the end of the year, we recorded an increase of almost 400 thousand customers, bringing the total number of waipu.tv subscribers to around 1.4 million. By the end of 2024, we want to have around 2 million customers in order to reach a critical mass in the following years that will make us even more relevant for content providers! We are ideally positioned to get there: Our waipu.tv product delivers linear television the way it should be watched in 2024 – fully digital, fully flexible and full of content. And at an attractive price. That is our recipe for success. In the coming years, we believe that even more TV consumers will understand this. Especially because the abolition of the ancillary cost law (“Nebenkostenprivileg”) from mid-2024 means that over 12 million TV households will no longer be obliged to watch cable TV, but will finally be free to decide how they want to watch TV. However, they can also opt for freenet TV – our second TV product that can be received via antenna. We recently launched the freenet TV hybrid stick. This makes it possible to receive terrestrial and Internet television at the same time – even with older TV models. It should now be clear that freenet has become an integral part of the German TV market.

“Assisted personalised shopping will fundamentally change the sales approach in our shops.”

The capital market also finds the combination of a stable mobile communications business as the basis for a strong dividend yield and the TV segment as a growth driver attractive. Last year, our share outperformed the MDAX benchmark index four times (!) over with a 32% increase in value including dividends. We also performed more than three times better in our telecommunications sector, clearly outperforming the industry.

Our corporate strategy is simple and clear: we are defending our market position in mobile communications and growing in the TV business and with digital lifestyle products. With our strong brands, we are very well positioned for the coming years. We are focussing on what we do best: the sale of subscription models. Where we see synergies: in the dovetailing of our own offline and online sales channels. That’s why we put a lot of conceptual work into harmonising the two sales interfaces last year. The result is a further fusion of the two worlds, so that in future the customer will receive exactly the same offer in the freenet shop as on the website – only with direct advice on site in the shop. We call this Assisted Personalised Shopping – APS for short – and it simplifies the freenet world not only for our customers, but especially for our shop employees. Many tedious processes have been reviewed and automated, giving employees more time for real advice. The concept will now be rolled out to all shops in the course of 2024.

"2024 will be a transition year for more growth in the future."

Of course, this task is not a sure-fire success - nor is the goal of attracting as many cable TV customers as possible to freenet TV or waipu.tv. We have to invest a lot of financial resources. 2024 should therefore be seen as a transitional year for more growth in the future – with correspondingly high marketing expenditure to further increase our brand awareness and intensive sales efforts. This may have an effect on the exemplary linear growth path of recent years. As a result, we expect stable business results for the current year without significant earnings growth. Our ambition for 2025 to achieve EBITDA of at least EUR 520 million and our high dividend payout power remain unaffected by this, as our guidance shows. The dividend per share should therefore remain at least stable.

"Our ESG strategy puts people at the centre of everything we do."

We also want our employees to participate in freenet's success and for their commitment to continue to pay off. As in the previous year, we have once again increased the minimum wage at freenet: since October 2023, it has been over EUR 14 per hour. This puts us 15% above the statutory minimum wage and increases the minimum income at freenet to around EUR 30 thousand per year. In times of sharply rising prices, we are thus giving lower income groups in particular and employees who are partly dependent on commission some security, combined with tangible recognition for their consistently outstanding commitment. In July last year, we also paid an inflation compensation bonus to all employees.

However, we not only aim to pursue economic goals, we also want to be successful in the area of sustainability. To this end, Nicole Engenhardt-Gillé joined freenet AG as its first Executive Board member at the beginning of 2023. With the newly created "ESG and Human Resources" department, she assumes overall responsibility for the company's continued environmental and social orientation. Under her aegis, an ESG strategy was formulated in cooperation with various specialist departments and the implementation of the strategy was anchored centrally in an ESG management team, which was also newly created.

The guiding principle of the strategy is that people are always at the centre of our actions and that we shape our business activities in such a way that they are environmentally responsible, socially just and economically profitable. We also have high standards of transparency in this respect and will provide regular updates on our goals, measures and progress. After all, investing in human capital is just as important as investing in our business. Ultimately, our employees are the key to our long-term business success.

Finally, we would like to emphasise that we look forward to welcoming you again at our Annual General Meeting in Hamburg in May. It was good for us to hear your questions, suggestions and opinions directly and to be able to answer your questions in person. We greatly appreciate your loyalty to our company and hope that you will continue to support us in the future.

Sincerely

Christoph Vilanek (CEO)

Christoph Vilanek, CEO

Report of the Supervisory Board

Dear Shareholders,

2023 was a successful financial year for the company with an increase in many financial and non-financial key performance indicators, in which the Supervisory Board worked closely and trustfully with the Executive Board. In addition to the economic success, the expansion of the Executive Board with the establishment of an Executive Board department for Human Resources and ESG has increased the Supervisory Board's focus on HR and sustainability issues. The content of the Supervisory Board's work was also characterised by personnel changes: Following the Annual General Meeting in May 2023, newly elected employee representatives joined the Supervisory Board.

Provision of information to the Supervisory Board

Both in its previous and new composition, the Supervisory Board fulfilled its duties in accordance with the law, the articles of association and the rules of procedure throughout the total financial year. We monitored and advised the Executive Board in its management of the company on the basis of its detailed reports. This was based on the extensive written reports submitted by the Executive Board prior to our meetings, which were explained verbally by the Executive Board at the meetings, discussed in greater depth and debated openly and in detail by the Supervisory Board and Executive Board. The Executive Board fulfilled all of the Supervisory Board's requests for information and answered any questions raised by the members. The shareholder representatives on the Supervisory Board and the employee representatives regularly prepared for the topics discussed by the Supervisory Board in separate preliminary meetings. At the plenary meetings themselves, the Supervisory Board also met regularly without the Executive Board being present.

The Supervisory Board has also ensured that it is kept appropriately informed outside of meetings. To this end, the Executive Board reported in writing on a monthly basis on all issues relevant to the company or other matters of interest to the Supervisory Board.

There was also a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of the Executive Board and the other members of the Executive Board, including on issues relating to strategy and current business developments, through personal meetings and telephone calls. The Chairman of the Supervisory Board kept the other members of the Supervisory Board informed of the content of these discussions by reporting at the meetings.

In this way, we as the Supervisory Board were always informed about the intended business policy, corporate planning including financial planning and the course of business as well as the situation of the company and the Group. The Supervisory Board was directly involved in all decisions of fundamental importance to the company at an early stage and discussed them intensively and in detail with the Executive Board. Where the approval of the Supervisory Board was required for decisions or measures by law, the articles of association or the rules of procedure, we approved these after intensive examination and discussion.

The Chairman of the Supervisory Board was also available for discussions with investors on matters specific to the Supervisory Board. However, discussions between him and investors did not take place in 2023 due to a lack of topics relevant to the Supervisory Board.

Topics in the Supervisory Board plenum

In the 2023 financial year, the Supervisory Board held a total of six meetings, four of which were held in person and two of which were held as virtual meetings via video conference. No resolutions were passed by written procedure.

The plenary meetings regularly discussed current business developments, the market and competitive situation, the financial and earnings position and the financing situation of the company as well as the development of the Group companies and the Group's equity investments.

The Supervisory Board was closely involved in business transactions of particular relevance to the Group.

Meeting contents in detail

At the first meeting in February 2023, we discussed the extension of the appointment of the CEO and long-term succession planning for this position following preparations by the Personnel Committee. As a result, the Supervisory Board extended Christoph Vilanek's appointment by three years until the end of 2026. If a succession plan is agreed before then, the appointment will run until at least the end of 2025.

The focus of our regular balance sheet meeting in March 2023 was on the annual and consolidated financial statements as of 31 December 2022. The results of the 2022 audit of the consolidated and annual financial statements were discussed together with the representatives of the auditor – PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC GmbH WPG), Frankfurt/Main. After completing its own audit, the Supervisory Board raised no objections to the auditors' findings and followed the recommendation of the Audit

Committee by approving the annual and consolidated financial statements. The annual financial statements were thus adopted.

Another topic was the audit of the non-financial statement as of 31 December 2022, which is also our responsibility. The audit was conducted by Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, and was closely monitored by the Audit Committee. Based on the audit procedures performed and the audit evidence obtained, no matters came to the auditor's attention that caused it to believe that the disclosures in the non-financial statement were not prepared, in all material respects, in accordance with the legal requirements. At the proposal of the Audit Committee, the Supervisory Board endorsed the audit findings of Grant Thornton AG Wirtschaftsprüfungsgesellschaft.

Other topics discussed at the meeting on 22 March 2023 included preparations for the Annual General Meeting in May 2023 as well as determining target achievement and setting the target values for the short-term variable Executive Board remuneration.

At the meeting in person following the virtual Annual General Meeting on 17 May 2023, the Supervisory Board was reconstituted with a new composition due to the election of new employee representatives to the Supervisory Board. At the same time, some of the Supervisory Board committees were reappointed. The Supervisory Board also approved the return to the statutory regulation of the overall fulfilment of the gender quota in accordance with the German Stock Corporation Act (AktG) for future Supervisory Board elections.

In a virtual meeting in July 2023, we discussed the market prospects of the investment in EXARING AG in light of the imminent abolition of the ancillary cost law ("Nebenkostenprivileg") in the cable TV sector and gave our approval for a loan to EXARING AG for investments in customer growth.

At the meeting in September 2023, Nicole Engenhardt-Gillé, the Executive Board member in office since January 2023, reported in detail on her areas of responsibility for HR and ESG, in particular on the ESG structure in the company and the ESG reporting required in future.

On 6 December 2023, the Supervisory Board discussed the planning for the 2024 financial year presented by the Executive Board, which it acknowledged and approved. The Supervisory Board subsequently took the performance criteria for the short-term variable remuneration of the members of the Executive Board from the planning. We also passed a resolution on the submission of the annual declaration of compliance with the German Corporate Governance Code. In this context, the Supervisory Board dealt intensively with the independence of the shareholder representatives, taking into account that the term of office of Supervisory Board members Marc Tüngler and Robert Weidinger will reach twelve years in 2024. As a result, the Supervisory Board assessed all six shareholder representatives as independent of the company and the Executive Board within the meaning of the German Corporate Governance Code. Further details can be found in the corporate governance declaration on the company's website.

At the same meeting, following preparations by the Audit Committee, the Supervisory Board discussed the selection process for a new auditor for the 2024 financial year and followed the preference and recommendation of the Audit Committee by proposing a new auditing firm as auditor for resolution at the 2024 Annual General Meeting.

The full Supervisory Board dealt with the audit of the annual and consolidated financial statements as of 31 December 2023 at its meeting on 20 March 2024. The details of this are the subject of the separate section "Audit of the annual and consolidated financial statements for the 2023 financial year" in this report.

Work in the committees of the Supervisory Board

The Supervisory Board has established five committees. They prepare resolutions and topics to be discussed by the full Supervisory Board. To the extent permitted by law, decision-making powers of the Supervisory Board are delegated to committees. The committee chairmen report to the full Supervisory Board on the committee work at the following meeting. The general tasks, working methods and composition of the individual committees are described in more detail in the corporate governance declaration.

Matters which could give rise to conflicts of interest on the part of Executive Board or Supervisory Board members and which must be disclosed to the Chairman of the Supervisory Board and reported to the Annual General Meeting have not been disclosed to the Chairman of the Supervisory Board.

Presidium

The Executive Committee met once in virtual form in 2023 and dealt with the effects of current market developments in the German mobile communications market on the company.

Personnel Committee

The members of the Personnel Committee met once in person and twice virtually in 2023. The focus of the Personnel Committee was on preparing the resolutions of the full Supervisory Board on the extension of the appointments of CEO Christoph Vilanek and Executive Board member Stephan Esch.

The Personnel Committee also determined whether and to what extent the parameters for the variable remuneration of the members of the Executive Board for 2022 had been achieved, set new parameters for the target agreements for the 2023 financial year and proposed these to the Supervisory Board for resolution.

Audit Committee

The Audit Committee held four meetings at which it regularly dealt with the current focal points of the audit and discussed them with the auditors. The committee members dealt extensively with the annual report, the half-year report and the quarterly statements. Interim announcements were also discussed with the Executive Board and the auditor prior to publication. Together with the auditor, the committee regularly discussed current accounting issues and requirements resulting from new legal requirements. The committee and its chairman maintained a regular dialogue with both the auditor and the Chief Financial Officer at meetings and outside of meetings.

Key topics for the committee were the invitation to tender and the process for selecting potential auditors to succeed PwC GmbH WPG, whose audit mandate has reached its maximum term. The committee members analysed the various applicants and their offers and proposed two possible audit firms to the Supervisory Board for resolution, along with a preference for submission to the Annual General Meeting.

The committee also dealt with the non-audit services provided by the auditor.

For the audit of the non-financial statement 2023, it recommended that the Supervisory Board commission Grant Thornton AG Wirtschaftsprüfungsgesellschaft, whose audit of the non-financial statement was closely monitored by the Audit Committee. The committee received reports directly from the responsible managers in the areas of compliance and internal auditing. The status of the internal control system, risk management and fraud management was also presented to the committee.

The work of the Audit Committee focussed on supporting the audit of the annual financial statements. To this end …

- … the committee obtained the auditor's declaration of independence,
- … the committee monitored the independence of the auditor and the implementation of the audit mandate,
- … the committee dealt with the determination of the focal points of the audit, and
- … prepared the resolutions of the Supervisory Board on the annual and consolidated financial statements as well as the proposal for the appropriation of profits and the agreements with the auditor.

Mediation Committee

As in previous years, the Mediation Committee did not have to be convened in 2023.

Nomination Committee

The Nomination Committee, which is responsible for proposing candidates to the Annual General Meeting for election to the Supervisory Board, was not active in 2023 due to the lack of upcoming elections.

Sustainability expertise on the Supervisory Board

Sustainability is highly relevant for freenet AG. For this reason, the entire Supervisory Board and the committees regularly and intensively deal with this topic. To date, the Supervisory Board of freenet AG has refrained from setting up a separate Sustainability Committee. Instead, it has appointed two sustainability officers. These are the Supervisory Board members Prof Dr Kerstin Lopatta and Claudia Anderleit. Both Prof Dr Kerstin Lopatta, as a professor at the University of Hamburg and Deputy Chairwoman of the EFRAG Sustainability Reporting Board, and Claudia Anderleit, in her role as a senior employee in the sustainability department at freenet AG, have relevant expertise in this area due to their activities.

Individualised disclosure of meeting attendance

As in the previous year, the attendance rate of members at meetings of the Supervisory Board and its committees was again 98% of all possible meeting attendances. With the exception of one Supervisory Board meeting, which two Supervisory Board members were unable to attend due to illness, all Supervisory Board members attended all plenary meetings and all respective committee meetings. The attendance of the members at the meetings of the Supervisory Board and the committees is disclosed below in individualised form.

Figure 1: Meeting attendance by Supervisory Board members in 2023

Meeting attendance by Supervisory Board members in 2023	**Supervisory Board**			
Date of meeting in 2023	6.2.	22.3.	17.5.	31.7.
Meeting format	virtual	in-person	in-person	virtual
Shareholder representatives				
Marc Tüngler	virtual	in-person	in-person	virtual
Sabine Christiansen	virtual	in-person	in-person	virtual
Thomas Karlovits	virtual	in-person	in-person	virtual
Prof Dr Kerstin Lopatta	virtual	in-person	in-person	virtual
Robert Weidinger	virtual	in-person	in-person	virtual
Miriam Wohlfarth	virtual	in-person	excused	virtual
Employee representatives				
Claudia Anderleit	virtual	in-person	excused	virtual
Theo-Benneke Bretsch	virtual	in-person	in-person	virtual
Knut Mackeprang	virtual	in-person	in-person	virtual
Tobias Marx (since 17.5.)	non-incumbent	non-incumbent	in-person	virtual
Frank Suwald (since 17.5.)	non-incumbent	non-incumbent	in-person	virtual
Petra Winter (since17.5.)	non-incumbent	non-incumbent	in-person	virtual
Bente Brandt (until 17.5.)	virtual	in-person	non-incumbent	non-incumbent
Gerhard Huck (until 17.5.)	virtual	in-person	non-incumbent	non-incumbent
Thomas Reimann (until 17.5.)	virtual	in-person	non-incumbent	non-incumbent

virtual in-person excused non-incumbent

Onboarding process and support for training measures

Following the election, a regulated onboarding process is carried out for the newly elected Supervisory Board members in order to enable them to familiarise themselves well with the topics relevant to their work on the company's Supervisory Board. To this end, the Supervisory Board members are provided with an overview of the organisational structure, the individual business areas and the material Topics as well as further information and documents.

The Supervisory Board and the committees are regularly informed about relevant changes, e.g. of a legal or regulatory nature, for the Supervisory Board's activities or the Group's areas of activity during the meetings. This also includes relevant topics in connection with sustainable development and ESG reporting in the Group.

In addition, information events are organised for the members of the Supervisory Board to provide a deeper insight into the topics that are important for understanding the business model and the challenges faced by freenet AG. Two information events were held in 2023, at which the Supervisory Board dealt in depth with the management of the offering for end customer products in the mobile communications and Internet segments on the one hand and the Media Broadcast GmbH business area on the other.

The members of the Supervisory Board took part in further training measures on their own responsibility.

Efficiency and self-assessment of the Supervisory Board

In accordance with recommendation D.12 of the German Corporate Governance Code, the Supervisory Board should regularly assess how effectively it (and its committees) fulfils its duties overall. The Supervisory Board did not carry out such a self-assessment in the 2023 financial year after one female candidate and two new candidates joined the Supervisory Board on the employee side. It is planned that a self-assessment will be carried out when the new members who joined the Supervisory Board in 2023 have been members for one year. In this respect, a self-assessment will take place in summer or autumn 2024.

Independently of the self-assessment in accordance with the Code, the Supervisory Board discusses its working methods, the procedure before and during the meeting and the optimisation of its work after each meeting - without the Executive Board being present.

Audit of the annual and consolidated financial statements for the 2023 financial year

The annual financial statements for the financial year from 1 January 2023 to 31 December 2023 and the management report of freenet AG prepared by the Executive Board in accordance with the provisions of the German Stock Corporation Act (AktG) and the German Commercial Code (HGB) were audited by PwC GmbH WPG. The audit assignment was awarded by the Chairman of the Audit Committee in accordance with the resolution of the

	Supervisory Board		Steering committee	Personnel committee			Audit committee						
	19.9.	6.12.	11.12.	20.1.	15.3.	15.12.	21.2.	2.5.	2.8.	7.11.	Meetings attended	Number of meetings	Percentage
	👥	👥	🖥	👥	🖥	🖥	👥	👥	👥	👥			
	👥	👥	🖥	👥	🖥	🖥					10	10	100%
	👥	👥		👥	🖥	🖥					9	9	100%
	👥	🖥	🖥								7	7	100%
	👥	👥					🖥	👥	👥	👥	10	10	100%
	👥	👥					👥	👥	👥	👥	10	10	100%
	🖥	👥									5	6	83%
	👥	👥		👥	🖥	🖥					8	9	89%
	👥	👥	🖥								7	7	100%
	👥	🖥	🖥	👥	🖥	🖥					10	10	100%
	👥	👥									4	4	100%
	👥	👥									6	6	100%
	👥	👥							👥	👥	6	6	100%
									👥	👥	4	4	100%
							👥	👥			4	4	100%
							👥	👥			4	4	100%
												Total:	98%

Annual General Meeting on 17 May 2023. The auditor issued an unqualified audit opinion. The consolidated financial statements of freenet AG as of 31 December 2023 were prepared in accordance with Section 315e HGB on the basis of the International Financial Reporting Standards (IFRS). The auditor also issued an unqualified audit opinion on these consolidated financial statements and the Group management report.

The audit opinion of the auditor, PwC GmbH WPG, was signed by Thorsten Dzulko as the responsible auditor. Thorsten Dzulko is responsible for auditing the financial statements of the company and the Group for the first time. PwC GmbH WPG has been the company's auditor since the audit of the annual financial statements for the 2014 financial year.

The audit was reported on and discussed by the Audit Committee on 21 February 2024 and at the Supervisory Board meeting on 20 March 2024. Representatives of the auditor took part in the negotiations on the annual financial statements and consolidated financial statements in both committees. They reported on the key findings of the audits and were available to the Audit Committee and the Supervisory Board for additional questions and information. Following the final results of its review of the annual financial statements, the consolidated financial statements, the management report and the Group management report, the Supervisory Board raised no objections and approved the results of the audit by the auditor.

The Supervisory Board followed the recommendation of the Audit Committee and approved the annual financial statements and consolidated financial statements at its meeting on 20 March 2024. The annual financial statements are thus adopted. At its meeting on 20 March 2024, the Supervisory Board also examined the Executive Board's proposal for the appropriation of net retained profits and discussed it with the auditor. The Supervisory Board then endorsed the Executive Board's proposal, following the recommendation of the Audit Committee.

Audit of the non-financial group statement for the 2023 financial year

The non-financial statement prepared by the Executive Board as part of the management report of freenet AG and the Group management report for the financial year from 1 January 2023 to 31 December 2023 was audited by Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf. The audit included all mandatory disclosures under the EU Taxonomy. The audit engagement was awarded on the basis of the Supervisory Board's resolution of 6 December 2023. Following the audit of the non-financial group statement, the auditor came to the conclusion that no matters have come to his attention that cause him to believe that the non-financial group statement of the company has not been prepared, in all material respects, in accordance with the legal requirements and the EU Taxonomy Regulation as well as the interpretation by the legal representatives presented in the non-financial group statement (limited assurance engagement). The audit procedures and the audit result were reported on at the Audit Committee meeting on 21 February 2024. The Supervisory Board endorsed the auditor's findings on the recommendation of the Audit Committee.

Audit of the remuneration report

The uniform and separate report prepared jointly by the Executive Board and Supervisory Board on the remuneration granted and owed to each individual current or former member of the Executive Board and Supervisory Board was formally and materially audited by the auditor PwC GmbH WPG. The audit assignment was awarded after preparation by the Audit Committee on the basis of a resolution passed by the Supervisory Board on 6 December 2023. The auditor reported to the Supervisory Board on the results of the audit at the meeting on 20 March 2024. In the auditor's opinion, the remuneration report, including the related disclosures, complies in all material respects with the accounting provisions of Section 162 AktG.

Changes to the Supervisory Board and Executive Board

The mandates of the employee representatives on the Supervisory Board ended at the end of the Annual General Meeting on 17 May 2023. Bente Brandt, Gerhard Huck and Thomas Reimann left the Supervisory Board at the same time.

We would like to thank Bente Brandt, Gerhard Huck and Thomas Reimann for their constructive cooperation and support of the company in recent years. My colleagues on the Supervisory Board join me in wishing all three of them all the best and every success in the tasks that lie ahead of them.

In addition to the existing members Claudia Anderleit, Theo-Benneke Bretsch and Knut Mackeprang, the Group's employees elected Petra Winter, Tobias Marx and Frank Suwald as new members of the Supervisory Board.

Nicole Engenhardt-Gillé has been appointed as the Executive Board member responsible for Human Resources and ESG since 1 January 2023. There were no other changes to the composition of the Executive Board in the 2023 financial year.

The Supervisory Board would like to express its thanks and appreciation to the members of the Executive Board and the employees of all Group companies for their personal commitment and hard work.

Büdelsdorf, 20 March 2024

For the Supervisory Board

Marc Tüngler
Chairman of the Supervisory Board

freenet share

Development of the share in the market environment

The 2023 stock market year continued to be influenced by the prevailing economic and geopolitical crises worldwide. Despite this, energy prices and therefore inflation rates in Germany gradually fell over the course of the year. The ECB's key interest rate hikes also paused as a result, suggesting that they would tend to move sideways in the foreseeable future. Buoyed by these trends, the leading benchmark indices in Germany closed up to 20% higher than at the end of the previous year. The German MDAX (+8%) and TecDAX (+14%) indices, which are relevant for freenet as comparative indices, and the SXKGR sector index (+9%), which tracks the 32 largest European telecommunications companies, also developed positively. These indices are so-called performance indices, which reflect the total of share price changes and dividend payments (total shareholder return, TSR). freenet achieved a TSR of 32% with a share price increase of 24% and a record dividend of EUR 1.68 per share. The company therefore performed three times better than its benchmark indices in 2023 and significantly better than the average of its listed competitors (+14%).

Table 1: Information on the freenet AG share

WKN / ISIN:	A0Z2ZZ / DE000A0Z2ZZ5
Sector	DAXsector Telecommunication, DAXsubsector Wireless Communication
Class of shares	No-par value registered ordinary shares
Selected index memberships	MDAX, TecDAX, Midcap Market Index, CDAX, HDAX, STOXX Europe 600 Telecommunications (SXKP), Performance Index of the SXKP (SXKGR), Prime All Share, Technology All Share
Share capital/ number of shares	118,900,598 EUR/ 118,900,598 units
Voting rights	One vote per share
Official trade	Regulated Market/ Prime Standard: Frankfurt, Regulated Unofficial Market: Berlin, Hamburg, Stuttgart, Düsseldorf, Hanover, Munich
Abbreviation/ Reuters Instrument Code	FNTN / FNTGn.DE

Development of the share in the 2023 financial year

Over the full year 2023, the freenet share achieved a TSR of 32% and was thus significantly higher than in the previous year (–6%). In the first third of the year, the share rose from its low for the year of EUR 20.63 (previous year: EUR 18.81) at the beginning of the year to its high for the year of EUR 26.42 (previous year: EUR 26.79) shortly before the Annual General Meeting in May. After the Annual General Meeting and thus the expiry of the authorisation to pay the dividend for the 2022 financial year, the share price fell only insignificantly this year (including the dividend discount). A decline in the share price only materialised over the course of the following ten weeks. At the beginning of August, the share reached its new low for the year of EUR 21.22 before rising to EUR 25.34 (previous year-end: EUR 20.42) over the course of the next few months. The average closing price for the year was EUR 23.46 (previous year: EUR 22.67) with an average trading volume of 296 thousand shares (previous year: 479 thousand shares) per trading day on Xetra.

Figure 2: Performance of freenet share vs. benchmark indices in 2023

(indexed as of 31 December 2022)

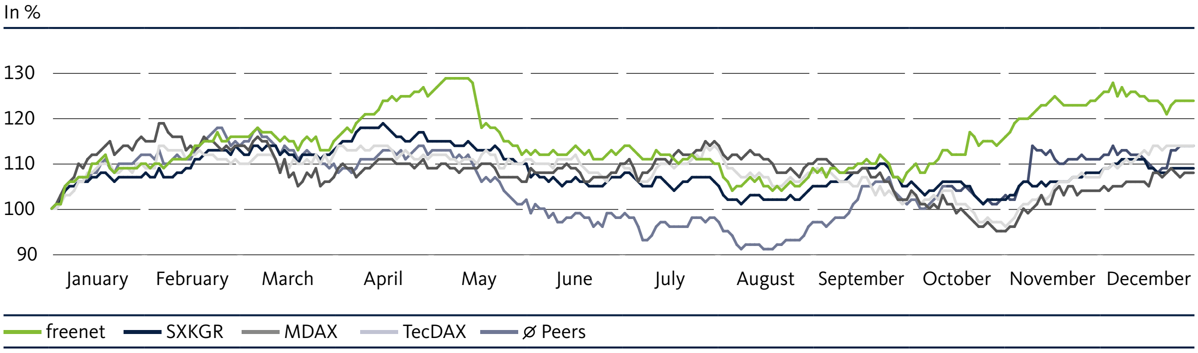


Figure 3: Performance of freenet share in 2023 (Xetra)

Shareholder structure at the end of the year

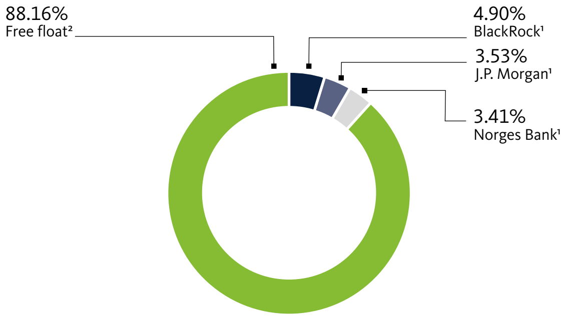
As at 31 December 2023, freenet AG's shareholder base consisted of 112 thousand shareholders (end of previous year: 110 thousand). Around half of the market capitalisation (49%; end of previous year: 51%) continues to be held by institutional investors, most of whom are based in North America (30%; end of previous year: 34%) and continental Europe (30%; end of previous year: 24%). The other part of the market capitalisation is mainly attributable to private investors (44%; end of previous year: 43%), almost all of whom (98%; end of previous year: 98%) are registered in Germany.

Current information on the shareholder structure can be found at fn.de/shareholders.

At the end of 2023, there were a total of three shareholders (end of previous year: four) whose (aggregated) voting rights were above the reporting thresholds (in accordance with the German Securities Trading Act). The largest shareholder was the asset manager BlackRock Inc. with 4.90% (end of previous year: 5.74%), followed by J.P. Morgan with 3.53% (end of previous year: 3.07%) and Norges Bank with 3.41% (end of previous year: 3.15%). Dimensional Holdings Inc. (previous year-end: 3.24%) fell below the reporting threshold of 3% again on 12 January 2023. Amundi exceeded the reporting threshold (3.08%) on 19 January 2023, but fell below it again on 4 October 2023 (2.62%). There were no further breaches of the reporting threshold during the year. The remaining 88.16% (previous year-end: 84.80%) were in free float (in accordance with the WpHG).

Voting rights notifications in accordance with Section 21 WpHG are published at fn.de/votingrights.

Figure 4: Shareholder structure of freenet AG as of 31 December 2023 (according to WpHG)



¹ incl. attributions according to the German Securities Trading Act (WpHG)
² Free float according to WpHG

Recommendations from analysts

In 2023, internationally operating investment houses, banks and brokers (so-called sell-side analysts) regularly published studies and recommendations on freenet AG.

A total of 17 analysts published regular studies on the freenet share in the past year (previous year: 15). Accordingly, two investment houses initiated coverage and started with a Buy recommendation for the freenet share. On the reporting date of the year under review, 13 analysts recommended buying the share (end of previous year: twelve), four analysts recommended holding the share (end of previous year: two) and no analysts recommended selling the share (end of previous year: one). The main arguments in favour of the Buy recommendation are the robustness and crisis resistance of the business model, from which a stable dividend payout power is derived, as well as the dynamic growth of waipu.tv, which should ensure increasing earnings contributions in the future. The main argument in favour of the Hold recommendation is the dependence on network operators in the mobile business. In a year-end comparison, one analyst upgraded the recommendation from Sell to Hold in view of the anticipated decline in the customer base in the mobile business, which did not materialise. One analyst downgraded his recommendation from Buy to Hold in view of the sharp rise in the share price at the end of the year and the resulting decline in the potential for further share price growth. The recommendations of the other analysts remained unchanged compared to the end of the year.

Figure 5: Overview of analyst recommendations as of 31 December 2023

Research institute	Year-end 2022	△	Year-end 2023	Year-end 2022	△	Year-end 2023
Bank of America	Buy	→	Buy	28.00 EUR	↑	34.00 EUR
Barclays	Buy	→	Buy	27.50 EUR	↑	35.00 EUR
Berenberg	Buy	→	Buy	27.00 EUR	↑	30.00 EUR
Citi	Buy	→	Buy	25.00 EUR	↑	28.50 EUR
Deutsche Bank	Buy	→	Buy	27.00 EUR	↑	30.00 EUR
DZ Bank	Buy	→	Buy	28.00 EUR	↑	30.00 EUR
Exane BNP Paribas	Buy	→	Buy	27.00 EUR	↑	30.00 EUR
Goldman Sachs	Buy	↓	Hold	30.00 EUR	↓	29.50 EUR
Hauck & Aufhäuser	Buy	→	Buy	30.00 EUR	↑	31.00 EUR
HSBC	Buy	→	Buy	27.50 EUR	↑	31.00 EUR
Kepler Chevreux	n.a.	n.a.	Buy	n.a.	n.a.	28.00 EUR
LBBW	Buy	→	Buy	24.60 EUR	↑	27.50 EUR
M.M. Warburg	Buy	→	Buy	25.00 EUR	↑	28.30 EUR
ODDO BHF	Hold	→	Hold	25.00 EUR	↑	27.00 EUR
Redburn	Sell	↑	Hold	15.60 EUR	↑	25.14 EUR
Société Générale	n.a.	n.a.	Buy	n.a.	n.a.	30.70 EUR
UBS	Hold	→	Hold	21.00 EUR	↑	24.00 EUR

Almost all 17 analysts increased their share price targets compared to the end of the previous year. On average, the target price rose by EUR 3.51 to EUR 29.39 at the end of the year (previous year: EUR 25.88). The average target price thus rose by 13.6% (previous year: 11.0%) year-on-year, reflecting the increased credibility of the growth ambitions in the TV segment and the high stability of the mobile communications business. The highest target price was EUR 35.00 (previous year-end: EUR 30.00), while the lowest target price was EUR 24.00 (previous year-end: EUR 15.60).

The analysts' current share price targets are published at fn.de/analysts.

Capital market presence

freenet AG and its executive bodies are committed to communicating with investors and analysts transparently, with integrity, promptly and on an equal footing. In this regard, important information such as corporate news, ad hoc announcements, voting rights announcements, company presentations, financial reports and relevant data on publications and the Annual General Meeting are made available at fn.de/investors.

The past year was characterised by an equal mix of virtual and physical meetings with analysts and investors. Virtual roadshows and conferences have now become a standard format for dialogue with investors. The more efficient organisation of time and the awareness of all equity investments for the environmentally friendly aspects are the drivers for this. In total, freenet took part in around 40 capital market events (conferences / roadshows / field trips) with almost 300 investor contacts in the past year. In addition, there were a number of investor contacts outside of capital market events.

As part of the publication of the quarterly results, conference calls were organised in the form of webcasts in which the Executive Board provided detailed information on freenet's development. The conference calls are also available as recordings at fn.de/investors.

For the current year, freenet will continue to focus on a balanced mix of virtual and physical investor meetings and conference calls as part of the publication of quarterly results. Corporate governance roadshows with the participation of the Chairman of the Supervisory Board will also be organised at regular intervals.

Upcoming events can be viewed at fn.de/capitalmarket. The Executive Board and Chairman of the Supervisory Board are also available for discussions with investors independently of these dates.

Distributions to shareholders

At the Annual General Meeting on 17 May 2023, a resolution was passed with a majority of 99.84% to distribute a dividend of EUR 1.68 per share for the 2022 financial year (previous year: EUR 1.57). The distribution therefore totalled EUR 199.7 million (previous year: EUR 186.6 million) and was made from the tax contribution account in accordance with Section 27 of the German Corporation Tax Act (Körperschaftsteuergesetz). The dividend was therefore paid out without deduction of capital gains tax and solidarity surcharge.

For the future, the Executive Board remains committed to its dividend policy, which provides for a constant distribution of 80% of the free cash flow.

Based on the free cash flow generated, the Executive Board and Supervisory Board intend to propose to the Annual General Meeting on 8 May 2024 that a dividend of EUR 1.77 per share be distributed for the 2023 financial year. The dividend would be paid out on 14 May 2024.

The upcoming dividend payment will be made from the tax contribution account, i.e. the payment will be made without deduction of capital gains tax and solidarity surcharge. Domestic investors who acquired freenet shares after 31 December 2008 will realise a capital gain subject to withholding tax in the event of a sale. In the opinion of the German tax authorities, the distributions in this case reduce the taxable acquisition costs of the shares and thus lead to a higher capital gain – and therefore to an implicit subsequent taxation of the dividends.

Group management report

Group management report: Please note that rounding differences may result from the format used for presenting subtotals and sum totals; this is because the figures have been rounded to one position after the decimal point.

Business model and organisational structure

Business model

freenet sees itself as a digital lifestyle provider, i.e. a provider of mobile communications, Internet, TV entertainment, mobile devices and all services, applications and devices that are connected to mobile devices or can be controlled or used via a smart device. Revenues are mainly generated with private customers on the basis of long-term contracts or contracts with a monthly extension in the subscription model (service revenues). With over 9 million subscription customers, freenet is one of the leading market players in this sector in Germany.

In line with the vision "Always the right choice", freenet consistently aligns its business model and value creation activities with the customer. The value-creating activities within the value chain are located in the bundling of preliminary products, omnichannel sales and customer management. In addition to using its own infrastructure in the TV and media sector, partners such as network operators, hardware and application manufacturers and TV and radio programme producers supply the respective preliminary products.

Products and services are marketed in an omnichannel sales network in Germany with demand-orientated pricing and its own branding. The focus is on customer relationships via directly controllable sales channels, which include over 500 freenet shops and around 40 Gravis stores as well as various online sales channels. These channels in particular enable freenet to address customers directly with additional up-/cross-selling potential and the possibility of strong customer loyalty. As a further key sales pillar, freenet has exclusive marketing rights for mobile services in the Deutsche Telekom and Vodafone networks in around 400 Media-Saturn Deutschland GmbH consumer electronics stores.

For more than 25 years, the management of customer expectations and the creation of positive customer experiences have been important core competences of freenet. Long-term customer contracts/retention with recurring revenues form the basis of the business and the starting point for growth through continuous optimisation and expansion of the digital lifestyle portfolio in the mobile communications, Internet and TV entertainment product areas. The focus here is on the consistent use of established sales strengths and expertise and the maximisation of customer lifetime value (CLTV) under the secondary condition of high customer satisfaction. Customer management, which extends from billing to customer care, development and retention, thus completes the almost fully integrated value chain.

Figure 6: customer-focused value creation and business model

Precursor	Packaging	Multichannel distribution	Customer management	Customer
Telecommunications	Pricing	Directly controllable sales channels	Communication	B2B
Hardware manufacturers	Marketing	Indirect sales channels	Support	B2C
Digital lifestyle	Branding		Customer development	
Energy suppliers	Partner management		Customer retention	
TV/Radio programmes			Billing	
Own infrastructure (TV)			CRM based on artificial intelligence	

Organisational structure

Organisational structure at a glance

The operational business activities are primarily limited to private customers in Germany. freenet AG, the parent company of freenet, is a listed stock corporation (AG) under German law with its registered office in Büdelsdorf – the head office is located in Hamburg. The financial year corresponds to the calendar year (1 January to 31 December).

As at 31 December 2023, the Executive Board is made up of six departments. Nicole Engenhardt-Gillé has been responsible for the newly created "Human Resources and ESG" (CHRO) department since 1 January 2023. In particular, she has assumed overall responsibility for the company's continued environmental and social orientation.

Table 2: Composition of the Executive Board as of 31 December 2023

Department	Member of the Executive Board
Chief Executive Officer (CEO)	Christoph Vilanek
Chief Financial Officer, vice chairman of the Executive Board (CFO)	Ingo Arnold
Chief Human Resources Officer (CHRO)	Nicole Engenhardt-Gillé
Chief Technical Officer (CTO)	Stephan Esch
Chief Customer Experience Officer (CCE)	Antonius Fromme
Chief Commercial Officer (CCO)	Rickmann v. Platen

In accordance with the corporate strategy and IFRS 8, a distinction is made between two operating segments: (1) mobile communications and (2) TV and media. Holding functions and activities or Group units that cannot be directly allocated to an operating segment are summarised in the other segment "Other/holding". The breakdown of the segments is based on products and not on customer segments or geographical areas and corresponds to internal management. There were no significant changes in the composition of the segments (e.g. due to company acquisitions or disposals or changes in the management structure) in the past financial year.

Mobile Communications segment

Mobile communications is freenet's core segment. The portfolio includes products, services and hardware for mobile communications and the Internet. This is complemented by a diversity of digital lifestyle products and services. These include mobile phone accessories, home entertainment, smart home and WiFi services. freenet focuses almost exclusively on private customers in the German mobile communications market.

In the provision of wireless services, freenet relies on a service provider model that is unique in Germany and supported by the regulatory authorities. It is primarily a reseller model in which the customer relationships are not transferred to the respective network operator, but remain with freenet. In contrast to mobile network operators (MNO model), the cost-intensive and capital-intensive operation of a mobile network is not required. freenet also does not acquire any (network) capacities (MVNO model) from one of the network operators, which avoids a resale risk. Due to the direct customer relationships, freenet also takes over all downstream services for the customer (e.g. customer service, billing, marketing, etc.).

freenet benefits from the advantages of direct customer relationships with low infrastructure investments (asset-light model). Another unique selling point of freenet in the German market is that the portfolio of tariffs offered extends to the original tariffs of the German network operators (Deutsche Telekom, Vodafone and Telefónica Deutschland) on the one hand and that the company's own tariffs can be realised under brands such as freenet mobile communications or klarmobil in the respective networks on the other. This gives freenet a high degree of flexibility in addressing different target groups and designing innovative mobile communications products.

Over the past 25 years, freenet has grown to become the only network-independent mobile communications provider of competitive size in Germany.

TV and Media segment

The experience gained in the mobile communications business laid the foundation for the company's entry into the TV and media business. freenet has been active in this area since 2016 through the acquisition of a 100% stake in the Media Broadcast Group and a controlling stake (as of 31 December 2023: 74.6%) in EXARING AG ("waipu.tv") and is gradually expanding the segment into another key business area.

Media Broadcast is a major nationwide network operator in the broadcasting and media industry and a partner for digitalisation. The company plans, builds and operates multimedia transmission infrastructure for TV and radio based on state-of-the-art digital transmitter and network technology. Media Broadcast is the market leader in DAB+ and the sole private network operator in the German market for digital terrestrial television (DVB-T2 HD). A selection of private programmes is marketed to end consumers for a fee under the product name freenet TV. In addition, the company connects broadcasters with a high-availability fibre-optic network and realises productions and broadcasts of live events for TV stations and companies. Media Broadcast operates 5G campus networks and offers these both permanently and temporarily to industrial customers, private companies and customers from the public sector.

EXARING AG operates a platform for IP entertainment services in Germany. The business model is based on the transmission of predominantly linear public and private TV content. Using an app and a dedicated fibre-optic network to operate the

TV platform, the company transmits and sells access to video content via internet-based technology (OTT IPTV) under the waipu.tv brand. The TV product is sold in a subscription model via the company's own website, various B2B partners (including Apple and Google) and the sales channels of freenet and, since 2023, the specialist electronics shops of Media-Markt and Saturn. The private customer business is supplemented by business customer services, such as programmatic advertising. The modern option of receiving TV content has enabled waipu.tv to achieve a relevant market position in the growing German IPTV market compared to other competitors within just a few years.

Corporate strategy and goals

Vision and corporate strategy

"Always the right choice" – this vision determines freenet's entrepreneurial actions. The quality of the products and services offered should confirm that freenet is always the right choice for all stakeholders – employees, customers, partners and shareholders. freenet assumes environmental and social responsibility and takes this into account with long-term decisions in the sense of sustainable management.

freenet's strategy is based on the ambition of "growth with digital lifestyle".

The company summarises a diverse portfolio of products for the digital lifestyle under the "freenet" umbrella brand. The primary focus here is on mobile communications, Internet and TV entertainment as well as all related services, applications and devices. From this overall offering, freenet generates customised solutions for the end consumer market. The overall offering is continuously optimised, expanded and adapted to the life cycle of customer relationships. One instrument for monitoring these processes and profitability is the CLTV concept. The concept is linked to growth expectations, which are to be realised by extending customer relationships and further improving customer loyalty. A total of four customer-related fields of action concretise the vision and the strategic approach.

freenet is constantly optimising processes in its organisational and operational structure along the total value chain. This affects both internal processes and interaction with customers.

The deep understanding of available data gained through digitalisation creates new and innovative opportunities for customer communication, service and the preparation of offers. The focus is on the use of artificial intelligence to reduce the complexity of a wide range of offers and at the same time optimally serve divergent customer requirements.

In addition, freenet is also optimising the organisation with regard to new working methods, primarily using digital options. New insights are transferred to the sales strategy, for example, and have effects on the size, composition and training of the workforce. Finally, company-wide coordination processes are accelerated through digitalisation, leading to efficiency and capacity gains.

The "customer experience" built up in previous years is at the centre of the company's activities and ensures the sustainable design and networking of the various individual initiatives geared towards the needs of customers.

In order to strengthen the positive customer experience, the findings from customer contacts are utilised for product developments and digital innovations. This applies in particular to the mobile communications, Internet and TV entertainment segments, which are the main economic pillars of freenet. Active customer experience management, consistent strengthening of the freenet umbrella brand and an omnichannel platform form the basis for the convergence of the company's own online and offline sales activities and the seamless provision of services directly to the customer. All the prerequisites are thus in place to further improve proximity to the customer.

With a clear organisational structure, clearly assigned responsibilities and a focus on the principles of sustainable management and value orientation, all stakeholders should benefit equally from the company's development.

On this basis, the financial ambition was formulated to increase EBITDA to at least EUR 520 million in the 2025 financial year with an average annual growth rate of over 4% compared to 2020. The Group's free cash flow is expected to grow in line with EBITDA to over EUR 260 million in the same period. As a result, the distribution to freenet shareholders is also expected to grow, which is defined as 80% of free cash flow in accordance with the dividend policy.

Figure 7: freenet's four areas of action

Customer-focused	Digital First	Demand-oriented	Close to customers

ESG strategy

Sustainability as an integral part of the corporate strategy

Sustainability has become an integral part of freenet's corporate strategy. A lot has happened at freenet in 2023 and the company has repositioned itself in the ESG area.

An important step was taken at the beginning of the reporting year by merging the HR and ESG topics in a new Executive Board department (ESG and HR, CHRO). With this decision, the Supervisory Board and Executive Board have emphasised how seriously freenet takes its own responsibility for society and the environment. The company wants to make its contribution and, as a digital lifestyle provider, is committed to the sustainable digitalisation of the economy and society!

In organisational terms, committees such as the "ESG Board" (consisting of the CEO, CFO and CHRO) and the "ESG Committee" (to ensure interdisciplinary exchange between relevant internal stakeholders) were introduced. These committees regularly focus on the development of sustainability issues. In order to drive forward the company's transformation, an ESG management team was established over the course of the year, which reports directly to the Head of ESG and Human Resources.

freenet is also consistently pursuing its chosen path in terms of content. By developing a comprehensive ESG strategy, the company has strengthened the basis for long-term sustainable action. One of the Executive Board's key concerns is to raise awareness of sustainability as a fundamental attitude throughout the total Group.

Guiding principle and fields of action

As a digital lifestyle provider, freenet's business model is primarily based on relationships. The focus is primarily on customer relationships, followed by a trusting relationship with employees and important upstream suppliers such as network operators and other contractual partners.

freenet's guiding principle with regard to the ESG strategy is:

"freenet AG organises its business activities in such a way that they are environmentally responsible, socially just and economically profitable. People are always at the centre of our actions."

The strategy comprises five fields of action on which sustainable action is based:

1. Climate (E)
2. Circular economy (E)
3. Customer (S)
4. Employees (S)
5. Governance (G)

The aim is to give equal consideration to the three sustainability dimensions E (environment), S (social) and G (governance) in future decisions.

As a company, freenet is aware of its environmental responsibility. Accordingly, the company supports the Paris Climate Agreement with its climate action area and intends to align its business processes with the 1.5-degree target in future. With regard to its own carbon emissions (Scope 1 and Scope 2), freenet's goal is to become carbon neutral by 2030.

By preparing a carbon footprint, freenet is creating the necessary conditions to identify levers and measures that contribute to the reduction of carbon emissions and thus to the mitigation of climate change. In this context, the use of renewable energies and the gradual electrification of the vehicle fleet are the most important levers for decarbonising the company's own business activities. In future, the identified levers and measures will be summarised and disclosed in a "transition plan".

Most of the carbon emissions associated with freenet's business model result from the upstream supply chain. Here, too, the company intends to exert influence within the scope of its own possibilities in order to make a positive contribution to curbing climate change.

In the area of mobile communications, freenet's offers are generally linked to the issue of a mobile device. The focus in the circular economy field of action is on conserving resources, extending product life cycles and reducing (electrical and electronic) waste. As a digital lifestyle provider, freenet wants to make a positive contribution to the implementation and acceleration of a circular economy approach within the German telecommunications industry.

The company's ambition is to be a reliable partner for sustainable consumption for customers. This is already reflected in the existing product portfolio by offering subscription models for end devices, trade-in services, refurbished devices and repair services as well as sustainably produced end devices and accessories. In future, the circular economy-orientated product and service portfolio is to be further strengthened and expanded. In addition, customers are to be informed even more about the possibilities of sustainable use of mobile devices and incentives are to be created so that important resources can be returned to the cycle.

The customer is at the centre of freenet's activities. The aim is to build self-determined and long-term customer relationships. As a digital lifestyle provider, freenet attaches great importance to promoting digital participation in society by offering a wide range of prices and services. freenet offers a diverse range of tariffs and services, networks and a large number of end devices for various user groups. The broad spectrum enables (potential) customers with different socio-demographic characteristics to have access in line with their opportunities.

As a network-independent service provider in mobile communications, freenet also advises customers independently and focusses on their individual needs. The overall aim of freenet's activities is to maximise customer satisfaction, as this is also the basis for freenet's economic success.

freenet employees are also a key factor in the long-term success of the company. Promoting a dialogue-oriented, safe, flexible, performance- and knowledge-oriented working environment is therefore a key objective in this area of action. Various development formats (last year, for example, the Reflect Day or the Year of Learning) contribute to this goal and will continue to be an integral part of the HR strategy in the future.

Diversity is an equally important factor for long-term success and should also be reflected in the total workforce. Accordingly, equal rights and equal opportunities are core values of our corporate culture.

In the area of governance, ensuring a sustainable supply chain is a key focus of the company. freenet is aware of its own responsibility and all risks to be considered, such as the possible violation of human rights, and will endeavour to exert the influence available to it along the value chain. Furthermore, a comprehensive compliance culture has already been established in the Group over the past few years and is integrated into all areas of the company.

Especially as a telecommunications company that is subject to strict legal and regulatory provisions, the focus of governance issues is on the careful handling of customer data provided to freenet. Data protection and data security issues have therefore steadily increased in importance in recent years and have become increasingly important within the company. Various review and security structures at all levels throughout the Group ensure that data is adequately protected even in the face of advancing digitalisation and increasing external attacks.

Specific measures, targets and examples of the Group's sustainability efforts can be found in the non-financial group statement.

Corporate management

Control approach

freenet uses a standardised Group-wide management system to implement its strategic objectives and measure its operating performance. Performance measurement is linked to both financial and non-financial performance indicators, which form the framework for value-oriented corporate management in line with the strategy. The established financial management system also ensures financial stability.

The aim of value-oriented corporate management is to address and balance the expectations that various stakeholder groups have of freenet. Equity providers, for example, expect an adequate and secure long-term return on their invested capital, lenders expect timely interest payments and the ability to repay debt, and employees expect job security and fair wages. The Executive Board regularly reviews the appropriateness of the management system.

The performance indicators used for corporate management regularly include alternative performance measures (APMs). Despite the common use of alternative performance measures by companies and investors to assess business development and the debt situation, they are only of limited value as a sole analytical tool. In addition, APMs are not necessarily directly comparable between companies despite possibly having similar or even identical names due to different calculation methods. In order to take account of the low level of standardisation, the respective calculation systems are disclosed below.

Financial performance indicators

freenet uses the following financial performance indicators to measure and present the company's financial success in a comprehensible manner:

Table 3: Financial performance indicators

In EUR million/ as indicated	2023	2022	Change absolute	Change relative
Revenues	2,627.3	2,556.7	70.6	2.8%
EBITDA	500.2	478.7	21.5	4.5%
Free cash flow	262.6	249.2	13.3	5.3%
Postpaid ARPU (in EUR)	18.0	17.9	0.1	0.4%

Management according to the financial performance indicator free cash flow is not segment-specific, while postpaid ARPU is only used for management purposes in the mobile communications segment. The financial performance indicators EBITDA, free cash flow, postpaid ARPU and the key figure adjusted EBITDA, which is occasionally reported for information purposes, are also APM.

Revenues and EBITDA

Revenues correspond to the gross value added from operating activities and are therefore a key parameter for measuring the company's success. Revenues in the mobile communications segment depend on the sale of products and services relating to mobile communications and the Internet. The development of additional sources of revenue, complementary to the mobile communications business area, is in the strategic interest of the Executive Board. These include business activities in the digital lifestyle sector and the development and expansion of the TV business. The success of the sales endeavours is primarily reflected in future sales development.

EBITDA reflects the company's operating performance and is generally regarded as a key indicator for assessing the development over time and of companies in the same market segment. As EBITDA measures operating efficiency, the performance indicator also enables comparability between business models with different capital costs and investment structures. Accordingly, EBITDA is also used for valuation purposes in the context of company acquisitions and disposals.

EBITDA also includes special items, which provides a holistic view of income and expenses. Comparability with previous years is therefore only possible to a limited extent. In order to increase transparency, freenet reports EBITDA adjusted for special effects (adjusted EBITDA) in addition to EBITDA for information purposes. Special effects can represent both expenses and income. They relate to significant one-off and/or regulatory effects (e.g. restructuring expenses) which, based on the assessment of the Executive Board, distort the transparent presentation of freenet's operating earnings development. Where relevant, the adjusted EBITDA supplements the management-relevant EBITDA as an additional key information figure. The starting point for both indicators is EBIT, which is derived later in this chapter.

Table 4: Calculation of EBITDA

In EUR million		2023	2022	Change absolute	Change relative
	EBIT	246.1	129.4	116.7	90.2%
+	Depreciation, amortisation and impairments	254.1	349.3	– 95.2	– 27.2%
=	**EBITDA**	**500.2**	**478.7**	**21.5**	**4.5%**

Free cash flow

As a Group-wide liquidity-oriented key figure, free cash flow is an important addition to the earnings-oriented performance assessment and is equally important for providers of equity and debt capital. It is a key indicator of the ability to grow from own funds, to ensure a stable dividend policy and to service all operating payment obligations, and therefore represents a benchmark for potential repayments.

The Treasury department manages free cash flow, and net working capital in particular, on the basis of an established cash management system. In addition to the continuous optimisation of payment terms for liabilities, the control measures also include efficient receivables management, including factoring.

freenet uses a very comprehensive definition of free cash flow, as interest paid or received and payments or receipts from leases are also included in the calculation of free cash flow. The definition thus shows the amount of cash and cash equivalents generated that can be used for distribution or debt repayment.

Table 5: Composition of free cash flow

In EUR million	2023	2022	Change absolute	Change relative
Cash flow from operating activities	398.0	395.7	2.3	0.6%
– Cash outflows for investments in property and intangible assets	55.6	62.9	– 7.4	– 11.7%
+ Cash inflows from the disposal of intangible assets and property	2.9	2.9	– 0.1	– 1.7%
– Cash outflows for the repayment of lease liabilities	82.7	86.4	– 3.7	– 4.3%
= Free cash flow	**262.6**	**249.2**	**13.3**	**5.3%**

Postpaid ARPU

Postpaid ARPU is the average monthly revenue (before VAT) per postpaid customers in the mobile communications segment. It serves as an indicator of the willingness of customers to pay corresponding monthly fees for the respective wireless services and, conversely, for the sales success in marketing high-quality wireless services tariffs. Consequently, postpaid ARPU is an indicator of the quality of the customer base, which the Executive Board has a strategic interest in securing. Changes in the market and competitive situation in Germany can have a significant impact on the development of the performance indicator. Regulatory changes and force majeure (e.g. restrictions on travelling) can also influence the level of postpaid ARPU.

Postpaid ARPU is calculated without taking into account the subsidy components for hardware included in the basic fee. The development of postpaid service revenues is therefore derived directly from the development of postpaid ARPU and postpaid customer numbers.

Non-financial performance indicators

The development of the financial performance indicators revenues, EBITDA and free cash flow is closely linked to the development of the subscriber customer base as a summarised non-financial performance indicator of the relevant customer groups. The strategically relevant customer group varies depending on the operating segment: the postpaid customer base serves as a performance indicator for the mobile communications segment and the revenue-generating TV customer base (B2C customers) for the TV and media segment. Customer acquisition, retention and management are essential for freenet's successful development.

The postpaid customer base, in which the strategically important mobile customers are summarised, secures freenet's medium-term earnings and liquidity strength due to the fixed-term contracts and is central to corporate management. By entering the TV business, freenet is addressing another business segment that strengthens and expands its positioning as a digital lifestyle provider. The development of freenet TV subscribers (RGU) and waipu.tv subscribers serves as a benchmark for the success of the development of the new business area and thus for market penetration.

The selection of performance indicators provides a transparent view of freenet's strategic orientation and reflects the customer groups relevant to the capital market.

Table 6: Non-financial performance indicators

In '000s	31.12. 2023	31.12. 2022	Change absolute	Change relative
Postpaid customers	7,418.3	7,273.7	144.6	2.0%
+ freenet TV subscribers (RGU)	583.8	685.6	– 101.8	– 14.9%
+ waipu.tv subscribers	1,369.3	970.0	399.2	41.2%
= Total subscriber base (excl. freenet Funk and FLEX)	**9,371.4**	**8,929.3**	**442.0**	**5.0%**

Other key figures and indicators of the company's success

In addition to financial and non-financial performance indicators, freenet uses other key figures and indicators to manage the Group, which are an expression of the company's success.

They include:

- Product brands, new products, partnerships and sales activities,
- Research and development activities,
- Employee matters,
- EBIT and financial result and
- Gross profit and gross profit margin.

EBIT, financial result, gross profit and gross profit margin are also APM.

Product brands, new products, partnerships and sales activities

In the year under review, freenet again launched new products, entered into further partnerships and opened up additional sales channels in order to secure its original business and at the same time create new potential. These are essentially the following:

1. Sharpening the brand profile of "freenet" with the "freenet, get set, go!" campaign
2. waipu.tv: new partnerships and co-operations (e.g. Paramount+, SKY WOW) and investments in the awareness of the waipu.tv brand
3. New shop concept with Assisted Personalised Shopping (APS)
4. Intensification of sports sponsorship (European Handball Championship 2024; German Football League)
5. freenet Internet: Expansion of its own app-based Internet offering

Research and development

freenet does not have its own research and development department. However, in view of the rapid technological progress in the telecommunications industry, the company is working intensively on all major innovations in this area. The main aim is to maintain its competitive position in this dynamic market environment in the long term. Development work at freenet mainly takes place within the framework of IT, strategy and product development projects.

The income statement was not affected by research and development expenses in either the financial year or the previous year. In total, freenet made cash investments totalling EUR 24.4 million in 2023 (2022: EUR 25.0 million) as part of IT, strategy and product development projects.

Employee matters

At the end of 2023, freenet employed 3,690 employees at nine locations and in the freenet shops/stores and Gravis stores. In the area of vocational training and dual study programmes, freenet provides over 100 training places each year. They are divided into a total of 25 training programmes at over 150 training locations. At the end of 2023, the number of vocational trainees at freenet was 278 (2022: 266). Vocational training and Education as well as dual study programmes also serve to maintain the skills of employees. freenet sees their continuous further development with regard to current market and technological developments as a decisive criterion for its future business success.

Detailed information on the topic of employee matters can be found in the non-financial statement.

EBIT and financial result

EBIT is defined as earnings before interest and taxes (EBIT). The financial result is made up of the items “result of equity-accounted investments”, “interest and similar income”, “interest and similar expenses” and “other financial result”.

Gross profit and gross profit margin

Gross profit is defined as the balance of revenues and cost of materials. The gross profit margin is the ratio of gross profit to revenues.

Table 7: Calculation of gross profit

	In EUR million	2023	2022	Change absolute	Change relative
	Revenues	2,627.3	2,556.7	70.6	2.8%
–	Cost of materials	1,676.2	1,670.0	6.2	0.4%
=	**Gross profit**	**951.2**	**886.7**	**64.5**	**7.3%**
=	**Gross profit margin**	**36.2%**	**34.7%**	**1.5PP**	**4.4%**

Financial management system

The key performance indicator system for strategic and operational corporate management is supplemented by an established financial management system. The primary objectives of the financial management approach pursued are to ensure access to the (debt) capital market, to maintain sufficient liquidity for the operating business and to define a reliable and sustainable dividend policy. The tasks relating to these objectives are performed centrally by the Treasury department, supported by Financial Controlling and Accounting.

Cash, liquidity and capital structure management

Integral to ensuring additions to the (debt) capital market and liquidity:

1. Cash and liquidity management and

2. Capital structure management.

Cash and liquidity management ensures that freenet can fulfil its payment obligations at all times. To this end, cash flows from both the operating business and financial transactions are continuously monitored and integrated into rolling cash flow planning. Group-internal cash pooling also enables Group companies to utilise surpluses from other units to cover their own liquidity requirements without external financing.

Capital structure management controls the capitalisation of the Group and its subsidiaries. Key figures for the Group-wide organisation of the capital structure are the two alternative performance indicators equity ratio and leverage, for each of which limits have been defined. In addition, an adjusted leverage is reported for information purposes, which provides a less conservative perspective on the Group’s debt by including the market value of equity investment in listed companies in the net financial liabilities (adjusted net financial liabilities).

A lower limit of 25.0% was set for the equity ratio, which reflects the ratio of equity to total assets (in each case according to the consolidated balance sheet), and an upper limit of a maximum of 3.0 times EBITDA was set for the leverage.

Table 8: Capital structure management limits

	Limits	Achieved as of 31.12.2023	31.12.2023	31.12.2022	Change absolute	relative
Equity ratio	>25.0%	Yes	42.1%	40.5%	1.6PP	3.9%
Leverage	≤ 3.0	Yes	1.2	1.5	– 0.3	– 21.2%

The equity ratio rose from 40.5% at the end of December 2022 to 42.1% at the end of December 2023 and remains well above the lower limit of 25.0%. The leverage is derived from the ratio of net financial liabilites to the EBITDA generated in the last twelve months. At the end of 2023, the leverage factor was 1.2 and thus below the upper limit of 3.0.

Table 9: Calculation of net financial liabilities and leverage

In EUR million	31.12. 2023	31.12. 2022	Change absolute	relative
Non-current financial liabilities	250.1	393.4	– 143.3	– 36.4%
+ Current financial liabilities	180.7	116.1	64.6	55.6%
+ Net lease liabilities	309.8	373.8	– 63.9	– 17.1%
– Liquid assets	159.8	178.0	– 18.2	– 10.2%
= Net financial liabilites	**580.9**	**705.3**	**– 124.4**	**– 17.6%**
= Leverage	**1.2**	**1.5**	**– 0.3**	**– 21.2%**
– Equity investment in listed companies	85.3	68.1	17.1	25.1%
= Adjusted net financial liabilities	**495.6**	**637.1**	**– 141.6**	**– 22.2%**
= Adjusted leverage	**1.0**	**1.3**	**– 0.3**	**– 25.6%**

Distribution policy

The dividend policy is another important part of financial management. The freenet Executive Board generally pursues a policy of continuous dividend distributions based on operational development. The starting point and basis of assessment is the free cash flow. As a component of the company forecast, this liquidity ratio provides a reliable starting point for deriving a dividend expectation for and by shareholders.

In the interests of dividend continuity, the Executive Board defines 80% of free cash flow as the expected long-term dividend payout ratio. The Executive Board is thus committed to a predictable and appropriate shareholder participation. In addition to a cash dividend, the possibility of shareholders participating in the company's success in the form of share buybacks is not ruled out.

Economic environment

Overall economic development in Germany

Over the course of 2023, the German economy experienced a phase of economic stagnation (GDP 2023: −0.1%; GDP 2022: 1.8%), accompanied by a high inflation rate (2023: 6.1%; 2022: 8.7%), which nevertheless showed a downward trend. This development, which fell short of the original guidance at the beginning of the year, is mainly due to the ongoing effects of significant losses in private purchasing power caused by the energy price crisis, which impacted private consumption. Higher interest rates as a result of key interest rate hikes also led to an increase in the standard of living for consumers, as well as an increase in financing costs for companies. Sentiment among consumers only improved towards the end of the year, driven by a declining inflation rate and a recovery in real incomes, which was reflected in an increased willingness to consume and a decrease in the propensity to save. In addition to the development of private consumption, the slowdown in global growth momentum and the negative impact of geopolitical tensions and conflicts led to weaker economic growth in Germany over the year as a whole.

Sector-related development

Mobile communications market in Germany

Regulatory developments

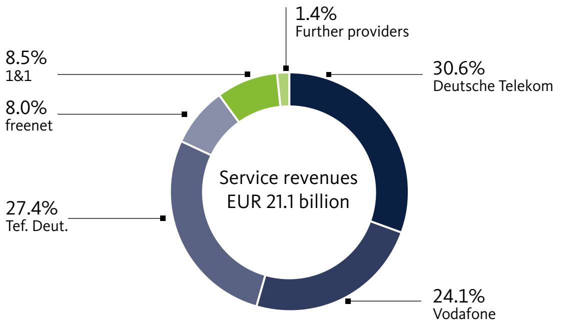
The mobile communications market in Germany continued to be characterised by technological progress in 2023. In 2022, the Federal Network Agency (BNetzA) finalised the allocation of 5G frequencies and set strict expansion requirements for network operators, such as the obligation to supply at least 98% of households with 5G by the end of 2024 and to ensure a high level of network security and resilience. Accordingly, the network operators worked on implementing the specified targets in the past year. At the end of 2023, area-based 5G network coverage was 92% (2022: 88%). The stipulated requirements require investments and efforts from the network operators, who pass on their investment costs both to their own sales and to the wholesale conditions of network-independent mobile network providers. The aim for the future is to protect competition on the market and ultimately the customer. Accordingly, there is an ongoing debate about the conditions under which mobile frequencies should be made available to network operators for temporary use. In view of the developments surrounding the market entry of 1&1 as the fourth network operator, the BNetzA proposed in September 2023 to refrain from auctioning mobile frequencies again for the time being. According to the BNetzA's proposal, the frequency usage rights expiring at the end of 2025 would be extended by five years. The BNetzA would thus be taking a significant step towards the established network operators. The promotion of service competition, which would ensure fair competition for service providers (including freenet) on the mobile wholesale market, is also the subject of debate. A decision by the BNetzA is expected in the first half of 2024.

Competitive environment

The competitive landscape in the mobile communications market in Germany remained largely stable in 2023. The market entry of 1&1 as the fourth network operator in Germany, with a virtual 5G network, was completed at the end of the year, although the timing of nationwide coverage in total Germany can only be estimated on this basis in the next few years. The market shares of the individual providers in 2023 remained unaffected by this situation and remained almost unchanged compared to the previous year, which is an indicator of high customer loyalty. ARPU also remained stable for the market as a whole in the past year. Although Telefónica Deutschland announced at the beginning of 2023 that it would increase basic prices for new mobile communications customers by an average of 10% and other network operators did not explicitly rule out price increases, no such development is discernible in the current market figures. After private customer prices had remained stable for a long time, this announcement was the first time a commitment to rising prices in Germany was made.

Overall, revenues in the German mobile telecommunications market totalled EUR 27.6 billion in 2023 (previous year: EUR 27.5 billion). This corresponds to growth of 0.4% (previous year: 4.6%). As in the previous year, service revenues (revenues from voice, data and SMS services) and additional services (e.g. roaming) accounted for around 80% of mobile communications revenues. Service revenues rose to EUR 21.1 billion in 2023 (previous year: EUR 20.9 billion), which corresponds to a growth rate of 1.0% (previous year: 2.5%). The remaining share of mobile communications revenues comes from the interconnection, wholesale and terminal equipment business.

Figure 8: Mobile communications market share, Germany (based on service revenues)



Source: 25th Telecommunications Market Analysis for Germany, 2023, VATM

The distribution of service revenues in mobile communications is a valid indicator of the market shares of the respective providers. With a market share of 30.6% (previous year: 30.6%), Deutsche Telekom is the provider with the highest sales, followed by Telefónica Deutschland with 27.4% (previous year: 27.3%) and Vodafone with 24.1% (previous year: 24.4%). The three established network operators thus continue to account for over 80% of the market share. 1&1 and freenet have market shares of a comparable magnitude at 8.5% (previous year: 8.6%) and 8.0% (previous year: 7.7%) respectively. The remaining market share of 1.4% (previous year: 1.4%) is attributable to other providers.

Private customer market

freenet is almost exclusively active in the mobile communications market for private customers. The company continues to claim just under 20% of the market there. As in previous years, private customers will continue to be characterised by high demand for mobile data in 2023, driven by the use of streaming services, cloud applications and social media. They prefer flexible contracts that give them the option of adjusting or cancelling their tariff depending on their needs and preferences. They value good customer service that helps them with questions or problems. Private customers are increasingly interested in innovative services that offer them added value, such as user-friendly apps and paperless contracts. Given the ratio of active personal SIMs to inhabitants (1.24) in Germany, the private customer market appears to be largely saturated. The structural trend towards postpaid contracts instead of prepaid continues. Around 70% (previous year: 69%) of active personal SIMs are billed via postpaid contracts. During the previous peak of 111 million active personal SIMs in 2011, this ratio was still around 43%. Since then, the number has gradually declined and reached 105 million units last year (2022: 104 million units), but this does not explain the increase in the postpaid rate. A key reason for the increase in postpaid contracts is the enormous rise in mobile data usage over the last ten years or more. In 2023, the average data consumption of an active personal SIM was 6.6 GB per month (previous year: 5.4 GB), compared to 0.2 GB in 2013. Postpaid contracts generally offer significantly higher data volumes and facilitate the flexibility of additional consumption. The sale of higher-value postpaid contracts as a result of the increased demand for mobile data volumes ultimately also leads to the (slight) growth in service revenues, postpaid, in the market despite an almost unchanged customer base.

TV and video market in Germany

Development of the moving image market

The internet is increasingly becoming a source for the consumption of video content. Today, 23% of German TV consumers watch linear television on the internet at least once a week and around 40% use media libraries and streaming services. The younger the TV consumer, the more internet-based TV is favoured as a means of reception. Netflix remains the most popular streaming service among Germans. Almost 40% of TV consumers use the service at least once a week. Internet-based linear television and video-on-demand (VoD) continue to benefit from the increasing spread of smart TVs, which are now found in seven out of ten German TV households. In contrast, the use of non-linear video services has reached an initial plateau following very strong years.

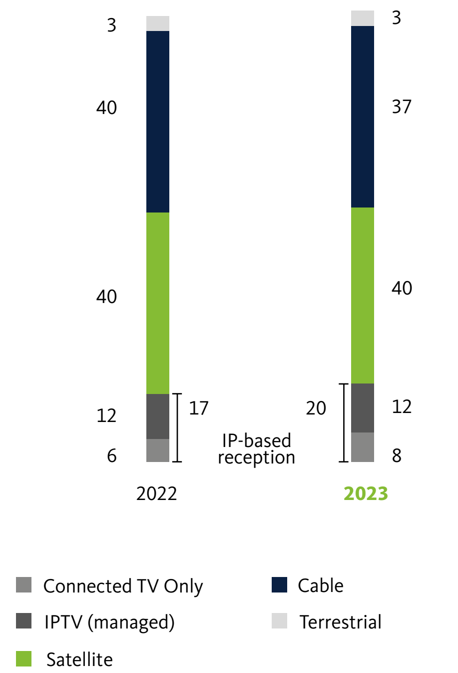
The average viewing time per day is 203 minutes, of which over two hours a day is spent watching linear television. There is a clear age gap here. The older the consumer, the more time they spend watching linear television. TV consumers via the internet spend the least time watching television. Linear television remains an important component of media consumption. Almost unchanged, two thirds of the German population watch it every day. Four out of five Germans switch on linear television at least once a week. This shows the continued high relevance of traditional TV programmes in Germany. At the same time, the boundary between non-linear and linear content is becoming increasingly blurred. This is because more than every second TV household now uses a paid service that also includes non-linear TV content and/or VoD. This increasing fusion is not only driven by the changing consumption habits of TV households. The strong competition on the VoD market and the increasing digitalisation of linear television are also leading to partnerships between providers of linear television and traditional VoD. On the one hand, this is reflected in bundled offers, where services from linear and non-linear providers can be booked together more cheaply than individually. The focus here is on the platform concept, i.e. technical integration. On the other hand, VoD providers such as Netflix and DAZN are increasingly establishing FAST channels. These are personalised channels that are generated from the VoD providers' content. They are similar to linear television in that they offer a continuous stream of content that was originally conceived exclusively as a VoD product. These FAST channels are often broadcast exclusively by providers of traditional linear television. Finally, there are also offerings from established TV broadcaster groups on the market that attempt to combine non-linear and linear content (e.g. RTL+, Joyn). The increasing reception of linear television via the Internet will also have effects on the TV advertising business in the future. Providers of internet-based linear television will be able to play customised advertising blocks to their viewers. This form of advertising is much more attractive for advertisers, as adverts can be broadcast to specific target groups.

Distribution of TV reception channels

The number of TV households in Germany has remained stable in recent years at just under 39 million. TV reception exclusively via the internet has increased again. The proportion of TV households with IP-based reception has doubled in the last five years. Currently, one in five TV households receives TV via the internet (2023: 20%; 2022: 17%). This is an increase of 1.2 million TV households in 2023. At the same time, the number of cable TV households fell by around 0.8 million to 41% (previous year: 43%) and the share of reception via satellite fell by 0.4 million to 42% (previous year: 43%). The share of antenna reception remained unchanged year-on-year (6%).

Figure 9: Distribution of broadcasting channels for linear television in Germany

In %



This continues to indicate a clear trend from cable and satellite TV to internet-based TV, which points to a structural change in the use of TV transmission channels. A further 4.8 million TV households can now imagine switching to TV via the internet. This is 1.5 million more TV households than last year, which emphasises the rapidly growing importance of internet-based TV in Germany. In addition, the final abolition of the ancillary cost law ("Nebenkostenprivileg") in mid-2024 represents a unique catalyst for the further spread of TV reception via the internet. In terms of market share, the relevant providers for internet-based linear television in Germany are Deutsche Telekom with MagentaTV and freenet with waipu.tv. Although MagentaTV has more than three times the customer base, waipu.tv is growing twice as fast in absolute terms. Together, the two providers account for around 6 million customers and thus for a large part of the market in terms of TV households.

Abolition of the ancillary cost law ("Nebenkostenprivileg")

The ancillary cost law ('Nebenkostenprivileg') is a regulation in German tenancy law that allows the landlord to pass on the cable TV fees to the tenants. This means that the landlord can demand a share for cable TV use in addition to the basic rent. The landlord usually has a wholesale contract with a cable network operator. The cable TV fees are part of the operating costs, which also include other costs such as heating, water or rubbish collection. Since 1 January 2021, the ancillary cost law ('Nebenkostenprivileg') for cable TV fees has been abolished as part of the Telecommunications Act (TKG), as the Federal Constitutional Court has declared this regulation to be inadmissible. This means that landlords are no longer allowed to pass on cable TV fees to tenants, who now only have to pay for their individual reception. Landlords must implement this regulation by 30 June 2024 at the latest. As a result, around 12.5 million households in Germany will have to conclude individual contracts with cable providers in order to be able to receive cable TV in future. For the first time, these TV households will be free to decide which TV transmission channel they want to pay for. Switching to internet-based linear television is generally seen as an economically viable alternative. It is generally no more expensive than the tenants' previous cable TV connection, but usually offers significantly more services (channels, functions, quality). In addition, no one-off investment is required, such as a satellite dish, as almost every household has an Internet connection anyway.

Overview of the course of business

Overall statement by the Executive Board on business performance

The Executive Board of freenet AG considers the course of the 2023 financial year to be positive and states that it was an important partial success in achieving the 2025 financial ambition. The following key statements summarise the course of business in 2023:

- The core business of mobile communications developed solidly and predictably, unaffected by external circumstances.
- The TV and media segment developed in line with expectations and increasingly represents a relevant part of freenet's profitability base.
- The growth in waipu.tv subscribers met the high expectations.
- Accordingly, for the third year in a row, EBITDA growth is also above the targeted average annual growth rate of over 4%.
- Free cash flow also increased for the second year in a row, providing the basis for the dividend distribution.

The results of the past financial year underline freenet's consistently successful work in the mobile communications business and its growth ambitions in the TV business. The company continues to focus on its core competences in the sale of subscription models for products (telecommunications, Internet, TV entertainment), which are generally goods for private households that cannot be replaced or dispensed with in the short and medium term. The currently prevailing external uncertainties (consumer restraint, high energy prices, high financing costs) did not have any significant effects on freenet's business performance.

Table 10: Guidance-actual comparison

In EUR million/as indicated	2022 Reference value	2023 Guidance (23.2.2023)	Confirmed 2023 Guidance (3.5.2023)	Confirmed 2023 Guidance (3.8.2023)	Increased 2023 Guidance (7.11.2023)	2023
Financial performance indicators						
Revenues	2,556.7	Stable performance	Stable performance	Stable performance	Stable performance	2,627.3
EBITDA	478.7	480 – 500	480 – 500	480 – 500	495 – 505	500.2
Free cash flow	249.2	250 – 270	250 – 270	250 – 270	260 – 270	262.6
Postpaid ARPU (in EUR)	17.9	Stable performance	Stable performance	Stable performance	Stable performance	18.0

In '000s	Reference value 31.12.2022	2023 Guidance (23.2.2023)	Confirmed 2023 Guidance (3.5.2023)	Confirmed 2023 Guidance (3.8.2023)	Confirmed 2023 Guidance (7.11.2023)	31.12.2023
Non-financial performance indicators						
Postpaid customer base	7,273.7	Moderate growth	Moderate growth	Moderate growth	Moderate growth	7,418.3
freenet TV subscribers (RGU)	685.6	Noticeable decrease	Noticeable decrease	Noticeable decrease	Noticeable decrease	583.8
waipu.tv subscribers	970.0	Significant growth	Significant growth	Significant growth	Significant growth	1,369.3

The EBITDA guidance raised by the Executive Board in the course of the publication of the nine-month figures for 2023 was met with EBITDA totalling EUR 500.2 million in the 2023 financial year (previous year: EUR 478.7 million). EBITDA was therefore at the centre of the guidance range (EUR 495 million to EUR 505 million) and exceeded the half-billion euro mark for the first time. Free cash flow totalled EUR 262.6 million (previous year: EUR 249.2 million) and was therefore in line with the more precise guidance (EUR 260 to 270 million). The positive development of earnings figures reflects the increase in high-margin service revenue in both operating segments and an overall stable overhead cost base in relation to customer growth.

freenet's financial growth is attributable to moderate growth in the postpaid customer base to 7.418 million (end of previous year: 7.274 million) on the one hand and significant growth in the number of waipu.tv subscribers on the other. The latter grew to 1.369 million (previous year-end: 0.970 million) and thus more than compensated for the noticeable decrease in freenet TV subscribers during the year (year-end 2023: 583.8 thousand; year-end 2022: 685.6 thousand). In total, freenet had a customer base of well over 9 million at the end of the year (2023: 9.493 million; end of previous year: 9.042 million). The development of consolidated revenue was also stable (2023: EUR 2,627 million; 2022: EUR 2,557 million), mainly due to the stable development of postpaid ARPU (2023: EUR 18.0; 2022: EUR 17.9).

The annual forecast was therefore met in all respects. The medium-term ambition of achieving an average annual growth rate of over 4% by the end of 2025, starting from the 2020 financial year, was also met this year. Against this backdrop, freenet is on track to achieve EBITDA of at least EUR 520 million and a free cash flow of more than EUR 260 million from the 2025 financial year onwards.

Business development of the operating segments

Mobile Communications segment

News and events

Strengthening the "freenet" umbrella brand

In the middle of the past year, the consolidation of the brand portfolio initiated at the beginning of the 2022 financial year in the course of strengthening the "freenet" umbrella brand was completed with the complete write-off of the "mobilcom-debitel" brand. This had a reducing effect on various key figures of the Group (including EBIT, equity ratio), but had no impact on freenet AG's liquidity or ability to pay dividends. The products previously marketed under the "mobilcom-debitel" brand now bear the name "freenet". Against this background, the marketing campaign with the slogan "freenet, get set, go!" was launched in July. This is intended to sharpen freenet's profile among customers with short, clear messages and thus further increase freenet's brand awareness. As a result, unsupported brand awareness increased over the course of the year. Brand awareness indicates the proportion of consumers who name freenet as a mobile communications brand without a specific pre-selection.

New shop concept with Assisted Personalised Shopping (APS)

With "Assisted Personalised Shopping" (APS), freenet designed a completely new shop concept last year. The boundaries between the freenet shops and the online shop are now being further removed. After doing away with cash at the beginning of 2023, there will be further digitalisation of stationary sales at the point of sale (PoS) in future. With this innovative approach, freenet aims to further expand its position as a leading provider of digital lifestyle products and create even stronger customer identification with the "freenet" brand. In the online shop, customers benefit from the same prices and conditions as in bricks-and-mortar stores. The booking system and offer is identical in both channels and enables seamless processing. The aims are to increase customer satisfaction, improve the quality of advice and make processes more efficient. The concept will be successively rolled out to freenet shops from 2024.

Customer and revenues development

The number of postpaid customers has grown moderately by 2.0% to 7.42 million since the end of the previous year (7.27 million). The number of users of app-based tariffs (freenet FUNK and FLEX) increased by 7.3% compared to the end of 2022 (113.1 thousand) to 121.3 thousand. Overall, freenet continued to benefit from the ongoing trend of customers moving from prepaid to flexible postpaid contracts and the desire for independent advice. At EUR 18.0, postpaid ARPU proved to be stable in relation to the previous year (EUR 17.9). Monthly recurring service revenues increased by 2.5% to EUR 1,707.4 million (previous year: EUR 1,665.9 million) and continue to account for the majority of segment sales. Products and services that are geared towards the digital lifestyle (DLS) of customers and complement freenet's existing mobile communications offering, in particular smartphone insurance and accessories as well as antivirus software, have been another constant source of revenue for years. In the 2023 financial year, the business division contributed EUR 234.7 million to segment revenue (previous year: EUR 207.2 million). Overall, the mobile communications segment generated revenues totalling EUR 2,282.7 million, 1.4% more than in the previous year (EUR 2,251.3 million).

Table 11: Customer and revenue performance – Mobile Communications segment

In '000s	31.12. 2023	31.12. 2022	Change absolute	Change relative
Postpaid customers	7,418.3	7,273.7	144.6	2.0%
App-based tariffs[1]	121.3	113.1	8.2	7.3%
Total number of subscribers	**7,539.6**	**7,386.8**	**152.9**	**2.1%**
As indicated	2023	2022	change absolute	change relative
Postpaid ARPU (in EUR)	18.0	17.9	0.1	0.4%
Revenues (in EUR million)	2,282.7	2,251.3	31.4	1.4%

[1] Includes subscribers of freenet FUNK and freenet FLEX

TV and Media segment

News and events

waipu.tv expands reach

Numerous new channels and partnerships increased waipu.tv's reach during the 2023 financial year. Among others, waipu.tv started cooperations with the popular streaming services Sky WOW, Paramount+ and DAZN. The services can be booked in a bundle with waipu.tv at a reduced price compared to the individual price. In addition, waipu.tv intensified its existing cooperation with the streaming service Netflix and increased its range of channels to over 260, of which over 90% are broadcast in HD. waipu.tv is thus the leader in picture quality for linear television in Germany.

The waipu.tv offering is now prominently placed on platforms such as Google TV, Roku TV and on LG and Samsung smart TVs. In addition, the almost 400 Saturn and Media-Markt stores were added as an important sales channel last year. In particular, the target group that was previously less interested in Internet TV can be addressed there, as it also tends to consume more linear television and is therefore more affected by the abolition of the ancillary cost law ("Nebenkostenprivileg"). In the markets, potential customers are addressed with targeted technical advice. The waipu.tv stick in particular is used here to clearly demonstrate the waipu.tv product at the PoS.

Investments in the brand awareness of waipu.tv

Since the second half of the past financial year, marketing activities at waipu.tv have been intensified beyond the regular measures. Around EUR 10 million was additionally invested in measures aimed primarily at increasing brand awareness. In particular, this includes television advertising, which is considered to be particularly effective in reaching the target group of active cable TV households. This target group is particularly affected by the abolition of the ancillary cost law ("Nebenkostenprivileg"). In the past year, brand awareness has already increased to such an extent that waipu.tv is known to every second cable TV customer. In the 2024 financial year, the increased marketing activities are to be further intensified and, in view of the growing customer base, investments are also to be made in waipu.tv's technical performance.

Media Broadcast

In the past year, Media Broadcast further expanded its nationwide DAB+ transmitter network, which now covers more than 90% of the population at home. Area coverage for mobile reception has risen to more than 97%. Over the course of the year, the freenet subsidiary put new DAB+ transmitter networks into operation in Saxony, Schleswig-Holstein and Lower Saxony. Media Broadcast also further developed the technology for private 5G campus networks and put a 5G campus network into operation in a business park in Lower Saxony.

In the area of terrestrial television, an important decision was made in favour of DVB-T2 HD and 5G broadcasting as potential future business. The World Radiocommunication Conference decided in December that the current radio frequencies will continue to be used primarily for broadcasting, thus creating long-term planning and development security. In December 2023, freenet TV announced the market launch of a hybrid TV stick. In addition to DVB-T2 HD reception, this will also enable access to digital content such as popular streaming apps (including Netflix) and media libraries as well as other linear programmes via IPTV (waipu.tv).

Customer and revenues development

The number of TV subscribers at waipu.tv continued to grow strongly in the past financial year. waipu.tv gained around 400 thousand net new subscribers (previous year: 247.5 thousand). By the end of the year, the number of subscribers had risen to 1.369 million (previous year: 0.970 million). With waipu.tv, EXARING has now established itself on the German market as a provider with an attractive value-for-money proposition in the IPTV sector and is the second-largest provider behind MagentaTV.

Table 12: Customer and revenue performance – TV and media segment

In '000s	31.12. 2023	31.12. 2022	Change absolute	Change relative
freenet TV subscribers (RGU)	583.8	685.6	– 101.8	– 14.9%
waipu.tv subscribers	1,369.3	970.0	399.2	41.2%
Total TV subscribers	**1,953.0**	**1,655.6**	**297.4**	**18.0%**

In EUR million	2023	2022	Change absolute	Change relative
Revenues	345.4	313.3	32.1	10.2%

As expected, the number of revenue-generating users (RGUs) of freenet TV decreased noticeably by 101.8 thousand from 685.6 thousand to 583.8 thousand in the twelve months of the past year. As a result of a price increase at the end of 2022, the revenues generated by freenet TV remained stable compared to the previous year. In total, the strong growth of waipu.tv more than compensated for the decline in freenet TV users, meaning that the number of TV subscribers for TV products was significantly higher than at the end of the previous year (1,655.6 thousand) at 1,953.0 thousand. Media Broadcast also gained new customers in the area of B2B services and continued to make the largest contribution to the segment's revenues and EBITDA. Overall, the TV and media segment increased its revenues by 10.2% year-on-year to EUR 345.4 million (previous year: EUR 313.3 million).

Economic situation of the Group

Earnings situation

At EUR 2,627.3 million, Group revenues in the 2023 financial year were above the previous year's level (EUR 2,556.7 million). The number of postpaid customers relevant for controlling the mobile communications segment rose moderately to 7.418 million at the end of the year (end of previous year: 7.274 million customers). Postpaid ARPU remained stable at EUR 18.0 (previous year: EUR 17.9). Service revenues in the Mobile Communications segment increased by EUR 41.5 million to EUR 1,707.4 million in the 2023 financial year (previous year: EUR 1,665.9 million). Overall, the segment's revenues of EUR 2,282.7 million were slightly above the previous year's level (EUR 2,251.3 million). Revenues in the TV and Media segment increased by 10.2% year-on-year to EUR 345.4 million (prior-year period: EUR 313.3 million), primarily due to the continued strong growth in the waipu.tv subscriber base (+399.2 thousand) and the associated increase in service revenues.

Table 13: Revenue and earnings figures for the Group[1]

In EUR million	2023	2022	Change absolute	Change relative
Revenues	**2,627.3**	**2,556.7**	**70.6**	**2.8%**
Gross profit	951.2	886.7	64.5	7.3%
Overheads	– 450.9	– 408.0	– 42.9	10.5%
EBITDA	**500.2**	**478.7**	**21.5**	**4.5%**
Adjusted EBIT	344.6	324.1	20.4	6.3%
Financial result	– 26.4	– 15.4	– 11.0	71.4%
Adjusted EBT	318.1	308.7	9.4	3.0%
Adjusted consolidated profit	**240.5**	**248.4**	**– 7.9**	**– 3.2%**

[1] Earnings figures (EBIT, EBT, consolidated profit) adjusted for effects from amortisation of the mobilcom-debitel trademark.

The increase in service revenues in both operating segments is also reflected in the development of gross profit. This increased by EUR 64.5 million compared to the previous year (EUR 886.7 million) to EUR 951.2 million. The gross profit margin improved by 1.5 percentage points to 36.2% (previous year: 34.7%), primarily due to the higher share of service revenues in Group revenues and lower hardware revenues.

Other operating income decreased by EUR 3.3 million compared to the prior-year period to EUR 46.2 million. It mainly includes reminder and chargeback fees to end customers, income from the external recharging of expenses for promoters and income from subletting for shops.

Other own work capitalised results from internally generated software as part of IT projects and, at EUR 24.5 million, is at the previous year's level (EUR 25.0 million).

Personnel expenses increased by EUR 9.5 million to EUR 239.1 million (prior-year period: EUR 229.6 million), mainly due to salary increases during the year, a one-off inflation adjustment premium for all employees and an adjustment to personnel provisions for remuneration programmes at the end of the year, primarily due to the increase in the share price.

Other operating expenses increased by EUR 29.6 million to EUR 282.5 million in the 2023 financial year (prior-year period: EUR 252.9 million). This increase is mainly due to the significantly intensified marketing measures for waipu.tv in the TV and media segment since the second half of 2023. These measures are intended to further increase brand awareness in order to benefit as much as possible from the abolition of the ancillary cost law ("Nebenkostenprivileg") in mid-2024. In addition, higher customer service expenses (outsourcing costs) in the mobile communications segment contributed to the increase in other operating expenses. By contrast, the significantly lower loss allowances on receivables totalling EUR 12.8 million (prior-year period: EUR 21.1 million), which are mainly attributable to the mobile communications segment, had a positive effect on other operating expenses. The decrease resulted from a change in the estimate for generalised specific bad debt allowances regarding the probable recoverability of receivables from end customers. In addition, other operating expenses are largely attributable to administrative costs (e.g. ancillary costs for shops/stores and administrative buildings), consulting and IT costs.

At EUR 450.9 million, total overheads were above the previous year's level (EUR 408.0 million).

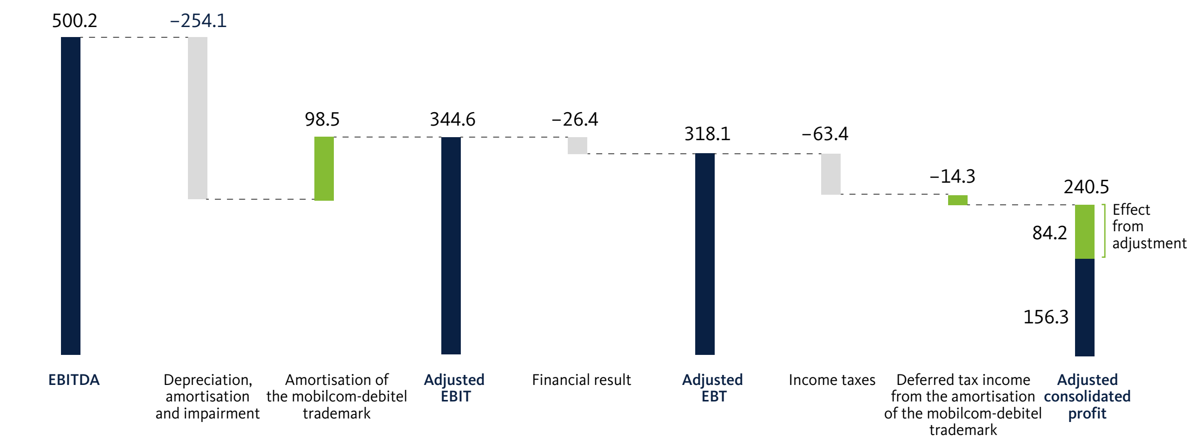
EBITDA increased by EUR 21.5 million or 4.5% to EUR 500.2 million compared to the prior-year period (previous year: EUR 478.7 million) due to the increase in gross profit and the comparatively smaller increase in the cost base. Both operating segments contributed to this (see Notes to the consolidated financial statements, Note 3). The EBITDA margin at Group level improved by 0.3 percentage points to 19.0% (previous year: 18.7%).

Depreciation, amortisation and impairments decreased by EUR 95.2 million to EUR 254.1 million compared to the previous year (EUR 349.3 million). The sharp decline is almost exclusively due to the "mobilcom-debitel" brand, which had been fully amortised by the middle of the year in connection with the realignment of the freenet Group's brand strategy. After an impairment loss of EUR 194.7 million was recognised in the prior-year period 2022, the other brand value was amortised by 30 June 2023 in the amount of EUR 98.5 million (carrying amounts as of 31 December 2023: EUR 0).

The earnings figures below EBITDA (EBT and consolidated profit) are shown below without the effects of the amortisation of the mobilcom-debitel trademark (adjusted figures). This is intended to increase comparability with the prior-year period.

Figure 10: Reconciliation of 2023 EBITDA to adjusted 2023 consolidated profit (in EUR million)

In EUR million



The financial result decreased by EUR 11.0 million compared to the previous year (EUR -15.4 million) to EUR -26.4 million, mainly due to the dividend of EUR 5.5 million received in the prior-year period from the equity investment in CECONOMY AG (2023: EUR 0) and due to interest income recognised in the prior-year period from present value adjustments to provisions for asset retirement obligations as a result of the sharp rise in interest rates. In addition, the higher interest rate level in the 2023 financial year led to an increase in interest expenses in connection with the floating-rate promissory note loans and the measurement of lease liabilities.

The effects explained above resulted in adjusted earnings before income taxes (adjusted EBT) totalling EUR 318.1 million, which represents an increase of EUR 9.4 million compared to the previous year (EUR 308.7 million).

Expenses from income taxes totalling EUR 63.4 million (previous year: EUR 32.1 million) were reported in the 2023 financial year. Current tax expenses of EUR 37.1 million (previous year: EUR 39.0 million) and deferred tax expenses of EUR 26.3 million (previous year deferred tax income: EUR 6.9 million) were recognised. The full amortisation of the mobilcom-debitel trademark resulted in deferred tax income of EUR 14.3 million (prior-year period: EUR 28.2 million). This amount is to be offset against the amortisation value of EUR 98.5 million in the course of determining the adjusted consolidated profit. Deferred tax expenses in the 2023 financial year were attributable to the utilisation of capitalised tax loss carryforwards and to temporary differences between the measurement of assets and liabilities in accordance with IFRS and tax law.

In total, the adjusted consolidated profit for the 2023 financial year amounts to EUR 240.5 million (previous year: EUR 248.4 million).

Net assets and financial position

Total assets as of 31 December 2023 amounted to EUR 3,414.9 million, a decrease of EUR 213.9 million compared to 31 December 2022 (EUR 3,628.7 million).

On the assets side, non-current assets fell by EUR 206.0 million from EUR 2,853.1 million to EUR 2,647.1 million. On the one hand, the reduction in intangible assets by EUR 125.1 million to EUR 190.8 million (previous year-end: EUR 316.0 million) is mainly due to the amortisation of the mobilcom-debitel trademark in the amount of EUR 98.5 million until 30 June 2023 and the scheduled amortisation of the exclusive distribution right with Media-Saturn Deutschland GmbH (“MSD”) in the amount of EUR 25.7 million. On the other hand, lease assets decreased by EUR 56.9 million to EUR 293.6 million at the end of 2023 (end of previous year: EUR 350.5 million), mainly due to scheduled depreciation and revaluations. In addition, deferred income tax assets decreased by EUR 24.0 million to EUR 108.2 million, mainly as a result of the utilisation of capitalised tax loss carryforwards (end of previous year: EUR 132.2 million).

Table 14: Condensed balance sheet of the Group

In EUR million	31.12. 2023	31.12. 2022	Change absolute	Change relative
Non-current assets	2,647.1	2,853.1	– 206.0	– 7.2%
Current assets	767.8	775.6	– 7.9	– 1.0%
Assets	**3,414.9**	**3,628.7**	**– 213.9**	**– 5.9%**
Equity	1,436.9	1,469.2	– 32.4	– 2.2%
Non-current liabilities	818.4	1,052.9	– 234.5	– 22.3%
Current liabilities	1,159.6	1,106.6	53.0	4.8%
Equity and liabilities	**3,414.9**	**3,628.7**	**– 213.9**	**– 5.9%**
Equity ratio	**42.1%**	**40.5%**	**1.6PP**	**3.9%**

Current assets fell by EUR 7.9 million to EUR 767.8 million (end of previous year: EUR 775.6 million). This was mainly due to the decrease in inventories by EUR 27.3 million to EUR 63.8 million as a result of improved working capital management and the decrease in liquid assets by EUR 18.2 million to EUR 159.8 million (end of previous year: EUR 178.0 million). The change in liquid assets resulted primarily from the dividend payment of EUR 199.7 million in May 2023, the scheduled repayment of two promissory note loan tranches totalling EUR 113.5 million and the raising of a promissory note loan tranche totalling EUR 35.0 million, while a free cash flow of EUR 262.6 million was generated. On the other hand, the increase in other financial assets by EUR 19.6 million to EUR 70.7 million was mainly due to the increased sales performance in indirect sales; on the other hand, the trade accounts receivable recognised within current assets increased by EUR 16.4 million to EUR 312.7 million (end of previous year: EUR 296.3 million), mainly due to an increase in receivables from network operators and dealers.

On the liabilities side, equity decreased by EUR 32.4 million to EUR 1,436.9 million (end of previous year: EUR 1,469.2 million). With consolidated profit totalling EUR 156.3 million, the reduction is mainly due to the dividend distribution (EUR 199.7 million). The equity ratio increased from 40.5% at the end of December 2022 to 42.1% at the end of December 2023 and remains well above the limit of at least 25% defined by freenet.

Total non-current and current liabilities fell by EUR 181.5 million to EUR 1,978.0 million (end of previous year: EUR 2,159.5 million). Financial liabilities, which remain the largest item within non-current and current liabilities, decreased by EUR 78.7 million to EUR 430.8 million (end of previous year: EUR 509.6 million). This was due to the scheduled repayments of two tranches of promissory note loans from 2016 and 2018 with a nominal value of EUR 113.5 million and the raising of a new promissory note loan tranche with a nominal value of EUR 35.0 million (see notes to the consolidated financial statements, note 28). In addition, lease liabilities decreased by EUR 71.3 million to EUR 347.2 million (end of previous year: EUR 418.6 million), primarily due to scheduled repayments and revaluations. Including lease receivables, net lease liabilities totalled EUR 309.8 million at the end of 2023 (end of previous year: EUR 373.8 million). The decrease in other financial liabilities by EUR 37.7 million from EUR 132.8 million to EUR 95.1 million is mainly due to payments in connection with the exclusive MSD sales cooperation. In addition, other liabilities and accruals decreased by EUR 15.8 million to EUR 561.9 million, mainly due to the realisation through profit or loss of deferred bonuses and premium claims received from network operators.

The leverage at the end of the year was 1.2 (end of previous year: 1.5) and thus still well below the upper limit defined by freenet (3.0).

Table 15: Equity ratio and leverage

	31.12. 2023	31.12. 2022	Change absolute	relative
Equity ratio	42.1%	40.5%	1.6PP	3.9%
Leverage	1.2	1.5	– 0.3	– 21.2%

Liquidity position

Compared to the same period of the previous year, the cash flow from operating activities increased by EUR 2.3 million to EUR 398.0 million in the 2023 financial year (previous year: EUR 395.7 million). The increase is mainly due to the EUR 21.5 million increase in EBITDA in this period, while the previous year's effect in connection with the dividend received from the equity investment in CECONOMY (2023: EUR 0; 2022: EUR 5.5 million) was not repeated. The EUR 10.5 million year-on-year increase in networking capital (net working capital) including contract acquisition costs also reduced the cash flow from operating activities. This was also due to the complete reduction in factoring of trade accounts receivable in the 2023 financial year.

Table 16: Liquidity indicators of the Group

In EUR million	2023	2022	Change absolute	relative
Cash flow from operating activities (1)	398.0	395.7	2.3	0.6%
Cash flow from investing activities	– 55.3	– 71.9	16.6	– 23.1%
Net investments (CapEx) (2)	– 52.7	– 60.0	7.3	– 12.2%
Cash flow from financing activities	– 360.9	– 432.1	71.1	– 16.5%
Cash outflows for the repayment of lease liabilities (3)	– 82.7	– 86.4	3.7	– 4.3%
Net change in cash funds	**– 18.2**	**– 108.3**	**90.1**	**– 83.2%**
Free cash flow (1)+(2)+(3)	**262.6**	**249.2**	**13.3**	**5.3%**

The cash flow from investing activities totalled EUR –55.3 million in the 2023 financial year compared to EUR –71.9 million in the prior-year period. Net cash investments (CapEx) decreased by EUR 7.3 million compared to the prior-year period (EUR 60.0 million) to EUR 52.7 million, mainly due to the payments made in the previous year for the modernisation of the headquarters in Büdelsdorf (EUR 8.6 million). The investments were financed entirely from own funds.

The cash flow from financing activities totalled EUR –360.9 million in the 2023 financial year (previous year: EUR –432.1 million). Payments in the 2023 financial year were mainly attributable to the dividend distribution of EUR 199.7 million (previous year: EUR 186.6 million), repayments of two promissory note loan tranches with a nominal value of EUR 113.5 million (previous year: EUR 140.5 million) and repayments of lease liabilities totalling EUR 82.7 million (previous year: EUR 86.4 million). In contrast, the Group received funds totalling EUR 35.0 million in the 2023 financial year in connection with the issue of a promissory note loan (previous year: EUR 0, see Notes to the consolidated financial statements, Note 28).

Free cash flow of EUR 262.6 million was generated in the 2023 financial year, which corresponds to an increase of EUR 13.3 million or 5.3% compared to the prior-year period (EUR 249.2 million).

Report on expected developments

Market and sector forecast for Germany

Macroeconomic development

The German economy should gradually recover over the next few years, albeit with some delay. Real gross domestic product (GDP) should increase by 0.4% on a calendar-adjusted basis, following a slight decline of 0.1% in 2023. At present, economic growth is mainly being held back by the slowdown in demand from abroad, the reluctance of private consumers and increased financing costs due to the restrictive monetary policy. However, a return to growth trends is expected from 2024, with the economy gradually gaining momentum. The rise in exports will be boosted by the recovery of international markets and utilization will increase, driven by noticeably growing real incomes due to a robust labour market, strong wage increases and easing inflation. The savings rate of private households should fall in 2024 compared to the previous year due to declining precautionary motives (in particular energy back payments). Price increases for energy products are expected to level off significantly, and declining price trends can also be observed for food. Inflation is expected to reach 2.7% in 2024 (2023: 6.1%). Even though private households may still be cautious in their spending for the time being, they are expected to gradually increase their actual consumption. The interest rate environment should remain stable, as was the case at the end of last year, with a trend towards falling key interest rates. Overall, all economic indicators are expected to show a slight upward trend compared to last year.

Mobile communications market

The index for the business climate in the digital sector (Bitkom-ifo-Digitalindex) has deteriorated over the course of 2023, but at +9.8 points is significantly higher than the index for the economy as a whole (ifo Business Climate) at –11.2 points. Revenues for telecommunications services are expected to remain almost unchanged at a high level with an increase of 1.0%. This reflects the expectation of a consistently high utilisation of digital communication services observed in previous years. Revenues from these services are expected to grow by +1.6% compared to the previous year.

The continued high level of investment in telecommunications infrastructure gives rise to an optimistic outlook for 2024. In the past year, EUR 13.6 billion (previous year: EUR 13.1 billion) was invested in Germany (including in the expansion of fibre optic and 5G networks) and the nationwide availability of 5G in Germany was increased again (2023: 92%; previous year: 88%). This lays the foundations for greater use of telecommunications services and continued growth. The uninterrupted increase in the use of data transfers via mobile networks also virtually rules out a reduction in demand for mobile services. A general reluctance to spend (e.g. as a result of continued high interest rates) should not pose a significant sales problem for the industry in 2024 either. Mobile communications are one of the population's basic needs. In recent years, as in 2023, the consumer price index (CPI) for mobile services has not risen. Together with the rising data volumes per tariff recognisable in the market, customers received more service for almost the same price. This suggests that the motivation to switch providers is low due to prices that are perceived to be too high.

The market entry of 1&1 as the fourth network operator in Germany with a complete virtual 5G network was completed at the end of the year, although the timing of nationwide coverage in the total federal territory can only be estimated in the next few years. Until then, 1&1 will apparently only use national roaming from its previous partner Telefónica Deutschland until the end of 2025. From the middle of this decade, 1&1 mobile customers will use Vodafone's network (including 5G) if the 1&1 mobile network is not available at the respective location. This currently affects around 11 million 1&1 mobile customers. It is expected that this migration will take place gradually due to the technically demanding implementation. Accordingly, no massive shifts in network shares are expected in the coming year. Nevertheless, it should be noted that the majority of 1&1 mobile customers will use the Vodafone network in particular over the next few years. As a result, Telefónica Deutschland's network will lose capacity utilisation. It is to be expected that Telefónica Deutschland will endeavour to compensate for the resulting overcapacity in the medium term via existing or new partners in order to mitigate any impact on earnings from the loss of 1&1.

The price increases announced by some market players in 2023 do not appear to have materialised so far (see economic report). As soon as 1&1 becomes the fourth network operator with nationwide coverage throughout Germany, competition for new customers is expected to intensify in the coming years. As a result, the price structure in the German market is expected to remain stable in 2024 and no significant price increases are anticipated. Accordingly, a rational and predictable mobile telecommunications market in Germany can still be assumed.

TV/ video market

In 2024, the proportion of TV households that receive linear television via the internet (IPTV/OTT technology) should continue to increase. The other transmission channels (cable, satellite, antenna) will continue to lose relevance accordingly. In particular, the use of cable as a transmission channel for linear television should continue to decline in the wake of the abolition of the ancillary cost law ("Nebenkostenprivileg") in mid-2024. According to our own surveys, around a third of the more than 12 million TV households affected by the ancillary cost law ("Nebenkostenprivileg") are prepared to switch to an internet-based TV reception channel in future. The Executive Board of freenet AG expects that the development of this previously barely addressable market potential will extend over the next few years and that there will be no abrupt switchover effect in the second half of 2024. One reason for this is that the TV households affected are unaware of the abolition of the ancillary cost law ("Nebenkostenprivileg") or its existence in general. Secondly, the deactivation of the TV cable connection on site, i.e. in rented flats, poses technical challenges for providers. This is because the majority of connections have to be disconnected on site. Against this backdrop, TV households that were not activated before 1 July 2024 will still be able to receive cable TV. The "black screen" phenomenon will not start immediately. These reasons will lead to a delay in the actual realisation of the effects of the abolition of the ancillary cost law ("Nebenkostenprivileg"). In addition, the affected TV households are often unaware that attractive alternative TV reception channels exist. In this case, providers of Internet television will have to carry out "educational work".

In addition to the abolition of the ancillary cost law ("Nebenkostenprivileg"), the improvement in the technical requirements (high-performance Internet connections; Internet-enabled TV sets) of TV households and the preference of young consumers for Internet television will naturally drive the increased use of this transmission channel over the coming years. Even if the relevance of linear television for this generation is significantly lower than for consumers over 50, linear television will nevertheless remain an important part of Germans' everyday lives for the foreseeable future.

At the same time, the popularity of streaming services will continue to grow among the total population. The streaming market will remain highly competitive, which will lead to constant adjustments to the structure of offerings. For example, ad-financed and in some cases free streaming services (AVoD) will establish themselves and combined offers (bundles) will expand. It is also apparent that previously pure streaming content will be marketed in the form of programme channels (FAST channels). The blurring of the boundaries between linear and non-linear content will continue. As a result, the Executive Board of freenet AG believes that the relevance of aggregating the various content and channels on one platform will increase.

In addition to the fees for receiving content, the sale of advertising space is the most important contribution to the revenues of programme providers in the TV and video market. In future, programmatic advertising will play an increasingly important role in this context. Programmatic advertising refers to the fully automated and individualised sales process for advertising space in real time. The aim is to broadcast individualised advertisements to specific target groups. In view of the unicast relationship with their customers (high transparency with regard to demographic characteristics, TV consumption behaviour, etc.), providers of Internet television are ideally positioned in the market for linear television to implement this type of advertising broadcast in the future.

Overall statement by the Executive Board on the expected development

The guidance for the 2024 financial year is based on the expectations and assumptions regarding general economic and industry developments described above. These include the following assumptions:

- of a slightly growing GDP,
- a slowly declining inflation rate,
- of non-rising key interest rates,
- a positive outlook for the mobile communications industry and
- a further structural change in the use of TV transmission channels towards IPTV/OTT technology.

In principle, the forecast developments do not give rise to any indications of changes that would have significant effects on the current business models of freenet's two operating segments.

The effects that inflation may have on freenet's business activities in the future are continuously monitored. Any calculable effects have been included in the corporate planning and guidance. Additional risks may only materialise in the event of a significant deterioration in the general conditions. These risks are taken into account accordingly in the risk inventory of freenet AG (cf. "Report on opportunities and risks").

Other assumptions that are considered material for the derivation of the guidance for the financial and non-financial performance indicators are as follows:

- Existing customer loyalty and customer satisfaction remain constant, particularly in the mobile communications sector,
- expected price stability, particularly in the mobile communications market,
- slight growth in postpaid contracts in the otherwise saturated private mobile communications market,
- Share of internet-based transmission channels for linear television continues to increase, in particular due to the abolition of the ancillary cost law ("Nebenkostenprivileg"),
- Investments in the brand awareness of waipu.tv on a relevant scale,
- Cost savings can be realised, although inflationary effects and increases in wage costs could mitigate the positive effect.

No significant financial growth is assumed for the 2024 financial year compared to the previous year. This is due to investments in increasing waipu.tv's brand awareness, which should lead to even stronger market penetration following the abolition of the ancillary cost law ("Nebenkostenprivileg") in the middle of the year. In the 2024 financial year, the marketing activities already increased in the past financial year are to be further intensified and, in view of the significant increase in the customer base, investments are also to be made in waipu.tv's future technical performance. The decision to forego short-term earnings growth in favour of accelerated, medium-term customer growth was made deliberately by the Executive Board.

The expectations for the 2024 financial year are presented below. All statements are formulated in relation to the previous year. The following gradation applies to the qualitative comparative guidance:

- moderately decreasing, noticeable decreasing, significantly decreasing,
- stable,
- moderate growth, solid growth, significant growth.

The following development is expected for the financial performance indicators:

- Group revenues for the 2023 financial year were in line with expectations (stable performance) and totalled EUR 2,627.3 million (previous year: EUR 2,556.7 million). Group revenues in 2024 are again expected to remain stable. This expectation is based on moderate revenue growth in the TV and media segment and stable development in the core mobile communications business.
- At EUR 500.2 million, EBITDA in the past financial year was 4.5% higher than in the previous year (EUR 478.7 million) and thus in the middle of the guidance (EUR 495 to 505 million), which was raised during the year. The Executive Board is forecasting EBITDA of between EUR 495 million and EUR 515 million for the 2024 financial year. This expectation includes known effects from the planned investments in waipu.tv's brand awareness as well as increases in wage costs. Based on EBITDA in 2020 (EUR 425.9 million) and the midpoint of the EBITDA guidance for 2024, this would correspond to the target formulated at the Capital Markets Day 2021 of average annual EBITDA growth of more than 4%.
- At EUR 262.6 million, free cash flow in the reporting year was within the forecast range of EUR 260 to 270 million, which was specified during the year. For the 2024 financial year, the Executive Board continues to expect a high cash conversion ratio (CCR) of > 50% and thus a free cash flow in a range of EUR 260 to 280 million. In relation to the centre point, free cash flow is therefore expected to increase only slightly compared to the reporting year.
- At EUR 18.0, postpaid ARPU remained stable in the past financial year (previous year: EUR 17.9). Stable development is also expected for the 2024 financial year. Positive effects from price increases are not expected in relation to the total customer base.

Table 17: 2024 Guidance for the financial performance indicators

In EUR million/ as indicated	2023 Reference value	2024 Guidance	Comment
Revenues	2,627.3	Stable performance	
EBITDA	500.2	495 – 515	Mid guidance compared to 2020: > 4.0% CAGR
Free cash flow	262.6	260 – 280	> 50% EBITDA-to-FCF conversion compared to the respective midpoint of the 2023 guidance
Postpaid ARPU (in EUR)	18.0	Stable performance	

The following development is expected for the non-financial performance indicators:

- The postpaid customer base will see moderate growth. The private customer market is largely saturated, but the shift from prepaid contracts to more powerful postpaid contracts is continuing.
- Customer figures in the TV and media segment are expected to increase overall, based on significant growth in the number of waipu.tv subscribers. This is the result of the continuing trend towards internet-based linear television, which will be further strengthened by the final abolition of the ancillary cost law ("Nebenkostenprivileg") in mid-2024.
- A noticeable decrease in freenet TV subscribers (RGU) is expected, comparable to the previous year.

Table 18: 2024 Guidance for the non-financial performance indicators

In '000s	31.12.2023 Reference value	2024 Guidance
Postpaid customer base	7,418.3	Moderate growth
freenet TV subscribers (RGU)	583.8	Noticeable decrease
waipu.tv subscribers	1,369.3	Significant growth

Overall, the guidance is based on the information known at the time of preparation regarding possible economic developments in Germany and the aforementioned assumptions regarding industry developments. Should the economic situation deteriorate, events with a global economic impact occur or unforeseen government or regulatory intervention take place, this could have an effect on the guidance provided for the financial and non-financial performance indicators (see opportunity and risk reporting).

Categorisation of the 2025 financial ambition

At the Capital Markets Day in November 2021, the Executive Board of freenet AG presented the company's strategic direction and medium-term financial ambitions up to the 2025 financial year. The central message was: freenet is driving forward its transformation from a sales expert to a demand-oriented customer base manager, continuing its successful digital lifestyle strategy and continuing to grow significantly and profitably in the TV and media segment.

Based on the 2020 financial year, the following growth is to be achieved in terms of financial performance indicators up to and including 2025:

- EBITDA: Average annual growth rate of > 4% to ≥ EUR 520 million
- Free cash flow: > EUR 260 million

With a free cash flow of EUR 262.6 million and EBITDA of EUR 500.2 million, a further step was taken in the 2023 financial year towards fulfilling the medium-term ambition. The guidance for the performance indicators communicated at the beginning of 2023 and in some cases increased during the year was achieved. In the 2024 financial year, the Executive Board of freenet AG expects the financial performance indicators to remain almost unchanged compared to the previous year as a result of investments in the TV business in order to lay a further foundation for growth, also beyond the year 2025.

Irrespective of this, the Executive Board confirms that it still intends to achieve the targeted financial performance indicators in the 2025 financial year. This confidence is also supported by the EBITDA figures (CAGR 2021–2023: 5.5%), which have exceeded the targeted growth rate (>4%) in the last three years. As a result, a significantly lower EBITDA growth rate in 2024 would not mean falling short of the ambition.

The actual developments of freenet AG and the operating segments may result in both positive and negative deviations from the formulated ambition due to the circumstances mentioned in the report on opportunities and risks or in the event that expectations and assumptions do not materialise (see report on opportunities and risks).

Report on opportunities and risks

Opportunity report and assessment

To manage and monitor ongoing business, the Executive Board has established a comprehensive monthly reporting system that includes both financial and non-financial performance indicators. The Executive Board is informed about operational developments in all relevant business areas of regular meetings. In addition, current topics, future internal and external developments, measures and potential opportunities are discussed. The identification, analysis and communication of opportunities, as well as their exploitation, represent an entrepreneurial management task that is carried out in constant dialogue between the Executive Board and those responsible for the individual business areas.

freenet strives to offer customers in all business areas innovative, high-quality and attractively priced products and services combined with a positive customer experience. This should secure the existing business model and create opportunities for further growth. Significant growth is expected in the TV and media segment. In particular, the business area of Internet-based (linear) television offers freenet the opportunity to diversify its business model and tap into new growth potential as a result of the technological shift towards IPTV. In addition, freenet Internet completes the product portfolio and forms the basis for future convergent products (so-called "multi-play bundles").

External opportunities are seen in the following market developments in particular:

Mobile communications segment

- Intensification of competition among wholesale providers due to the market entry of the fourth network operator

TV and media segment

- Changed consumer behaviour with regard to multimedia content and the progressive establishment of IPTV as a transmission technology for (linear) television content

Overarching external opportunities

- Changes in the regulatory environment in favour of freenet
- Continuous increase in mobile data usage
- Growing demand for convergent bundled products (e.g. mobile communications and TV, Internet and digital services as well as household and family bundles)
- Acceleration of the digital transformation in numerous areas of life and the ongoing expansion of digital infrastructures in Germany (e.g. 5G, public Wi-Fi, fibre optic connections)

The establishment of the fourth network operator could intensify competition among the wholesale providers. This could result in a better negotiating position for freenet vis-à-vis the network operators. In the short-term, the effects on the forecast financial performance indicators are estimated to be low, as the network is still being established.

The continuous increase in mobile data usage in connection with the ongoing digitalisation of private and public life and the associated use of increasingly powerful mobile devices could lead to accelerated growth in all business areas. In particular, the increasing acceptance of the internet as a transmission technology for (linear) television content and the end of the legal eligibility of cable connections to be included in the operating cost bill for rental flats (ancillary cost law ("Nebenkostenprivileg")) by mid-2024 could lead to significantly stronger customer growth for waipu.tv subscribers than previously assumed.

Furthermore, the abolition of the ancillary cost law ("Nebenkostenprivileg") for freenet TV opens up the opportunity to gain customers in a previously unaddressable market in order to stabilise the customer base above the expected decline.

The steadily increasing demand for fast Internet access and the expansion of the fibre optic infrastructure in Germany could provide an opportunity for stronger growth than planned in the marketing of Internet tariffs. In many European countries, there is also strong customer demand for convergent products. Should this trend also prevail in Germany, freenet would have the opportunity to tap into new market potential (higher revenues per customer or household) and achieve greater customer loyalty and thus lower churn on the basis of its high flexibility in bundling wholesale products. Positive effects would be higher contributions to EBITDA and free cash flow.

Internal opportunities for freenet could arise above all from:

Brand

- freenet's consistent brand management as an umbrella and consumer brand

Sales and products

- the (further) development of our own innovative products and sales approaches, such as further app-based tariffs
- the expansion of omnichannel sales through the expansion of existing and development of new directly controllable sales channels and the utilisation of existing and new sales cooperations/partnerships
- the expansion of the sales interface with additional e-commerce stores under individual brand names
- increasing sales performance through customer-centric, cross-product offer design and customer approach at all touchpoints, e.g. through assisted personalised shopping
- the marketing of additional products (cross-selling), including in the areas of digital lifestyle and TV and media, combined with vertical growth in the total product portfolio, e.g. the addition of a hardware component (4k TV stick) to waipu.tv

Co-operations and partnerships

- examining and implementing strategic options in the areas of mobile communications, Internet, digital lifestyle, TV and media
- Intensifying business relationships with suppliers to stabilise existing ones and develop new or better terms and conditions models

Processes and employees

- the consolidation and consistent further development of IT applications and IT systems to further increase customer satisfaction, e.g. through the expansion of digital self-services and the intelligent use of modern communication media
- Continuous process and quality improvement to increase productivity – also through the digitalisation of business processes and the use of artificial intelligence (AI)
- the intensive promotion and development of our employees to strengthen employee loyalty and increase flexibility to make the workplace more attractive

The review and implementation of strategic options in the areas of mobile communications, Internet, digital lifestyle and TV and media, the marketing of additional products and the expansion of our own sales strength (including in the discount segment with our own e-commerce stores) could have a positive effect on the development of the underlying financial performance indicators and therefore exceed internal expectations. At the same time, a strengthening of sales activities and higher customer satisfaction could lead to the customer base developing more positively than forecast.

The introduction of Assisted Personalised Shopping could increase sales performance in the freenet shops and further improve the customer experience in terms of consistent offers, personalisation, product selection, reliability and service. This could lead to stronger customer loyalty and higher earnings contributions and free cash flows than planned as early as 2024.

The company's own innovations, powerful cooperations in all business areas and products that can be booked exclusively via an app will continue to offer opportunities for further market penetration in the future. The consistent brand management of freenet as an umbrella and consumer brand leads to a bundling of activities in the product portfolio as well as greater visibility and familiarity on the market. If the freenet brand becomes significantly more attractive to customers and business partners than expected as a result, this could lead to higher earnings contributions and a higher free cash flow.

The strategic interaction of mobile services and digital lifestyle applications will be further intensified. This focus will be pursued consistently, as the trend towards digitalisation and networking of products and services will continue. Against this backdrop, growth opportunities, synergy potential and opportunities for new strategic partnerships continue to be seen in this area.

For waipu.tv, new partnerships are an additional step towards steadily increasing market penetration in order to establish waipu.tv as a leading aggregation platform for non-linear content in addition to its perception as a provider of linear television. Continuous expansion of the product portfolio, product access options and the innovative app are constantly increasing the appeal of waipu.tv. Accelerating customer growth at waipu.tv indirectly leads to rising subscription revenues. In addition, waipu.tv has already tapped into a source of revenue with “targeted advertising”, which should become even more important as customer numbers rise and the reach increases. As a result of rising customer numbers, this could lead to a significantly larger contribution to freenet’s growth than previously forecast.

The ongoing digitalisation of business processes and the use of AI could simplify workflows more than expected (e.g. reduction of avoidable contacts in customer service). If the measures and efficiency improvements resulting from continuous process and quality improvements to reduce cost structures turn out to be more positive than expected, this could have a positive effect on the level of overheads and personnel costs and therefore on EBITDA and free cash flow in the coming years.

Both external and internal opportunities were identified. The effects of the opportunities on the forecast financial and non-financial performance indicators and thus on freenet’s development are classified as low overall. The Executive Board expects the business performance described in the report on expected developments and confirms the financial ambition “freenet 2025”.

Risk management system

Structural and process organisation

An efficient risk management system is of decisive importance for ensuring the long-term continued existence of a company. For this reason, the Executive Board of freenet AG has established a comprehensive risk management, monitoring and control system within the Group, in which all Group companies are generally integrated. The risk management system pursuant to Section 91 (3) AktG also includes the early risk detection system pursuant to Section 91 (2) AktG. It is applied exclusively to risks, but not to opportunities.

The risk management system is designed to ensure that risks to the future development of the company are recognised at an early stage and reported to the responsible decision-makers in the Group in a systematic and comprehensible manner. The timely communication of risks to the responsible decision-makers is intended to ensure that appropriate measures are taken to deal with the recognised risks in order to avert negative effects on the company, its employees and customers.

freenet has defined the framework conditions for the Group-wide risk management system in the risk management guideline adopted by the Executive Board. It defines the risk strategy and responsibilities and regulates the identification, assessment, management, communication and monitoring of risks. It also increases risk awareness and creates the framework for a standardised risk culture.

The systems and methods of risk management are an integral part of the general organisational and operational structure. Risks are identified, assessed and reported at the level of the companies or divisions, which are also responsible for managing the identified risks (operational risk management). Standard market risk management software is used for Group-wide risk management. Higher-level units – primarily central risk management and the Chief Financial Officer – are included in the assessment via defined reporting processes. The CFO and the risk manager regularly inform the Executive Board and the Audit Committee of the Supervisory Board of freenet AG about the risk situation.

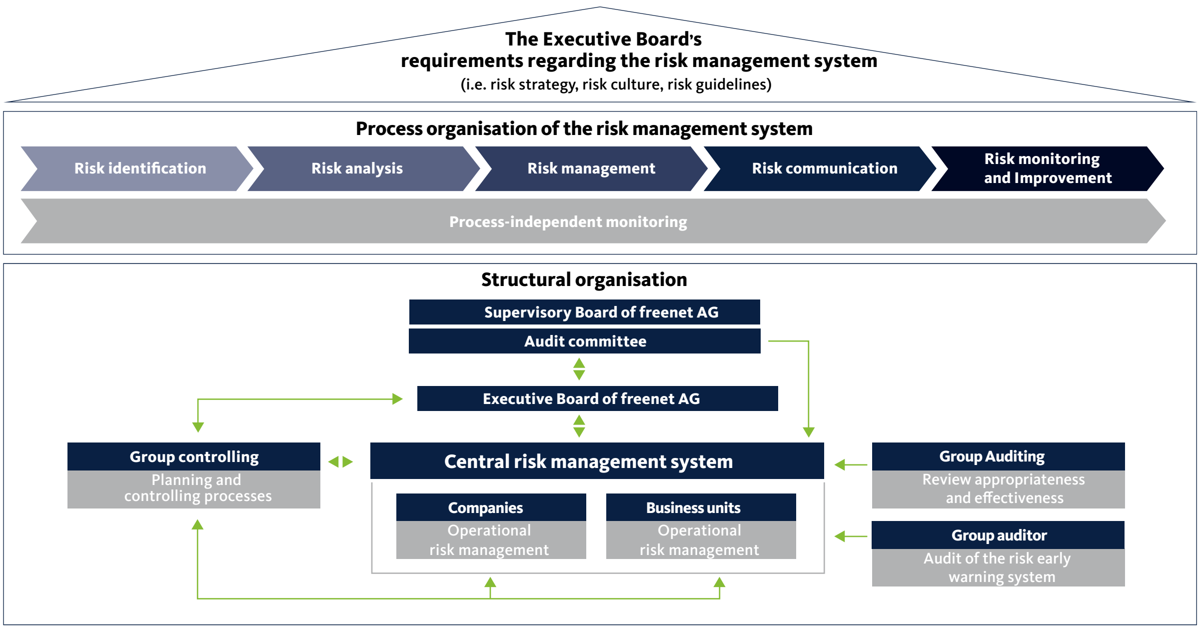
In addition to the risk management system, the Executive Board has established a comprehensive monthly reporting system to manage and monitor ongoing business, which includes both financial and non-financial performance indicators. At regular meetings with all relevant companies, divisions and Group Controlling, the Executive Board is kept up to date on operational developments. In addition, current topics are discussed and future measures are discussed at these meetings.

The risk management methods and systems are reviewed, further developed and adjusted as necessary. Group Internal Audit also regularly reviews the appropriateness and effectiveness of the risk management system. The internal control system (ICS) also provides further support, as risks are also countered with institutionalised controls.

The Supervisory Board of freenet AG – in particular the Audit Committee – monitors the effectiveness of the risk management system and the ICS, among other things, in accordance with the provisions of stock corporation law. In addition, the Supervisory Board is involved through regular reporting and – where necessary – through event-driven risk reporting by the Executive Board.

As part of the statutory audit mandate for the annual financial statements of freenet AG, the auditor examines whether the early risk detection system is suitable for recognising developments that could jeopardise the continued existence of the company at an early stage.

Figure 11: Structural and procedural organisation of freenet's risk management system

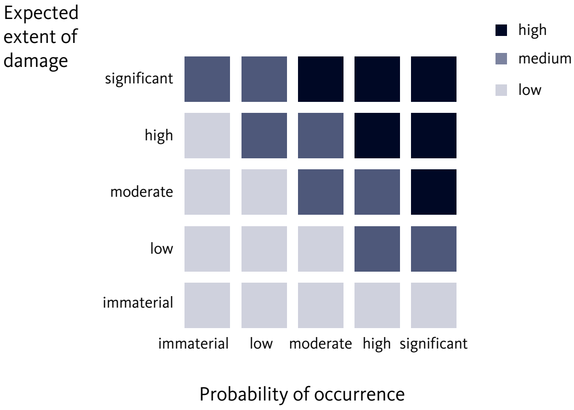


Risk identification and assessment

A risk is understood to be the possibility of the occurrence of events or developments that could have an unfavourable effect on freenet's ability to achieve strategic and operational goals, which can be both financial and non-financial in nature. At least every six months, the individual companies and divisions record and update existing and any new risks that exceed a defined materiality threshold in standardised risk reports. These reports describe the specific risks and examine their probability of occurrence as well as their financial and other effects on the company using standardised criteria. The risk assessment must be based on an observation horizon of at least twelve months. The potential effects of risks must be quantified for the relevant financial years.

The risk portfolio (including interdependency and sustainability) is evaluated at freenet according to the net principle, in which risks are considered taking into account the effect of established risk management measures. The criteria "probability of occurrence" and "expected extent of damage", in particular in relation to the financial performance indicators EBITDA and free cash flow, are used to assess the risks. Risks with a very low (up to 10%), low (more than 10% and up to 30%), moderate (more than 30% and up to 50%), high (more than 50% and up to 70%) and significant probability of occurrence (more than 70%) are systematically differentiated and categorised. With regard to the extent of the expected loss, a distinction is made between very low (up to EUR 1.0 million), low (more than EUR 1.0 million and up to EUR 5.0 million), moderate (more than EUR 5.0 million and up to EUR 12.5 million), high (more than EUR 12.5 million and up to EUR 20.0 million) and significant (more than EUR 20.0 million) expected loss. The combination of the probability of occurrence and the extent of the expected loss on the forecast key performance indicators results in the categorisation of the significance of the risks into the categories "low", "medium" and "high", as shown below.

Figure 12: Risk matrix of freenet



Risk management, communication and monitoring

Based on the results of the risk identification and assessment, various alternative courses of action are taken as part of general corporate management in order to respond appropriately to the identified risks. Risk management measures are also described in the risk reports. Risks are also recorded, analysed, evaluated and managed directly after their identification between the standard reporting dates and, if they are of a corresponding magnitude, reported directly to the Executive Board and the Audit Committee of the Supervisory Board of freenet AG.

Central risk management monitors the risk management process, consolidates the individual risk reports and aggregates risks using a Monte Carlo simulation. The results are used to determine the degree of potential threat to the company's continued existence and are summarised in a Group risk report for the Executive Board. The Board discusses and monitors the risk situation as a whole and decides on further measures if necessary. The Audit Committee of the Supervisory Board of freenet AG is also regularly informed about the development of the risk situation.

Risk report and assessment

This section presents risks that could influence freenet's net assets, financial position or results of operations. They are categorised as follows:

- Market risks,
- IT risks,
- tax risks,
- financial risks,
- strategic risks,
- operational risks and
- other risks.

Any ESG risks are also allocated to these categories.

The mobile communications segment is freenet's core segment in terms of both revenues and earnings. Accordingly, the significant market risks also result from this segment and are presented below primarily in relation to this segment. Significant differences between the segments in terms of risk assessment are mentioned separately.

Framework conditions for risk identification and assessment

In view of the ongoing geopolitical tensions and conflicts, including the situation in Ukraine, the Middle East and the Red Sea, there has been no significant improvement in the general conditions.

freenet is forecasting a slowdown in global economic momentum and expects economic growth to weaken in Germany in particular. A high level of inflation and high interest rates continue to weigh on consumers and companies alike. At the end of the previous year, there was a slight recovery in consumer confidence due to lower consumer prices and an increase in real incomes. freenet continues to expect private consumption to be impaired in 2024. An increase in key interest rates is not expected. As far as calculable, these aspects were taken into account in corporate planning and in the assessment of risks as of 31 December 2023. No new risks have been identified compared to the previous year that are directly attributable to the geopolitical or economic environment.

All risks were assessed without pandemic-related special factors.

Market risks

Highly competitive markets

An increase in competition in the telecommunications market could lead to additions to service revenue and a loss of market share. In addition, this could increase the pressure on margins in the respective business areas and/or make it more difficult to gain market share. One consequence of increased competition could be higher expenses for acquiring new customers or retaining existing customers, accompanied by falling revenue and a greater willingness on the part of customers to switch – primarily due to the reduction in terms and cancellation periods as a result of the 2021 amendment to the Telecommunications Act. This could be exacerbated, for example, by greater price sensitivity and increasing customer reluctance to buy. As a result, the forecast subscriber development as well as the revenue-based key figures, earnings figures and free cash flow may not develop as planned. In order to hold its own against the competition, freenet must continue to design attractive products and services, market them successfully and implement customer loyalty measures that are as customised as possible. Furthermore, freenet must react agilely to the business development of its competitors and anticipate new customer needs.

The intensity of competition in the marketing of Apple products is generally high and could increase further. This leads to sustained price pressure in the marketing of Gravis devices and accessories. The analysis of customer preferences and market trends as well as the continuous improvement of Gravis' own product and service offering should minimise possible negative effects, in particular on revenues and free cash flow.

Highly competitive markets represent an overall medium risk for freenet in the mobile communications segment.

Distribution

A basic prerequisite for freenet's success and growth is its broad and stable sales network. As a countermeasure to the potential loss of sales strength, the subsidiaries conclude long-term contracts with their key sales partners and offer them attractive incentive systems (e.g. airtime models). An additional way to maintain sales strength is to systematically examine new partnerships in retail, distribution and cooperation and to acquire additional franchise partners. freenet considers the risk of losing sales divisions to be low.

For the Media Broadcast Group, there is a risk that customer demand for the freenet TV product, and thus also revenues and free cash flow, could be lower than expected. Media Broadcast has established close monitoring of customer development in order to be able to take countermeasures (e.g. price adjustments) if necessary. Overall, this represents a low risk for freenet.

EXARING AG has also established a monitoring system to monitor customer development and initiate operational control measures in sales in good time. From now on, it is assumed that the customer base will grow significantly. freenet continues to classify the risk of not being able to achieve the planned waipu.tv customer figures as low.

Network operator

Bonus payments and commissions from network operators are key components of profitability in the mobile communications sector. A reduction can reduce the margin and make marketing more difficult. freenet attempts to minimise this by negotiating flexible purchasing conditions and continuously monitoring the achievement of target-dependent payments from network operators and renegotiating them if necessary. This currently represents a low risk for freenet.

Margins in the mobile communications segment are largely determined by the network operators and their tariff models. This restricts the design options within the tariff models, for example through tariff switching restrictions. Nevertheless, the purchasing models are reviewed on an ongoing basis in order to be able to react as flexibly as possible to market effects. freenet categorises the risk as low.

Network operators are increasingly endeavouring to sell their products themselves in order to gain market share (shift to direct). In addition, network operators can sometimes offer better conditions than service providers due to their business structure. This in turn could lead to a loss of sales channels and customers. This circumstance represents a low risk for freenet.

Network operator risks, alone or in combination with competition and sales risks, could have a more negative effect on the forecast earnings figures and free cash flow than expected.

Laws and regulation

Legal changes, intervention by regulatory authorities or fundamental court decisions, in particular due to legal action by consumer protection organisations, could have effects on freenet's business models and its ability to acquire and retain customers and enforce customer claims. This could have a negative effect on the level of forecast revenues and free cash flow. The effects of individual decisions or legal changes may not be significant in themselves, meaning that the overall risk can be classified as low. freenet counters the risk by regularly monitoring developments on the part of the regulatory authorities and by following the outcome of court decisions.

Due to new and more complex legislation on data protection, in particular the General Data Protection Regulation (GDPR), which came into force in 2018, there are new, more extensive requirements for the handling of personal data, among other things. This could result in business processes no longer being able to be carried out as in the past and/or freenet being subject to high fines. freenet categorises the risk as low.

IT risks

Infrastructure and system failures/errors

Smooth business processes are highly dependent on a high-performance IT infrastructure. Serious failures in the data centres, billing systems or point-of-sale systems, for example, could lead to a loss of customers. In addition to the mobile communications segment, this also affects the TV and media segment, where there could be disruptions in the transmission of TV and radio signals, e.g. as a result of natural disasters. In addition to the decline in revenues in the event of a loss of customers, freenet could temporarily not provide any services and thus not generate any revenues or make a positive contribution to the expected earnings and free cash flow. Technical operational monitoring systems are used to avoid downtime risks. Redundancies and current software updates keep the security precautions up to date at all times. Data is backed up on an ongoing basis. In addition, there is insurance cover for impairment of operational performance. Overall, the risk is categorised as low.

Cyber attacks and data theft

Successful malware or cyber attacks could compromise IT systems, encrypt them or lead to the theft of customer and/or employee data. A successful cyber attack on IT systems could be the trigger for malicious data manipulation, which in extreme cases could lead to the failure of customer and sales portals, apps or even infrastructure. The threat level in cyberspace remains very high and is expected to gain further momentum in the future. This means that implemented protective measures must be constantly reviewed and adapted. In addition, information security and cyber risk insurance policies have been taken out in the event of damage. From now on, freenet categorises the remaining risk as medium.

Tax risks

Loss carryforwards

If, within five years, more than 50% of the shares or voting rights in the company are directly or indirectly combined in the hands of one or more shareholders with similar interests (detrimental acquisition of shareholdings), the negative income (corporate income tax and trade tax loss carryforwards) of the company that had not been offset or deducted prior to the detrimental acquisition of shareholdings could be lost in accordance with Section 8c of the German Corporate Income Tax Act (KStG).

freenet has no influence on the occurrence of this risk because the elimination of the negative income (corporate and trade tax loss carryforwards) not offset or deducted until the detrimental acquisition of the holding is brought about by measures and transactions at the shareholder level. Against this background, it cannot be ruled out that the sale or acquisition of additional shares by the shareholders of freenet AG could lead to a consolidation of more than 50% of the shares in one hand. The same medium risk exists if, as a result of other measures, more than 50% of the shares or voting rights would be combined for the first time in the hands of one shareholder or several shareholders with similar interests. The legal consequences described above apply accordingly.

Other tax risks

For assessment periods that have not yet been finally audited, there may be changes that result in additional tax payments or changes to loss carryforwards if the tax authorities arrive at different interpretations of tax regulations or different assessments of the respective underlying facts in the course of external tax audits. The same applies to tax types that have not yet been audited in some cases, in particular because they are not usually subject to external tax audits.

The risk of deviating interpretations and valuations of the facts applies in particular to reorganisations under company law. Therefore, it cannot be completely ruled out that the corporate and trade tax loss carryforwards declared by the corporations of freenet AG and thus also separately determined by the tax authorities to date could be reduced or cancelled as a result of contributions, other transformation processes, capital injections and changes in shareholders. Overall, this is considered to be a low risk.

Financial risks

Bad debts

When analysing the risk of bad debts, freenet focuses in particular on trade accounts receivable from end customers. For significant contract customer areas, credit checks are carried out on customers before contracts are concluded. In the ongoing contractual relationship, the implementation of a regular dunning and collection process with several collection companies in benchmarking and long-term collection monitoring as well as high-spender monitoring are key measures for minimising the default risk. Appropriate loss allowances are also recognised to take account of the risks.

In the area of receivables from dealers and franchise partners as well as other business customers, detailed credit assessment processes are also carried out with the definition of credit limits and loss-limiting prepayment terms for critical suppliers. In the event of late payment, dunning and collection processes are applied. Significant bad debt risks for major customers (dealers and distributors) are also covered by trade credit insurance. The risks for uninsured dealers and distributors are generally limited by an internal limit system – as a rule, customers with a poor credit rating must pay in advance or the business relationship will not materialise. Significant trade accounts receivable regularly exist in the mobile communications segment from mobile network operators and in the TV and media segment from public and private providers of TV and radio programmes. freenet's receivables portfolio is regularly evaluated and the collection of these receivables is also monitored on an ongoing basis.

Based on past experience, the overall risk of default is low.

Recoverability of assets

In freenet's consolidated balance sheet, goodwill and intangible assets such as customer relationships, trademarks and rights of use are recognised in significant amounts. There is a low risk that impairments may occur. The assets of freenet are reviewed both regularly and on an ad hoc basis if there are possible indicators (so-called triggering events) of a sustained impairment. Such an indicator may be, for example, an increase in interest rates or changes in the economic and regulatory environment. Any impairments would not affect cash and would therefore have no impact on free cash flow. Furthermore, revenues and EBITDA are not affected (no impact on the financial performance indicators).

Liquidity

Extensive financial planning instruments are used throughout the Group to monitor and manage liquidity. The Group also manages liquidity risks by maintaining appropriate bank balances, credit lines with banks and by continuously monitoring the forecast and actual cash flows. On the basis of several existing Group-internal cash pooling agreements in which the major freenet companies participate, the need for and investment of liquid funds in the Group are controlled centrally.

freenet uses various financing instruments to reduce the general liquidity risk. The financial liabilities (liabilities to banks) reported under financial liabilities result from the financial liabilities from promissory note loans concluded in February 2016, October 2016, December 2018, July 2020 and October 2023 (recognised as of 31 December 2023 including accrued interest: EUR 430.8 million) and a loan tranche – structured as a revolving credit line – of EUR 300.0 million (previous year: EUR 300.0 million), which was not drawn as of 31 December 2023, as in the previous year.

The concluded loan agreements result in a further liquidity risk, as the restrictions agreed therein (so-called “undertakings” and “covenants”) limit freenet’s financial and operational room for manoeuvre. The agreements include, for example, restrictions on changes in business activities, on the implementation of structural measures within the Group under company law, on the provision of collateral and on possible acquisitions and disposals of assets, in particular shareholdings. freenet is only permitted to borrow outside the loan agreements within narrow limits, for example to finance future strategic investments. Due to the aforementioned reserves, the general liquidity risk is classified as low.

A low liquidity risk results from uncommitted credit or factoring lines. If these could no longer be serviced by the banks, potential liquidity reserves would no longer be available.

Capital risk

freenet’s capital risk management relates to the equity recognised in the consolidated balance sheet and the key figures derived from it. The primary objective of capital risk management is to ensure compliance with the key figures (financial covenants) stipulated in the loan agreements. The main financial covenants are defined in relation to the Group’s equity (equity ratio) and debt (leverage). If the overall economic conditions develop significantly worse than planned, this could possibly lead to freenet no longer being able to honour its agreements with the banks financing the loans. There is a medium risk that the financing banks will call in the loans. freenet minimises this risk by continuously monitoring the key financial figures and taking appropriate measures at an early stage.

Interest rate risk

freenet’s financial liabilities with variable interest rates are subject to interest rate risks, essentially in relation to the EURIBOR. freenet counters these risks with a mix of fixed and variable interest rate financial liabilities. The interest rate risks are not explicitly hedged; however, the cash on hand, which is mainly invested at variable interest rates, acts as a natural hedge and reduces the interest rate risk from the variable-interest financial liabilities accordingly.

Investments are generally made in the form of overnight and term deposits at commercial banks with high credit ratings.

Based on the daily liquidity planning available to it, the company continuously reviews the various investment options for cash and cash equivalents as well as the various disposition options with regard to financial liabilities. Changes in market interest rates could have effects on the interest income from primary, variable-interest financial instruments and are included in the calculation of the earnings-related sensitivities. Overall, freenet categorises the risk as low.

Strategic risks

Equity investments

freenet AG holds several equity investments. It could be that the business of the equity investments develops worse than assumed, which in turn could have a negative effect on the earnings situation (but not on EBITDA). In summary, freenet classifies the investment risk as low.

Business Process Outsourcing Customer Service

Capita Customer Services (Germany) GmbH is freenet's strategic partner in business process outsourcing (BPO) for customer service in the mobile communications sector. In the event of an unexpected discontinuation of business operations, there is a risk that the contractually agreed reduction of activities or the switch to an alternative provider could lead to additional costs. freenet categorises this risk as low.

Operational risks

General personnel risks

The competition for qualified personnel is a major challenge for all business areas. Successful recruitment, integration, development and retention of competent specialists is essential for the company's success. There are no bottleneck risks with negative effects on operational processes. However, due to a favourable starting position for employees on the market (employee market), the costs of recruiting and retaining staff as well as training and Education could be higher than expected. freenet counters this risk with a performance-related remuneration system, increasingly flexible working time models, the introduction of a retention management system and the use of external service providers, among other measures. Overall, freenet categorises this risk as low.

Transformation project Assisted Personalised Shopping

The Assisted Personalised Shopping project aims to standardise the system environment in the company's own mobile channels and adapt the advisory approach in the shop to current customer needs. Any delays in the progress of the project or deviations from the project goals could extend the duration of the transformation and result in the targeted potential not being realised later or in some cases not being realised at all. A temporary decline in sales performance could also occur during the implementation phase. freenet counters these risks through close project and sales management so that corrections can be made promptly if necessary. In addition, the existing system landscape will be maintained as a replacement infrastructure until the project is successful. Overall, the forecast subscriber development as well as the revenue-based key figures, earnings figures and free cash flow may not develop as planned. Overall, freenet categorises the risk as low.

Hardware availability

Supply bottlenecks / failures at manufacturers of end devices and accessories can be caused by a variety of factors – production stops due to climatic factors, the loss of production facilities or logistics centres and supply chain disruptions are all conceivable. If there are not enough devices available for a longer period of time, this could affect the sale of telecommunications services (e.g. lack of hardware for the bundle business), with negative effects on new customer acquisition, revenues, EBITDA and free cash flow. freenet counters this low risk by possibly expanding its stock ranges, using alternative sources of supply and with a marketing strategy adapted to device shortages.

Overview of the risk situation and overall assessment by the Executive Board

The risks listed above as of 31 December 2023 are summarised in Table 19 and compared with the previous year's valuation.

Table 19: Risk overview

	Risks per 31.12.2022			Risks per 31.12.2023			Tendency
	Probability of occurrence	Expected extend of damage	Risk class	Probability of occurrence	Expected extend of damage	Risk class	
Market risks							
Highly competitive markets	moderate	moderate	**medium**	moderate	moderate	**medium**	→
Distribution							
Loss of distribution partners	low	low	**low**	low	low	**low**	→
Customer demand TV and Media	low	low	**low**	moderate	low	**low**	→
Network operators							
Bonuses and commission	low	moderate	**low**	low	moderate	**low**	→
Premiums and margins	low	very low	**low**	low	very low	**low**	→
Shift to direct	low	very low	**low**	low	very low	**low**	→
Laws and regulation	low	moderate	**low**	low	moderate	**low**	→
IT risks							
System malfunctions/errors	very low	moderate	**low**	very low	moderate	**low**	→
Data theft and hacker attack	low	moderate	**low**	low	high	**medium**	↑
Tax risks							
Loss carryforwards	very low	significant	**medium**	very low	significant	**medium**	→
Other tax risks	moderate	low	**low**	moderate	low	**low**	→
Financial risks							
Bad debt losses	moderate	very low	**low**	moderate	very low	**low**	→
Impairment of assets	very low	moderate	**low**	very low	moderate	**low**	→
Liquidity							
General liquidity risk	very low	very low	**low**	very low	very low	**low**	→
Mobile phone upgrade option factoring	low	moderate	**low**	—	—	**—**	—
Capital risk	very low	significant	**medium**	very low	significant	**medium**	→
Interest rate risk	low	low	**low**	low	low	**low**	→
Strategic risks							
Equity investments	very low	moderate	**low**	low	moderate	**low**	→
Business process outsourcing of customer support	very low	very low	**low**	very low	very low	**low**	→
Operating risks							
General human resources risks	moderate	low	**low**	low	very low	**low**	→
Project risk Assisted Personalized Shopping	—	—	**—**	moderate	low	**low**	new
Hardware availability	very low	low	**low**	very low	very low	**low**	→

↑ Classification in higher risk class compared to previous report
→ Classification in same risk class compared to previous report
↓ Classification in lower risk class compared to previous report
— Risk or risk category no longer exists

The Executive Board has an overview of the risk situation presented through the implemented risk management process and monthly reporting. Various market, IT, tax, financial, strategic and operational risks were identified as of 31 December 2023. No significant risks were identified.

The Executive Board classifies the potential effects on the general future development of freenet and the financial and non-financial performance indicators as low overall. The Executive Board expects that the positive development of freenet AG forecast in the outlook (see report on expected developments) will not be significantly impaired by the risks identified. Overall, it can be assumed that the risks will not have any effects on the continued existence of freenet AG.

Non-financial group statement

About this non-financial group statement

Subject matter and scope

With this non-financial group statement (hereinafter: non-financial statement), freenet AG (hereinafter freenet AG and freenet used for the Group), headquartered in Büdelsdorf [GRI 2-1], complies with the reporting obligation of the CSR Directive Implementation Act (CSR-RUG) that came into force on 19 April 2017 (Sections 315b, 315c in conjunction with Sections 289b-e HGB). The information provided in the non-financial statement on concepts, measures, activities and KPIs relates to the 2023 financial year, i.e. the period from 1 January 2023 to 31 December 2023, and applies to both the Group and freenet AG.

The non-financial statement summarises the material aspects and issues relating to environmental matters, employee matters, social matters / respect for human rights and anti-corruption / bribery matters. The material topics identified reflect the organisation's current specific understanding of sustainability and are reported with reference to the current standards of the Global Reporting Initiative framework (GRI Standards 2021) (see Further information, GRI content index). The Investor Relations & ESG Reporting department, which is the point of contact for questions relating to the non-financial statement and reports directly to the Executive Board member responsible for ESG reporting (CFO), is responsible for the central coordination of report content/preparation (see Further information, Imprint and contact). Responsibility for the content of the various sustainability aspects lies with the respective Executive Board departments or specialised departments [GRI 2-3].

Unless otherwise indicated, the declaration covers all fully-consolidated companies in the consolidated financial statements (see notes to the consolidated financial statements, note 36). Due to the business area-specific structure of the "TV and Media" segment and the associated Media Broadcast GmbH, this company is discussed separately in some places in the presentation of material Topics [GRI 2-2].

This non-financial statement, including GRI disclosures and disclosures in the context of the EU Taxonomy, was subjected to a voluntary assurance engagement in accordance with ISAE 3000 (revised) to obtain limited assurance (see Further information, assurance practitioner's report on non-financial Group statement). Further information on the internal audit process, the parties involved in the audit and the audit results of the non-financial statement can be found in the Report of the Supervisory Board (see To our shareholders, Report of the Supervisory Board) [GRI 2-5, GRI 2-14].

Information on the business model

The operating business activities of freenet AG, which has been traded on the Frankfurt Stock Exchange since 2007, and its subsidiaries are primarily limited to the private customer segment and Germany. For this reason, there is no geographical breakdown according to the countries in which freenet is active, but – if necessary – only a breakdown according to the operating business segments "Mobile Communications" and "TV and Media". A detailed description of freenet's business model can be found in the Group management report in the section Business model and organisational structure [GRI 2-1].

ESG strategy

With effect from 1 January 2023, the Supervisory Board has appointed Nicole Engenhardt-Gillé, previously Head of Human Resources, to the Executive Board of freenet AG and appointed her to head the new "Human Resources and ESG" board department. In addition to traditional HR issues, she will also be responsible for all aspects of sustainability (ESG). With the development of a freenet-specific sustainability strategy (see Corporate strategy and goals) and interdisciplinary ESG organisational structure, the foundation was laid in the 2023 financial year for the further sustainable orientation of the company's activities. The guiding principle of the ESG strategy places people at the centre of actions with the clear attitude of making business activities environmentally responsible, socially just and economically profitable.

Materiality analysis as the basis for determining material topics

The material sustainability topics of freenet reported on in this non-financial statement are based on a materiality analysis in accordance with the requirements of the CSR-RUG (Section 289c (3) HGB) from 2021.

In a multi-stage materiality analysis process involving the most important stakeholders, those non-financial topics were discussed that are significant for understanding the business performance, business results or situation and for understanding the effects of business activities (impact) on the sustainability aspects specified in the law. Further information on determining the material topics and the materiality analysis process can be found in the 2021 annual report (see freenet AG Annual Report 2021, Non-financial statement).

In the 2023 financial year, there were no significant changes at freenet AG compared to the previous year with regard to business activities or business relationships. Similarly, the involvement of relevant stakeholder groups in the 2023 financial year did not give rise to any indications that would make it necessary to adjust the material topics. The materiality analysis and the material topics identified therefore remain valid for the 2023 financial year and are reported in the same way as in the previous year.

Table 20: List of material topics [GRI 3-2] assigned to CSR RUG aspects and GRI standards

Overarching material topics	CSR-RUG aspect	GRI Standards
Employees ▪ Employer attractiveness ▪ Upgrading skills ▪ Diversity ▪ Occupational health and safety	Employee matters	GRI 3-3, GRI 401-1, 401-2, 401-3 GRI 404-1, 404-2, 404-3 GRI 405-1, 406-1 GRI 403-1, 403-3, 403-4, 403-5, 403-9
Digital responsibility ▪ Information security ▪ Data protection	Social matters/ Respect for human rights	GRI 3-3, GRI 418-1
Customer matters ▪ Service quality/Network quality ▪ Digital participation ▪ Sustainable product solutions and Product innovations (incl. sustainable packaging)	Social matters/ Environmental matters	GRI 3-3, GRI 417-1
Corporate environmental protection ▪ Energy consumption/CO_2-emissions ▪ Resource consumption (incl. sustainable packaging)	Environmental matters	GRI 3-3, GRI 302-1 GRI 305-1, 305-2, 305-3, 305-4, 305-5
Compliance and integrity	Anti-corruption and bribery matters	GRI 3-3, GRI 205-3
Supply chain and human rights due diligence	Respect for human rights/ Environmental matters	GRI 3-3 GRI 414-1

By including various stakeholder perspectives, freenet ensures that the reported sustainability topics are in line with their interests or are developed further if necessary. In the case of the company's own employees, involvement takes place using various formats (e.g. employee surveys or the employee sustainability initiative, called "Nachhaltigkeitsbotschafter"). The interests of external stakeholder groups (suppliers, investors, sustainability/financial analysts or customers) are primarily taken into account through dialogue between the respective specialist departments and stakeholders (e.g. at the Annual General Meeting, in meetings with analysts or in the form of surveys).

The annual reporting in the non-financial statement informs stakeholders about the management and control approach as well as targets and measures taken in relation to the identified material topics [GRI 3-1].

In addition, ESG ratings by independent rating agencies increase transparency with regard to the categorisation and weighting of freenet AG's relevant sustainability activities. The company is in regular dialogue with the ESG rating agencies Sustainalytics, MSCI, ISS and CDP, which have been identified as relevant for freenet.

The following overview shows the latest results of the ratings by ESG rating agencies.

Table 21: Results of relevant ESG ratings

Rating ageny/ rating	Rating scale	2023 (valued: financial year 2022)	2022 (valued: financial year 2021)	2021 (valued: financial year 2020)
Sustainalytics ESG Risk Rating	Negligible risk (0-10) to Severe risk (40+)	Rating is not yet available.	Medium ESG risk, MED (22.6)	Medium ESG risk, MED (25.0)
MSCI ESG rating	Leader (AAA, AA) to Laggard (B, CCC)	AA	A	AA
ISS ESG Corporate rating	Excellent performance (A+) to Poor performance (D-)	C	C	C
CDP Climate Rating	Leadership (A, A-) to Disclosure (D, D-)	C	C	C

Determining the material non-financial risks

The risk analysis carried out by freenet in the context of the non-financial statement is based on its Group-wide risk management system (RMS). The risks recognised there were analysed to establish whether they match the issues and aspects of the non-financial statement. For risks from the RMS that relate to issues covered by the CSR-RUG, a risk assessment has been carried out in line with the assessment for the Group risk report (please refer to the Report on opportunities and risks). The analysis found that measured in terms of the legal materiality criteria [1] for reporting non-financial risks, and after the implementation of risk-mitigation measures, none of the identified risks is of a material nature as defined in the RMS established Group-wide and the CSR-RUG.

Material topics

Employees

Overarching personnel strategy

In a dynamic and highly competitive environment for mobile communications, Internet and TV entertainment, freenet's success is largely dependent on the performance and commitment of its employees, who use their expertise and skills in a targeted manner. In order to support this in the best possible way, freenet has established a variety of different measures and programmes. The aim is to create a harmonious, secure, healthy and performance-orientated working environment that reflects the diversity of our society and avoids all types of discrimination.

The HR strategy was updated at the beginning of the year when the new "HR and ESG" board department was created. The focus on integrating ESG into HR work resulted in the clearly defined vision "freenet – successful through strong and diverse employees".

freenet's revised HR strategy comprises four key topics:

1. Actively drive and support organisational development,
2. Strengthen employer attractiveness,
3. Shaping learning culture and
4. Living sustainability as an attitude.

In order to ensure that structures and processes (1) continuously meet the changing requirements and challenges of the market, concepts for change measures are developed and implemented, digitalisation projects are supported and managers are actively involved as multipliers. With regard to (2) strengthening employer attractiveness, employee retention with topics such as modern remuneration, time models and new working environments is a central focus. At the same time, targeted employee recruitment measures are intended to meet the challenge of a highly competitive recruitment market. An innovative and dynamic working environment requires continuous learning (3). The measures should focus on creating a learning culture that promotes the continuous development of employees and managers. In addition, (4) sustainability is to be anchored as an attitude in the organisation and awareness of sustainability in the company is to be strengthened among all freenet employees. In the context of social responsibility, the focus should be on promoting diversity and equal opportunities.

[1] The following distinction is made in the freenet Group regarding probability of occurrence: very low (≤ 10 percent), low (10.01 to ≤ 30 percent), moderate (30.01 to ≤ 50 percent), high (50.01 to ≤ 70 percent) and significant (> 70 percent). For the purposes of non-financial risk reporting as defined in section 289b HGB in conjunction with section 289c (3) nos. 3 and 4 HGB, the category "very likely" was defined as "significant" (> 70 percent).

Overall responsibility for the design, implementation and management of measures lies with the "Human Resources and ESG" Executive Board department, headed by Nicole Engenhardt-Gillé in her role as Chief Human Resources and ESG Officer (CHRO). Since 2016, the "People and Organisational Development" department has been an internal competence centre responsible for Group-wide concepts and strategic issues relating to employees and organisational development. The successful implementation of strategic objectives is reviewed on a quarterly basis as part of strategy workshops. Where relevant, the results are communicated directly to the respective departmental Executive Board member or discussed by the entire Executive Board.

Employer attractiveness

Management approach: A central pillar of freenet's HR strategy is employer attractiveness, i.e. creating a working environment that helps to attract and retain employees and increase their performance and satisfaction in equal measure. Above all, the focus is on a relationship based on partnership and trust at all levels of the Group. The individual circumstances of employees should be given the best possible consideration, with no blanket regulations, in order to balance the interests of employees and the interests of the company in terms of working and living hours. The aim is to increase employer attractiveness both internally and externally and to secure the additions of qualified specialist and management staff, who are essential to the company's success.

Governance: In order to measure internal and external employer attractiveness, various indicators are collected and managed centrally. Key figures for measuring employer attractiveness are employee turnover and external new hires. In addition, relevant employer evaluation platforms for companies are constantly analysed and, since 2022, employee surveys have also been conducted to record general sentiment and satisfaction. This approach is intended to establish an open feedback culture within the company and identify areas for action to increase employer attractiveness. Since 2019, employee exit surveys have also been conducted throughout the Group (excluding Media Broadcast) as well as target group and topic-specific employee surveys within the shops/stores. The results are continuously analysed in order to take appropriate countermeasures in the event of undesirable developments.

A total of 489 new employees were hired in the 2023 financial year (previous year: 449 employees). Staff turnover in the Group (excluding shops/stores) fell by four percentage points to 8.8% in 2023 compared to the previous year (previous year: 12.8%). In the shops/stores, it rose slightly from 28.3% in the previous year to 29.4% in the reporting year.

Table 22: New hires and employee turnover [GRI 401-1]

Number of employees (%)	2023			2022		
	Total	**Men**	**Women**	**Total**	Men	Women
New hires freenet (without shops/stores) [1]	**240 (10.2)**	**158 (10.0)**	**82 (10.7)**	**225 (9.7)**	**134 (8.5)**	**91 (12.2)**
Thereof < 30 years	81 (30.7)	51 (32.9)	30 (27.5)	71 (27.4)	33 (21.3)	38 (36.5)
Thereof 30 – 50 years	132 (11.3)	87 (12.2)	45 (9.8)	126 (10.5)	81 (10.9)	45 (9.8)
Thereof > 50 years	27 (3.0)	20 (2.8)	7 (3.5)	28 (3.2)	20 (2.9)	8 (4.4)
New hires shops/stores [1]	**249 (23.8)**	**185 (23.3)**	**64 (25.6)**	**224 (20.9)**	**173 (21.3)**	**51 (19.6)**
Thereof < 30 years	173 (44.5)	123 (41.8)	50 (52.6)	159 (39.8)	123 (40.9)	36 (36.4)
Thereof 30 – 50 years	69 (11.8)	57 (12.8)	12 (8.7)	62 (10.2)	48 (10.4)	14 (9.6)
Thereof > 50 years	7 (9.7)	5 (9.1)	2 (11.8)	3 (4.7)	2 (4.1)	1 (6.7)
Employee turnover freenet (excluding shops/stores) [2]	**207 (8.8)**	**132 (8.4)**	**75 (9.8)**	**298 (12.8)**	**202 (12.8)**	**96 (12.9)**
Thereof < 30 years	43 (16.2)	22 (14.2)	21 (19.3)	54 (20.9)	31 (20.1)	23 (22.1)
Thereof 30 – 50 years	104 (8.9)	61 (8.6)	43 (9.4)	167 (13.9)	110 (14.8)	57 (12.4)
Thereof > 50 years	60 (6.6)	49 (6.9)	11 (5.5)	77 (8.9)	61 (8.9)	16 (8.8)
Employee turnover shops/stores [2]	**307 (29.4)**	**232 (29.1)**	**75 (30.0)**	**303 (28.3)**	**227 (27.9)**	**76 (29.3)**
Thereof < 30 years	176 (45.2)	133 (45.2)	43 (45.3)	173 (43.3)	128 (42.4)	45 (45.8)
Thereof 30 – 50 years	120 (20.5)	91 (20.4)	29 (21.0)	121 (19.9)	92 (19.9)	29 (19.8)
Thereof > 50 years	11 (15.3)	8 (14.5)	3 (17.6)	9 (14.1)	7 (14.4)	2 (13.1)

[1] Ratio: Newly hired employees in relation to average number of employees
[2] Ratio: Number of employees (salaried employees) who leave the company voluntarily or due to dismissal, retirement or death (exits) as compared to the average number of employees [(Exits * 100) / Ø Number of employees]

With regard to the employer brand, freenet once again received several awards in 2023:

- “TOP Career Opportunities” seal from ServiceValue GmbH and Focus Money
- “Employer of the Future” seal from the German Innovation Institute for Sustainability and Digitalisation
- “eLearning Award 2022” from eLearning Journal: freenet took first place in the Learning Management System (LMS) category (award is still valid)
- The “BEST PLACE TO LEARN®” seal from AUBI-plus GmbH

Actions: Particularly in times of skills shortages and demographic change, a high level of employee satisfaction is important in order to retain qualified specialists in the company. Since 2022, freenet has been conducting employee surveys several times a year with the so-called “mood barometer” to record the mood of the workforce. The surveys are conducted anonymously and on a voluntary basis in accordance with applicable data protection regulations and also included Media Broadcast for the first time in 2023. In addition to overall satisfaction, the mood barometer measures satisfaction with regard to collaboration and the room for manoeuvre in terms of working conditions as well as the recommendation rate using a questionnaire consisting of fixed and variable questions. The fixed questionnaire was supplemented in 2023 by an additional question on the recommendation of one’s own manager. In addition, the 2023 surveys asked about the most important characteristics of an ideal manager as well as questions on further development and the culture of learning. The overall satisfaction of employees – as a sub-result of the mood barometer – is particularly relevant to management and indicates the percentage of employees who are generally satisfied with freenet as an employer (“very satisfied” or “satisfied”).

A total of three surveys were conducted in the 2023 financial year (previous year: two). With an average response rate of 44.9% (previous year: 46.0%), an average of 67.0% (previous year: 67.2%) of the employees surveyed stated that they were satisfied with freenet as an employer. The goal for 2024 is to increase the response rate and maintain overall satisfaction at least at the level of 2022.

Table 23: Employee satisfaction

Figures in %/as indicated	2023	2022
Number of surveys	3	2
Response rate (average)	44.9	46.0
Employee satisfaction (average)	67.0	67.2

freenet organised a variety of measures in 2023 to promote employer attractiveness. For example, a digital camp entitled “HR meets Gen Z” was held for the first time with guests from the Generation Z target group. The aim was to gain insights into the expectations and motivation of Generation Z in order to utilise the knowledge gained in relation to topics such as recruiting, employer attractiveness, careers, sustainability and leadership.

In order to increase the visibility of the employer brand specifically for digital-savvy target groups, the employer presence “freenet_karriere” on Instagram was relaunched and an interdisciplinary social media team was set up. In addition, activities on the social media platform TikTok were expanded with the publication of short videos on training opportunities at freenet. In 2023, the company once again used the high level of employee satisfaction with freenet as an employer to recruit new employees as part of the “#friendsforfreenet” programme. The recruiting concept is a bonus-based employee recruitment programme in which freenet employees can recommend relatives, friends or acquaintances for an open position.

The onboarding process for new employees was also revised in the past financial year with the synchronisation of internal HR and IT processes and the introduction of a digital welcome folder. As an elementary onboarding component, a Group-wide “Welcome Day” was once again held in 2023. This enables participants to get to know each other and network in a relaxed atmosphere. In experience rooms, new employees are given an insight into the different facets of the company during keynote speeches and interviews.

In addition to experience, communication and transparency are important factors that contribute to employer attractiveness. For example, the established “Ask Christoph” format offers employees the opportunity to ask questions directly and anonymously to the CEO of freenet AG, who answers them personally and promptly on the intranet. Since 2020, so-called “Town Halls” have also been held, in which the CEO provides information on current topics via live video and employees have the opportunity to ask questions interactively.

Recognising part-time and flexible working time models helps to meet the various work-life balance requirements of employees. For example, flexible shift models in the shops or logistics, working from home in various areas and mobile working are possible in many places. This approach was formalised in a set of rules back in 2020.

According to Section 15 of the Federal Parental Allowance and Parental Leave Act, every parent in Germany is entitled to parental leave to care for and raise their child until it reaches the age of three. Many employees at freenet AG also take advantage of this legal entitlement [GRI 401-3]. One measure to position the company as an attractive employer is the establishment and expansion of the so-called parental leave mentoring programme, in which mothers and fathers on parental leave are regularly provided with information by a colleague from the team and invited to important appointments. To improve the work-life balance, freenet also offers its employees at the Hamburg site the use of a parent-child room [GRI 401-3].

In addition to these measures, freenet believes that an attractive overall remuneration package, including additional benefits, is required to reward employees appropriately. In addition to fixed remuneration, the remuneration system for almost all employees includes variable salary components that are dependent on the company's success and are generally based on the same performance indicators that are also relevant for the remuneration of the Executive Board. In addition, freenet grants subsidies for company pension schemes above and beyond the statutory requirements and has offered occupational disability insurance with a simplified health check since 2016 [GRI 401-2].

In 2022 and 2023, freenet made use of the legal option to pay employees an inflation compensation bonus free of tax and social security contributions. In addition, the following (in some cases location-specific) employee discounts or benefits are available: subsidised "Deutschland-Ticket" for public transportation, discounts for wellness offers and massages, meal allowances, discounted rates and services from freenet, a bicycle leasing model and an employee vehicle model. No distinction is made between full-time and part-time employment when granting benefits. Depending on the benefit, these are granted pro rata on the basis of the degree of employment in line with the amount for full-time employees.

Upgrading skills

Management approach: The dynamics within the information and communications industry as well as the generally increasing digitalisation of workflows and processes pose new demands and challenges for freenet's employees and make it essential to strengthen and promote their skills. Demand-oriented development of employees is therefore a central pillar of the organisation's progress and future viability. In particular, the aim is to expand independent learning and promote the transfer of knowledge within the Group in order to contribute to a general learning culture that supports mutual learning.

In addition to upgrading the skills of its employees, freenet considers it important to fulfil its social responsibility towards the younger generation and has created a diverse range of training opportunities as a building block for securing the next generation of employees. Equally important is the regular promotion of high performers and high-potential employees in order to ensure the expansion of creativity and innovation within the company in addition to maintaining expertise.

Governance: Central responsibility with regard to the professional and interdisciplinary upgrading skills of employees lies with managers, who should provide coaching and support as required. The "People and Organisation Development" department is responsible for the framework and management of the process.

The company-wide competency model, which has been established in the company since 2016, is used for the targeted further development of employees in the Group. It focuses on the areas of expertise "Cooperating and working together", "Developing personal impact", "Thinking and acting entrepreneurially", "Driving change" and "Living leadership". Based on the competency model, managers conduct binding annual development meetings with their employees. In addition to assessing competences, the focus is on identifying personal development areas and activities. The implementation rate of the annual development meetings for the 2023 financial year was 93.1% (previous year: 94.9%) [GRI 404-3].

In addition to the classic qualification portfolio available to managers for employee development, employees' independent learning is another component of upgrading skills. The established Learning Management System (LMS) is an important basis for this. Learning and further training programmes are bundled in one central location. The LMS offers employees access to a broad catalogue of self-learning and further development opportunities that serve different learning types and cases. The LMS was used by 1,996 employees in 2023 (previous year: 1,428). The increase is due to new offers and campaigns and the expansion of additions for other employees.

Due to the specific requirements and customer proximity, a separate training unit is responsible for the further development of employees at freenet shops/stores and Gravis stores. This unit supports shop and store employees in various training courses, e-learning sessions, programmes and individual coaching sessions. In 2023, the “mauiCAMPUS” learning platform for shop employees was replaced by a modern, target group-specific system – the “TrainingClub” – which all shop and store employees can use via an app. The variety of topics covered by the training courses ranges from product and sales training to fraud and occupational health and safety. These are offered via various learning formats such as video, podcast, e-learning and in online and classroom training units [GRI 404-2].

Upgrading employees’ skills is an important factor in the company’s success. With this in mind, the motto for 2023 was #freenetlernt and the development of employees’ learning hours was included as a corporate goal in the variable remuneration of the Executive Board and employees. As a result, formal learning hours per employee increased by over 30% to an average of 12.9 hours in 2023 (previous year: 9.8 hours) [GRI 404-1]. The target of a minimum learning time of eleven hours was thus clearly exceeded. This target is to be maintained in the future – regardless of its relevance to remuneration.

Table 24: Key figures on upgrading skills [GRI 404-1, GRI 404-3]

Units as specified	Unit	2023	2022
Implementation of annual performance reviews	**%**	**93.1**	**94.9**
LMS users	**Number**	**1,996**	**1,428**
Formal learning hours [1]	**Ø Number in hours per employee**	**12.9**	**9.8**
Vocational trainees	**Number**	**278**	**266**
Thereof dual students	Number	29	27

[1] The definition of the key figure “Formal learning hours” was redefined as part of the integration of the key figure into the remuneration system of the Executive Board (STIP 2023) and employees in order to increase the informative value of the key figure in relation to formal learning. The previous year’s figure was adjusted in line with the new definition.

Actions: The continuous professional and personal development of employees is a key factor in positioning the company for success in the future. In 2023, almost 180 individual development measures were carried out in addition to the numerous offers in the LMS. As supportive measures in the Year of Learning, learning blockers with impulses for the successful integration of learning into everyday working life or on topic-specific content were sent to employees in the form of an invitation to a 60-minute appointment. Furthermore, the rights of use were adjusted at the half-year point to facilitate and promote dialogue between managers and employees with regard to further development. Since then, employees have had access to all content in the campus portal, including content that they can only book together with their manager.

In terms of communication, the Year of Learning was accompanied by a dedicated website that provides employees with facts, figures and data via videos and podcasts and promotes dialogue via the interactive weiterentwicklung@freenet channel. In addition, a survey on learning culture was conducted for the first time, the results of which will serve as a basis for the future design of the learning culture. Another important aspect of the learning culture is the promotion of knowledge transfer within the Group. With the short format “Knowledge in 30 minutes”, relevant topics have been presented by employees for employees at regular intervals since 2018. Much of the content on the campus portal is also presented by in-house experts with the aim of passing on expertise within the Group. In 2023, the new informal format “Lunch & Learn: Leadership meets HR” was introduced in 2023, in which current topics are presented and an open dialogue with and between managers is encouraged.

With regard to the upgrading skills of managers, the focus in 2023 was on the topic of the “ideal manager”. The employee survey asked about the top characteristics of a manager. Trust, appreciation, recognition of performance, respect for health and commitment were identified as the five most important characteristics in this regard. Based on these results, targeted exchange formats were organised for employees and managers. In order to sensitise managers to the topic of sustainability, an ESG roadshow was held at five company locations in which freenet AG’s sustainability strategy was presented with location-specific focal points.

freenet has had an internal programme for the targeted promotion of high performers and high potentials since 2008. The programme was revised again in 2023 with the aim of promoting the personal growth of participants even more strongly through individual development. Various events are used to build networks and impart comprehensive corporate knowledge and skills such as holistic thinking and action, the ability to reflect and self-organisation. freenet Shop GmbH has also been offering specific formats to promote talent in sales consulting since 2012, which were revised again in 2023. The aim is to meet the demand for qualified sales staff and also facilitate lateral entry, increase the quality of advice, offer employees professional development prospects and retain them [GRI 404-2].

As part of the evaluation of the 2023 mood barometer, the topic of careers was identified as a key issue among employees. With the aim of creating an understanding of careers and offering employees space for reflection, inspiration and networking with regard to their professional development at freenet, the "Reflect Day" was held for the first time.

In addition to careers within the company, freenet also promotes career entry. In the area of vocational training and dual study programmes, freenet provides over 100 apprenticeships every year, spread across 25 training programmes at over 150 training locations. Vocational trainees are supported by targeted onboarding, trainee camps and internal training programmes. freenet offers successful university graduates a Group-wide one-year specialist trainee programme. In 2023, eight participants successfully completed this programme (previous year: five participants). The number of vocational trainees totalled 278 in the reporting year (previous year: 266), 29 of whom were on dual study programmes (previous year: 27).

Diversity

Management approach: At freenet AG, diversity is firmly anchored as a fundamental value of cooperation and emphasises the importance of diversity for the company. Diversity means different approaches, a variety of knowledge, different ideas and open and respectful interaction with one another. All employees should also be offered the same opportunities regardless of their ethnic or social background, nationality, marital status, gender or gender identity, religion or sexual orientation. By promoting and challenging heterogeneous team compositions and the individual development of all employees in their competences, innovation and creativity are created that ensure freenet's competitiveness.

Governance: Every manager in the Group is responsible for living and establishing diversity. The aim is to ensure that there is no discrimination, particularly in the areas of recruitment, promotion, remuneration and training and education, through the example set by managers, generally applicable principles of behaviour and attentive cooperation – supported by the "Human Resources and ESG" department. Explicit attention is paid to possible grounds for discrimination in accordance with Article 3 of the German Basic Law, such as age, disability, ethnic origin, marital status, race, religion, gender, sexual orientation, social background and other personal characteristics.

The topic of gender diversity must be emphasised, as freenet AG is subject to the "Act on Equal Participation of Women and Men in Leadership Positions" in addition to its own requirements. Accordingly, freenet has set itself the following targets for the period up to the end of 2026: 25% of managers at the first management level and 30% at the second management level should be women. Target achievement and new targets are presented in the Corporate Governance Statement (fn.de/cgstatement) [GRI 405-1]. At around 30%, the proportion of women among employees across the Group in 2023 is at the same level as the previous year. In addition, freenet's workforce currently consists of 62 nationalities (previous year: 60), which further promotes diversity within the Group.

In 2023, as in the previous year, there were no incidents of discrimination to be addressed in the Group [GRI 406-1].

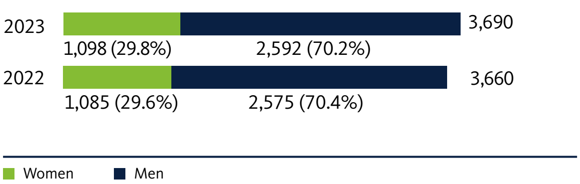
Actions: At freenet, diversity is already practised in the recruitment process and beyond on a daily basis in numerous measures, management tools and training courses. The measures in the area of diversity focus on the advancement of women. In 2023, the focus was on strengthening the internal networking of women, teaching specific skills, training managers with regard to gender equality and promoting freenet AG's external image.

The following measures were implemented in this context in the 2023 financial year:

- Continuation of the #women@freenet event series with events on the topics of appearance and presentation as well as conducting negotiations
- The first “FOKUS Vertriebskünstlerin” event created a platform for all women from the sales organisation to learn from each other, network and inspire each other for further professional success
- Piloting of two management workshops “Gender Equality: Tools for more inclusive leadership” with the aim of providing managers with tools that contribute to promoting gender equality and a more inclusive working environment
- Continuation and promotion of the growing informal network “freenet women” and the “Work dates for women” format
- Continuation of the project to specifically address women, particularly in job adverts, with the aim of attracting female applicants to freenet as an employer and thus increasing the proportion of women in the Group
- freenet was a partner of the Female Future Force Day in Berlin in 2023, an event that inspires women, shows perspectives and promotes networking

Figure 13: Number of employees by gender as of 31.12. [GRI 2-7][1]

Unit as specified



[1] No employees have been recorded as “diverse” in either of the two years.

Figure 14: Male employees by age as of 31.12. [GRI 405-1]

Unit as specified

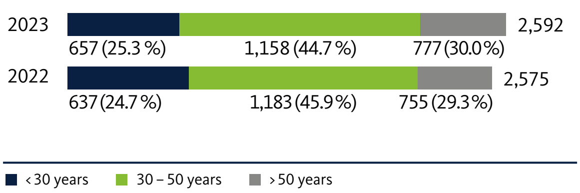
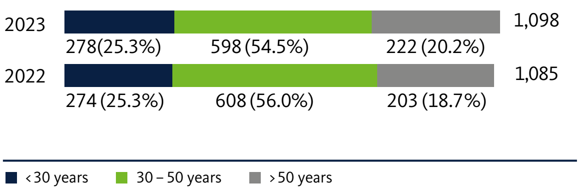


Figure 15: Female employees by age as of 31 December [GRI 405-1]

Unit as specified



Occupational health and safety

Management approach: The health of freenet employees is a high priority. This includes, mostly through a preventive approach, creating and ensuring a safe working environment for all employees, promoting health and paying attention to mental well-being. The topic of occupational safety is of particular relevance in relation to Media Broadcast in view of the specific and high-risk business activities, as the service employees of the freenet subsidiary are entrusted with the maintenance and possible repair of transmission masts and antennas, some of which are several hundred metres high. Compliance with strict safety standards/protocols in this area is therefore particularly relevant, as accidents have a serious impact on the health of employees.

Governance: The decentralised HR departments at the locations are primarily responsible for occupational safety and health management. Overall responsibility lies with the “Human Resources and ESG” Executive Board department. In addition, the statutory occupational safety committees have been formed across the Group companies. Each committee is made up of the employer or a person authorised by the employer, two members of the Works Council, the company doctor, an occupational safety specialist and a safety officer. Employees who are not employees but whose work and/or workplace is controlled by the organisation (hereinafter: employees who are not employees) are also represented by these committees [GRI 403-1]. The members fulfil their duty of care towards employees based on legal requirements, regularly train managers at the sites on occupational safety issues and are supported in this by external service providers. They meet four times a year, monitor and analyse measures taken in relation to the physical and mental health and safety of the workforce and employees who are not employees, and develop concepts for continuous improvement in the respective area. As part of risk assessments, freenet conducts employee surveys, which are used to manage health measures and optimise workplaces [GRI 403-4].

Pursuant to Section 13 of the German Occupational Health and Safety Act, the management of Media Broadcast has delegated in writing the company's obligations to ensure occupational health and safety to a reliable and competent person. The person responsible for entrepreneurial duties is authorised to issue instructions to all employees with regard to issues such as the prevention of accidents at work, occupational diseases and work-related health hazards. The occupational health and safety committee, consisting of site safety officers, the first responsible electrical specialist, the head of HR, the occupational safety specialist and the company doctor, meets quarterly and discusses occupational health and safety issues. Regional occupational health and safety groups meet annually.

Indicators for the assessment of occupational health and safety are the sickness rate, industrial accidents and commuting accidents and the number of deaths due to work-related injuries as well as work-related injuries with serious consequences. The sickness rate[2], which is reported to the Executive Board on a monthly basis, fell from 6.7% in the previous year to 6.1% in the 2023 financial year.

Industrial accidents and commuting accidents in the Group (excluding Media Broadcast) decreased from 22.5 accidents per 1,000 employees in the previous year to 20.3 accidents per 1,000 employees. At Media Broadcast, the rate of industrial accidents and commuting accidents fell year-on-year from 17.0 accidents per 1,000 employees in the previous year to 5.7 accidents per 1,000 employees, mainly due to the sharp decline in registered commuting accidents. In 2023, as in the previous year, there were no fatalities within the Group due to work-related injuries (2023: 0.0%, 2022: 0.0%) or work-related injuries with serious consequences (2023: 0.0%, 2022: 0.0%). These figures also apply to workers who are not employees [GRI 403-9].

Table 25: Industrial accidents and commuting accidents [GRI 403-9]

Per 1,000 employees	2023	2022
Group (without Media Broadcast)	**20.3**	**22.5**
Thereof industrial accidents (accident reports/notes)	11.3	15.4
Thereof commuting accidents	9.0	7.1
Media Broadcast	**5.7**	**17.0**
Thereof industrial accidents (accident reports/notes)	1.9	5.7
Thereof commuting accidents	3.8	11.3

Actions: To ensure the health of employees, regular training courses are held for first aiders and fire safety assistants, and special modular training courses are offered for managers on the topics of "Dealing with illness and employee additions" and "Healthy leadership". The latter is intended to enable managers to ensure not only safe but also healthy workplaces in their area [GRI 403-5]. In order to promote and maintain the health of the workforce in general, health days are usually organised annually at the locations. Health programmes are offered to employees in stationary retail in cooperation with a health insurance company. In addition, all freenet employees are offered occupational health examinations, such as the annual G37 eye examination and a free flu vaccination, as well as G25 and G41 examinations for logistics and field staff. Appointments for health programmes can be booked via the intranet [GRI 403-3]. The "Employee Assistance Programme" pilot project carried out with an external service provider to help employees deal better with professional and private challenges was completed and its continuation in the same or a similar form was evaluated.

Furthermore, regular site inspections are carried out with the aim of creating possible improvements to working conditions. In 2020, a dedicated communication channel was launched under the name "aktiv & gesund" ("active & healthy"), which provides employees with sports programmes and tips and tricks on health in general, but also specifically for the time spent working remotely. Since 2021, the LMS has also had its own "active & healthy" area, which provides employees with inspiration on topics such as mindfulness and dealing with stress. To check the effectiveness of the measures, freenet DLS GmbH at the Büdelsdorf site successfully completed the procedure to obtain the German Corporate Health Seal in 2022 and achieved the silver seal level. The seal is valid until autumn 2025.

A key measure in Media Broadcast's occupational health and safety programme is the risk assessment, which describes the hazards associated with maintenance and repair work as well as construction and dismantling measures, and lists and regularly reviews protective measures. In addition to the risk assessment, Media Broadcast maintains written safety concepts with corresponding safety regulations, on which affected employees and contractual partners are trained accordingly. The issue of occupational safety at higher workplaces (radio towers, transmission masts) is of particular importance. Accordingly, precautions are taken to meet the high safety requirements for the protection of employees. All employees concerned are provided with individual protective equipment and safety equipment that always complies with the currently applicable occupational health and safety and accident prevention regulations as well as European standards (Regulation (EU) 2016/425, Directive 2014/34/EU, Directive 85/374/EEC). In addition, employees are required to attend

[2] Share of labour capacity lost because of health issues [(Sick days per calendar day * 100) / calendar days].

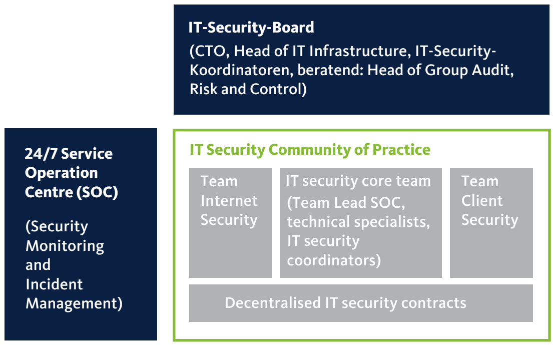
regular company medical examinations, participate in climbing/rescue exercises once a year and attend advanced seminars on fall protection and rescue measures every three years. Required legal and regulatory occupational health and safety training has been provided centrally at Media Broadcast as mandatory e-learning courses via the lawpilots platform since 2022 [GRI 403-5].

Digital responsibility

Management approach: The increasing number of reports on cyber attacks on companies and the misuse of customer data leads to the conclusion that the threat situation has generally increased. According to a recent study by the digital association Bitkom, almost the total German economy is now affected by data theft, espionage or sabotage, with cyber attacks being held responsible for almost three quarters of the damage. The perpetrators are more frequently associated with organised crime and are increasingly operating geographically from Russia and China. In addition, against the backdrop of the intended further digitalisation of society, data protection and data security are becoming an even greater focus for society and companies. In the information and communications industry, in which freenet operates, these two topics have already been particularly relevant in the past. On the one hand, due to a high level of legally defined requirements for data protection and information security, the regulatory framework of which is continuously being adapted. Secondly, due to a self-interest resulting from the ambition to achieve a high degree of digitalisation of its own business processes and the fact that millions of customers entrust freenet with personal data as part of the contractual relationship. Responsible behaviour is therefore essential for maintaining customer loyalty, reputation and, ultimately, freenet's success. Data protection and security are therefore one of the five principles of freenet's IT strategy.

Governance: Under the direction of the IT Executive Board (CTO), freenet IT centrally provides all IT services (e.g. workplace equipment or IT infrastructure) for the operation of the business. The information security guideline issued in 2018 forms the basis for handling data, systems and all information required in a digital workplace.

Figure 16: Central functions of the freenet IT security organisation



The IT security organisation of freenet AG comprises defined roles and responsibilities and a dedicated, binding process for security incident management. Central functions in the security organisation are performed by the IT Security Board as a decision-making body, the IT Security Coordinators for the central coordination of all security measures and also the decentralised IT security contacts in the individual IT areas. The IT Security Board is made up of the CTO, the Head of IT Infrastructure and the IT Security Coordinators. It is supported by the Head of Group Audit, Risk and Control in an advisory capacity. The IT Security Board defines the security concept and security guidelines. It also decides on the measures required to comply with these guidelines. In the event of an IT security incident, it serves as an escalation stage. The Client Security and Internet Security teams support the decentralised security contacts in their responsibility for IT security by using AI-based security technology to analyse and protect the Group network, clients and network traffic both within and at the external boundaries of the network. The threat situation is analysed and recommendations for action are developed. Together with the IT security coordinators and the SOC team management, the team specialists discuss IT security issues and emergencies at a professional and technical level in the IT security core team and provide the decentralised IT security contacts and the IT security board with sound professional and technical advice.

Internal security incidents and relevant external IT security threats are visualised using a dashboard, analysed by the IT security core team and finally the countermeasures are coordinated by security incident managers. In the event of a cyber attack, external partners also provide incident response support and carry out forensic analyses as required. In addition, freenet IT has a regularly tested crisis and emergency plan as well as a restart plan for the IT infrastructure and software applications in order to minimise potential outages or restrictions.

The interdisciplinary cooperation of various IT functions in a community of practice, the involvement of the management level and, last but not least, the target group-oriented information about the low-threshold processing of IT security incidents by the Service Operation Center (SOC) and decentralised IT contacts illustrate the deep organisational anchoring of IT security awareness in freenet's corporate culture.

Actions: To ensure information security, largely automated security patch management has been an established part of regular operations in all IT areas since 2018. This enables freenet to react quickly and adequately to changing threat situations. In addition, the online portals are protected by intelligent threat detection and automatic defence. Since 2022, the email services of freenet's subsidiary freenet.de have been awarded the IT security label of the German Federal Office for Information Security (BSI). This means that freenet makes the conformity of its email services with relevant security standards transparent to customers and undertakes to rectify any vulnerabilities identified by the BSI or provide security updates.

Media Broadcast, as part of freenet, has also held ISO 27001 certification since 2013 and has introduced and certified procedures to ensure information security in the case of outsourced data processing with an established information security management system (ISMS). At the time of reporting, Media Broadcast was undergoing recertification in accordance with ISO 27001.

In addition, external security experts regularly carry out penetration tests of the exposed IT systems on behalf of Internal Audit in order to check the data security concepts. In addition, the reliability and security of the infrastructure and processes are regularly subjected to routine audits by supervisory authorities with different focal points. The most recent unscheduled inspection by the Federal Commissioner for Data Protection and Freedom of Information (BfDI) took place in 2019 and did not give rise to any significant objections. In addition, the Federal Network Agency (BNetzA) audited freenet's IT security concept in 2021 in accordance with Section 166 of the German Telecommunications Act (TKG) and concluded the audit without any objections.

Beyond the operational framework of IT security, Media Broadcast is involved in KRITIS – a joint initiative of the Federal Office of Civil Protection and Disaster Assistance and the Federal Office for Information Security for the protection of critical infrastructures. In 2020, Media Broadcast was one of the first companies in Germany to be confirmed as an operator of critical infrastructures in the "Media and Culture" sector in accordance with the national KRITIS strategy. As a platform operator for TV and radio, Media Broadcast takes this social mandate to maintain broadcasters in a crisis-proof manner very seriously. It is a member of the "Media and Culture" sector working group.

In addition to information security, IT and the management levels see data protection as another central task. The data protection officers, who are firmly established within the Group, work independently within the organisation to ensure compliance with data protection laws and regulations by providing advice and monitoring and are also responsible for monitoring the proper use of the data processing programs used to process personal data. All topics and projects relevant to data protection are coordinated in advance with the Group's data protection officer. The IT Control Committee of the Works Council is consulted on all IT measures that affect employee data. Furthermore, the Executive Board and Supervisory Board, or their committees, are regularly informed about relevant developments and requirements in the area of data protection. For freenet IT's service providers, it is already contractually ensured at the time of commissioning that both the data protection concerns of the customers within the scope of order processing and data security are guaranteed at the level required by regulation. Data protection audits are carried out at service providers and sales partners to check the implementation of data protection regulations. Where customer data is used for analysis purposes or for product design, an approval process ensures that it is pseudonymised or anonymised to the required extent.

In relation to the number of around 9.5 million subscribers with fixed-term contracts and 3,690 employees, there were only a very small number of complaints and enquiries about data protection in 2023 – as in the previous year. The data protection department ensures that customers and third parties can assert their legally guaranteed rights and that claims are fulfilled promptly. These are mainly requests to fulfil the information obligations under Art. 15 of the European General Data Protection Regulation (GDPR) or requests for data erasure in accordance with Art. 17 GDPR. In the financial year, there was one substantiated complaint relating to a breach of customer data protection (previous year: 0). The breach was not related to events from previous years. Furthermore, as in the previous year, there were no identified cases of data theft and data loss in connection with customer data [GRI 418-1]. The breach was immediately rectified and reported to the responsible supervisory authority. As in the previous year, no sanctions, including fines, were imposed on freenet AG companies for violations of data protection in 2023.

freenet has implemented the comprehensive requirements of the GDPR throughout the Group and defined and introduced guidelines and processes for dealing with them. freenet customers should be able to achieve extensive transparency with regard to the processing of their personal data. freenet ensures this by providing extensive information on this topic in the “Data protection” section of its online presence. The content is regularly evaluated and adapted in terms of its comprehensibility – also taking into account customer enquiries from the Customer Care Centre. In addition, every customer can request information about what data is stored about them and request that it be corrected or deleted. This enables customers to decide for themselves what to do with their data. In the customer area of the freenet website, every customer is also given the opportunity to view their own inventory data and any consents they have given and to change them if necessary. In response to the increasing threat to our customers' digital sovereignty posed by identity theft, freenet began this year, in consultation with the BfDI, to increase the authentication requirements in the call centre. In future, all customers will have to authenticate themselves with a so-called service PIN before starting a call. This will initially be assigned to customers by freenet.

In addition to the data protection regulations, all freenet employees are obliged to comply with freenet's regularly updated confidentiality instructions. An extensive wiki and online training courses on data protection and data security are available to them at any time for their own further training. In addition, teams that are particularly frequently confronted with data protection issues receive task-specific training from the respective data protection officer. Since 2022, all employees at Media Broadcast have received mandatory annual training on data protection and information security. The training courses are mandatory instructions that are carried out as centralised e-learning courses and concluded with a learning success check or a certificate. A register of processing activities for all data processing processes is kept for all key areas of the company and regularly checked to ensure that it is up to date. Furthermore, regular analyses of the level of protection are carried out for the processing of customer data in order to derive appropriate measures.

Customer matters

Overarching approach and control

It is crucial for freenet AG's business success to acquire new customers and retain existing customers. Accordingly, the subscriber customer base, which is made up of various relevant customer groups, is integrated into freenet AG's management system as a non-financial performance indicator (see Corporate management).

Increasing digitalisation and changing lifestyles are also changing the needs and requirements that customers place on the service provided. In line with its corporate vision, freenet always wants to be the right choice for all stakeholders, especially for its customers. The service promise therefore includes needs-orientated and customer-focused advice. The exchange with the customer takes place via various contact points. As a learning organisation, freenet AG constantly optimises existing and develops new products and services in accordance with legal requirements and its own high standards in order to remain successful on the market in the future. This applies in particular to the saturated mobile communications market in Germany, where the maintenance and quality of customer relationships play an important role.

Customer-centred action based on the interests and needs of customers is therefore at the heart of our activities. The aim is to consistently align brands and products with the respective customer needs and expectations in order to strengthen customer acquisition and loyalty. This also includes the trustworthy, data protection-compliant handling of customer data (see Digital responsibility) and the consistent implementation of consumer protection.

freenet protects the consumers of its services from the conclusion of the contract throughout the total contract term and also includes the disposal of old devices. When the new Telecommunications Act came into force in December 2021, the right of cancellation was modified and additional information obligations were introduced before the contract was concluded with the aim of strengthening consumer protection in Germany. The change in the law required extensive procedural and system-related adjustments, which freenet implemented on time. In addition to the provision of product information sheets for each tariff offered, there is also an obligation to provide telecommunications customers with a clear and easy-to-read summary of the terms and conditions of the contract before the contract is concluded, which contains specified, comprehensible information about the contract.

To ensure the proper disposal of old devices and avoid negative consequences for the environment and people, freenet ensures that ordered products (such as smartphones or accessories) are sent to the customer together with the manufacturer's original operating instructions with product description and instructions for proper disposal. In addition, freenet customers can obtain information in the shops/stores or online about the existing environmentally friendly options for returning old devices to their contractual partner or to recognised collection points. In addition to professional recycling, freenet also organises, for example, a purchase service for old devices (see Sustainable product solutions and product innovations) [GRI 417-1].

As part of the materiality analysis, freenet AG has identified the following customer-related topics that are seen as essential for a positive customer experience, customer satisfaction and thus for the development of the non-financial performance indicator "subscriber customer base":

1. Service quality
2. Network quality
3. Sustainable product solutions and product innovations
4. Digital participation

Overall responsibility for all direct customer interaction and the presentation of products and offers lies with the Chief Executive Officer (CEO). In this context, the Customer Service Management (CSM) unit, which reports regularly to the CEO, manages customer satisfaction in relation to the quality of customer service. The Chief Customer Officer (CCE) is responsible for all activities from new customer acquisition and existing customer care to customer recovery and the expansion of a customer-centred corporate culture. To implement these plans, two centralised corporate units were established in the Executive Board department: (1) Market Research & Customer Advocacy and (2) Customer Management. The former is primarily responsible for market research and customer surveys, while the latter unit is responsible for the planning, management and implementation of all interactive processes throughout the customer cycle.

Service quality

Management approach: Service quality is seen as a strategic asset for the company's success at freenet AG, which has around 9.5 million subscribers, as loyalty can be strengthened and cross-selling and up-selling potential realised. The service concept of freenet AG is based on the inclusion of customer service, the integration of shops/stores and a comprehensive digital range of customer contact options. An important element for improving service quality is the regular, systematic analysis of the main drivers for (service) contacts with customers. The results of the analysis enable continuous improvement of the customer experience through the expansion of services with the economic goal of extending the customer life cycle and actively preventing customer churn.

Governance: In addition to integrating external market research studies, conducting regular customer satisfaction analyses (CSA) is an important management tool. The latter provide information on satisfaction, expectations and potential for improvement of the customer experience and enable a dedicated measurement of perceived service quality across the total customer lifecycle at all service touchpoints. In addition to the continuous development of the customer experience, the aim of CSA is to achieve long-term customer loyalty.

The CSA in customer service (service CSA) is based on an established system of key figures and target values and thus enables conclusions to be drawn about service quality. It includes recurring as well as changing and open questions. The Market Research & Customer Advocacy and CSM departments are in regular dialogue with regard to customer satisfaction trends in order to evaluate possible development potential and derive measures.

In line with a holistic approach – not just limited to customer service – customer satisfaction in the mobile communications segment is regularly recorded by the Market Research & Customer Advocacy department along the total customer journey and at defined measurement points, e.g. after signing a contract, at the end of the customer development phase or after a contract extension. The results of the service CSA are also included in the evaluation. Only customers with 24-month contracts, permission to advertise and an existing e-mail address are surveyed as part of the CSA. Customers rate their satisfaction on a rating scale from 1 (very satisfied) to 5 (very dissatisfied).

The results are aggregated monthly as an average value, taking into account different weightings of the measurement times, to form the key figure "Customer satisfaction mobile communications". The key figures reported here correspond to the average value of the monthly satisfaction rating by the customers surveyed and, with a satisfaction rating of 2.4 for the 2023 financial year (previous year: 2.4), once again indicate above-average satisfaction (rating scale 3.0 = customer neither satisfied nor dissatisfied). As a cross-departmental management tool, the CSA contributes to effective customer satisfaction management. The customer satisfaction survey is to be extended to the TV division in the future.

Actions: In order to be future-proof and competitive, particularly in the area of telephone customer service, customer service was outsourced to Capita Customer Services GmbH (Germany) in 2017 as part of a business process outsourcing programme. The CSM department is responsible for and ensures cooperation with the partner. A comprehensive control structure and the permanent evaluation of customer contacts ensure compliance with agreed performance indicators based on a bonus-malus system and a continuous improvement in service quality. To this end, the partner organises regular employee training courses and monitors compliance with discussion guidelines, the content of which is continuously coordinated and agreed with the CSM department.

To safeguard customer service during the coronavirus pandemic, freenet AG concluded an agreement on "alternating teleworking to provide customer service" in 2021. The agreement was continued in 2023 in order to secure an important competitive advantage in a labour market characterised by a shortage of skilled workers. All data protection requirements were complied with and are reflected in the aforementioned agreement.

freenet has been pushing ahead with the expansion of digital customer dialogue since 2018. In the 2023 financial year, the proportion of freenet mobile communications customers (with fixed-term contracts) who have access to the "mein Konto" self-service portal (freenet-mobilfunk.de) increased to 66% (previous year: 61%). At the same time, the proportion of freenet contract customers with access to the "freenet mobile communications" customer app rose to 34% (previous year: 29%).

The range of functions within the self-service portals "mein Konto" (freenet-mobilfunk.de) and "mein Klarmobil" has matured significantly in recent years, allowing customers in these portals to view their used data volume, book new data volume, block third-party providers, change master data, view invoices or block a SIM card due to theft or loss, for example. In 2023, the focus was therefore not on expanding additional functions, but rather on increasing the use of the digital offering by customers.

Since July 2022, freenet customers have also had the option of cancelling long-term contracts (including fixed-term mobile phone contracts) online using a "cancellation button". This option was also well received in the 2023 financial year.

The WhatsApp communication channel was switched off in October 2023 due to technical obstacles without any noticeable effect on customer satisfaction. Instead, the implementation of a web-based customer chat based on state-of-the-art bot technologies is planned for 2024. The necessary conversion of the technical infrastructure was completed in the 2023 financial year.

Since December 2023, the test operation of a so-called "phone bot" for freenet FUNK customers has been gathering insights into the use of conversational AI technology with the aim of further increasing customer satisfaction and the degree of automation. If the test phase is successful, this technology will be used for all of freenet AG's mobile phone brands.

In 2024, the automation rate is to be further increased through increased use of digital self-service offerings and the volume of customer contact is to be further reduced by simplifying business processes and improving customer communication. In December 2023, the automation rate for the freenet brand totalled 49.3%, an increase of five percentage points compared to December of the previous year. freenet's customer service is not limited to the virtual world, but is also firmly established in bricks-and-mortar retail. In addition to assistance with activating and blocking SIM cards, freenet also offers the issue of replacement SIM cards in its shops, for example.

Network quality

Management approach: Whether in the private sector, public institutions, cable network operators or TV broadcasters – modern working practices and successful business activities only work with stable and future-proof networks. Ensuring the availability and quality of the services offered by freenet AG via various network infrastructures is therefore central to customer satisfaction. In the area of mobile communications, the possibility of exerting influence is limited overall, as the responsibility in this regard lies with the mobile network operators from whom freenet AG obtains its services as a mobile service provider. Media Broadcast, on the other hand, plans, builds and operates networks and is the market leader in digital terrestrial TV and radio broadcasting (DVB-T2 and DAB+) in Germany. This market position has been achieved over the last ten years through innovation, entrepreneurial risk-taking and competition. As an experienced IT and service partner for contribution and distribution networks, Media Broadcast develops customised solutions for nationwide, regional and local network operations. Network quality is therefore decisive for product quality, which means that the TV and media segment is of great importance and has a greater influence than the mobile communications segment.

Governance: The IP backbone is central to the solutions offered by Media Broadcast. The software-defined network connects Germany's broadcasting and media industry at high speed in a secure, closed environment. Flexible services and solutions for the individual needs of customers are developed on this network structure. The architecture as a software-defined network fulfils the customer's demand for flexibility with high security and availability. A high level of security is offered for all services, which is guaranteed by dedicated data centres, a closed network structure, fully redundant transmission of signals and 24/7 monitoring. Within Media Broadcast, network planning, design and monitoring are the responsibility of three departments within the Product Management division, which reports directly to the company's management.

The key indicator for evaluating production quality is the KPI "downtime minutes per year". This key performance indicator reflects both the stability of the network and the functioning of operational processes. The indicators "Number of SLA violations per year" and "Compliance with recovery time per year" show how the production quality requirements are met in relation to agreed service level agreements (SLA).

Actions: We are continuously working on the quality and further expansion of all transmitter networks, innovative technologies (e.g. small-scale DAB+ or tunnel coverage) and the further development of applications to increase user-friendliness. 5G and possibly 6G broadcasting is a promising standard as a possible, long-term successor technology to DVB-T2. The long-term preservation of frequency allocations to broadcasting is a key factor for the long-term success of 5G broadcasting. The company is therefore committed to 5G broadcasting, both in the context of further development in various committees and working groups as well as in the context of pilot tests.

Furthermore, processes are in place to continuously improve production quality for the elements of transmitters, antennas, infrastructure, contribution/distribution networks and network hardening. An established network performance monitoring system monitors production elements such as transmitters, antennas, infrastructure (e.g. space, power, heat dissipation or access), contribution/distribution networks and platforms (DVB-T2 and DAB+) using various parameters.

As a critical infrastructure service provider (KRITIS), Media Broadcast is also subject to special requirements in terms of reliability, security and confidentiality. The standards for this are set by the IT Security Act (IT-SiG) and the Federal Network Agency. In order to fulfil the requirements, robust system integration including a security concept and a comprehensive network management concept are necessary. Media Broadcast fulfils these requirements, which are regularly checked and monitored by internal and external audits. In addition, a certified information security management system in accordance with ISO 27001 has been in place since 2014. At the time of reporting, Media Broadcast was undergoing recertification in accordance with ISO 27001. Quality requirements for the network structure are defined by customer expectations as well as relevant legal and regulatory requirements and are subject to a continuous improvement process through the certified quality management system (ISO 9001).

Sustainable product solutions and product innovations

Management approach: In addition to price, customers are increasingly looking at sustainability aspects when selecting products. This is also confirmed by our own survey from 2023, according to which freenet customers attach particular importance to aspects of the circular economy, such as recyclability and the availability of refurbished devices as well as durability and reparability, when selecting devices.

For freenet, this increases the relevance of incorporating these aspects into the composition of the product portfolio or product innovations and communicating them to customers accordingly. Strengthening sustainable product solutions and services in the product portfolio is therefore important to freenet AG in order to appeal to customers who also prioritise sustainability in their digital lives. The aim is to give consumers the opportunity to contribute to the conservation of resources, for example when choosing a smartphone or by extending its useful life. freenet AG therefore intends to expand its range of sustainable products and services.

Governance: Category Management in the Customer Management department, which reports directly to the Chief Customer Officer (CCE), is responsible for the pre-selection of potential new mobile communications products, such as smartphones and accessories, at freenet AG. Before a new product is added, the department compiles a product-specific catalogue of criteria that also takes sustainability aspects into account, e.g. the external image and corporate philosophy of the potential provider. In terms of product features, criteria such as quality, product life, material composition and packaging are critically scrutinised during the selection process. The final decision in favour of or against inclusion in the portfolio is ultimately made in close coordination between sales and purchasing in order to take all relevant perspectives (sustainability and marketing aspects as well as conditions) into account. The existing product portfolio is also subject to regular monitoring and is adjusted if necessary.

The main focus when selecting products is on environmental aspects and extending the product life cycle. There is no established concept with fixed criteria and a fixed process definition for the selection of products or suppliers. Minimum social requirements for suppliers are defined via the Supplier Code of Conduct (see supply chain and human rights due diligence).

Actions: In the 2023 financial year, freenet AG expanded its range of sustainable devices for various customer groups. In addition to the rephone, freenet has been marketing the sustainable smartphone model Nokia G22 in the entry-level segment and sustainable smartphones from the manufacturer Fairphone in the mid-price segment since 2023. In the upper price segment, freenet has been marketing refurbished goods from the manufacturer Apple since 2023.

In the Accessories division, freenet has been cooperating with Green MNKY, a specialist for sustainable device protection films, since 2021. Green MNKY's high-precision cutter enables freenet AG shops to cut screen protectors to exact dimensions, eliminating around 97% of the usual packaging waste for equivalent products. In 2022, freenet also added sustainable screen protectors and smartphone cases made from GRS-certified recycled plastic from the manufacturer dbramante1928 to its range and further expanded the sales partnership in 2023. Selected shops also have their own dbramante1928 product wall displaying the available range.

For 2024, the installation of a sustainability wall is planned in all newly opened Gravis stores, which will be equipped with corresponding product offers to draw customers' attention to the sustainable product range. These include products from Gravis' own brand Networx Greenline, under which Gravis markets a sustainable alternative for certified Apple accessories. The material mix saves over 30% plastic in individual products compared to the previous own-brand equivalent. Transport to Germany is by rail in order to minimise the CO_2 footprint. In addition to the top 20 sales products already transferred to the Greenline in the previous year, five more products were added to the Greenline range. The Networx Greenline product portfolio is also to be further expanded in 2024.

freenet also enables customers to utilise resources efficiently through sales innovations. With freenet FUNK and freenet FLEX, two purely app-based tariffs are offered that – apart from sending the SIM card – do not require any paper along the customer journey (see corporate environmental protection). The app-controlled internet service "freenet Internet", which was launched in 2022, works according to the same principle.

In addition to sustainable products, freenet also offers a range of services to enable customers to achieve sustainability in their digital lives. For example, the sale of refurbished products, including smartphones, has been a focus since 2020. By offering a purchase service for mobile devices such as smartphones and tablets, freenet is also making a further contribution to conserving resources and reducing electronic waste. In collaboration with external service providers, a fair market purchase value is determined for the old device, which is paid out to the customer in the form of a voucher or cashback. To specifically incentivise the use of the purchase service, freenet also runs purchase bonus campaigns for devices in cooperation with manufacturers. Compared to the previous year, the number of devices traded in via the trade-in programmes offered by freenet increased significantly to over 48 thousand devices (previous year: just under 12 thousand devices). The target of increasing the proportion of freenet shops offering a trade-in service to around 90% by the end of 2023 was slightly exceeded. For 2024, the company plans to further digitalise the purchase process and integrate it directly into the online ordering process in order to increase customer awareness of the responsible return of old devices. Appliances that can no longer be returned to the market will be disposed of by certified specialist companies and the raw materials recycled. Customers can also make use of additions for recycling directly at freenet by returning old devices (such as smartphones or tablets) free of charge or by depositing them directly in specially designated recycling boxes in the shops.

In addition to purchasing old devices, freenet contributes to extending the product life cycle by offering insurance and repair services. freenet customers can insure their newly purchased and, since January 2023, older devices against all damage that is not covered by the dealer warranty or manufacturer's guarantee. The shops/stores also serve as repair centres.

freenet added a new provider to its range of smartphone rental models in the 2023 financial year. At the end of the rental period, the devices are returned by the customer. Returned devices are refurbished by the cooperation partner and put back on the market. This means that they can be used for longer and therefore conserve resources.

The product range also includes services that fulfil customer requirements for data security solutions. Here, freenet offers a comprehensive range of security software and participates in initiatives such as "trustedDialogue" and "E-Mail made in Germany". The latter association of German e-mail providers guarantees freenet.de e-mail customers a high level of security and data protection in their daily e-mail traffic.

Digital participation

Management approach: Many areas of life, i.e. many activities and processes, are increasingly permeated by digitalisation. Smartphones and other internet-enabled devices are becoming increasingly important in everyday life and make it easier to participate in social life, for example. Digitalisation offers many opportunities and is seen as a key driver of progress. On the other hand, however, everyone must also be given the opportunity to participate in digital life so that digitalisation does not lead to social exclusion. freenet strives to give almost every citizen access to the digital world through a broad portfolio of tariffs and services in mobile communications as well as TV and media.

Governance: Based on systematic market and customer analyses, freenet is continuously developing its portfolio of customer-oriented mobile communications and TV tariffs as well as telecommunications-related services. The relationship with the three German network operators enables freenet AG to design a product portfolio ranging from discount to premium tariffs in the areas of mobile communications and Internet. With this diversified brand and portfolio approach, a large number of customer groups and needs can be covered.

Actions: One of the barriers to participating in digital life is the associated costs. Thanks to the range of tariffs with low prices, freenet also offers low-income earners and socially disadvantaged groups a portfolio of mobile communications and TV products. Since 2004, freenet has also enabled customers with a poor credit rating who have failed the credit check for fixed-term offers to participate in digital life via a special deposit model[3]. In addition to affordability, a lack of digital/media literacy also prevents people (e.g. older people) from participating in digital life. freenet customers are therefore offered a diversity of set-up services in the freenet shops/stores or Gravis stores to help them find their way around after purchasing a smartphone through trained staff. Direct contact is important to break down barriers, but it is not the right approach for everyone. This is why freenet maintains a variety of other channels that enable customers to increase their digital media skills or get in touch with the company.

Since 2018, freenet has been focusing on the strategic expansion of digital customer dialogue in particular, including via chat functions or self-service in the app. A positive side effect is that people with physical or mental disabilities also have equal and equivalent access to freenet AG's services, as accessibility now also includes digital and communication barriers. Since February 2023, freenet has offered deaf and hearing-impaired customers an interpreter customer service via a separate hotline. This interpreting service is provided by the external partner "Tess Relay". The hotline number is published in the FAQ, among other things, and prioritised processing is ensured. Another service, especially for younger stakeholder groups, is the freenet magazine, which provides answers to questions about products, tariffs and technology from the world of digital lifestyle in magazine format. In the 2023 financial year, freenet also expanded its media literacy offering with the introduction of the digital service "freenet Handyhelfer". The new product, which is currently being tested in selected shops, is intended to provide freenet customers with additional support when they face technical challenges.

With the help of additional products and services, freenet AG would also like to make a contribution to the digitalisation of educational institutions. With "Gravis macht Schule", Gravis supports educational institutions in the selection of suitable devices, their implementation in everyday school life and maintenance. The Cloud, also a subsidiary of freenet AG, supports schools in planning, setting up, installing and maintaining WiFi networks as part of the German government's DigitalPakt Schule programme. At the end of 2023, The Cloud was supporting around 360 schools (previous year: around 450). In Büdelsdorf, the headquarters of freenet AG, the Group is also involved in the "Büdelsdorf goes Multimedia" initiative in partnership with the town of Büdelsdorf to teach schoolchildren how to use modern media and the internet responsibly. Since 2001, freenet has provided a total of EUR 700 thousand for the development of network infrastructure and the purchase of hardware and software.

For freenet, promoting the participation of young people in digital life also means protecting them within this framework. In the area of youth protection, freenet is therefore expressly committed to the requirements of the Interstate Treaty on the Protection of Minors in the Media, has installed youth protection officers in the Group and is a member of the non-profit organisation JusProg e.V., which has set itself the task of better protecting minors on the Internet.

Corporate environmental protection

With its own business activities in the areas of mobile communications, Internet and TV entertainment, freenet causes CO_2 emissions and thus contributes to climate change. In addition, its business activities have an impact on the availability of resources. In the mobile communications segment, energy and resource consumption is essentially limited to administrative and logistics locations in Germany, the vehicle fleet and the approximately 500 shops/stores across Germany due to the service provider model. With a share of around 82% of total electricity consumption, Media Broadcast GmbH (TV and media segment) is the largest energy consumer within the Group as the operator of a Germany-wide infrastructure for digital television and radio. The freenet subsidiary consumes energy at 776 (previous year: 779) transmitter sites/radio towers to supply the broadcasting and transmission technology.

[3] The deposit is staggered in 50/100/200/400 euros. Paying the deposit enables the respective customer to use mobile services within their selected tariff. Moreover, the customer benefits from the bundle with a subsidised handset.

freenet recognises the negative effects of its business activities on the environment and intends to keep the CO_2 emissions it causes as low as possible with the help of a targeted management approach, specific targets and effective measures. The company is in favour of the expectations and efforts formulated in the political and social context with regard to climate change mitigation and CO_2 neutrality, supports the Paris Climate Agreement and plans to align its business processes with the 1.5 degree target in future. Based on the annual greenhouse gas balance sheet, levers and measures are identified that contribute to the reduction of CO_2 emissions and thus to the mitigation of climate change. Last but not least, this also serves the purpose of meeting the greatly increased expectations of society, regulators and the capital market with regard to structured disclosures and targets for this area.

In addition to its own reporting in the non-financial statement, freenet has supported the Carbon Disclosure Project (CDP) since 2018. As a CDP Discloser, freenet AG makes the effects of its business activities on the environment transparent with the annual disclosure of climate data, in particular on CO_2 emissions.

Energy consumption and CO_2 emissions

Management approach: freenet attaches great importance to the efficient and economical use of energy and fuels in order to sustainably reduce the CO_2 emissions caused throughout the Group. With regard to its own emissions (Scope 1 and Scope 2), freenet has set itself the goal of achieving CO_2 neutrality by 2030 and is currently developing a detailed transition plan for climate change mitigation. The net-zero target relates to the CO_2 emissions that freenet can directly influence. freenet has already identified the use of renewable energies and the gradual electrification of its own vehicle fleet as key levers for decarbonisation. Another starting point is the reduction of Group-wide energy consumption by increasing energy efficiency.

An additional liability for the Executive Board is created by integrating the net zero target into the long-term variable remuneration.

Governance: The Group Facility department is responsible for purchasing energy resources (electricity and gas contracts) for the administrative and logistics locations as well as the shops/stores. The Fleet Management department is responsible for managing the Group-wide vehicle fleet. Both departments report to the Human Resources and ESG Board department. Due to its high energy requirements, Media Broadcast has its own Real Estate Management (REM) department and an energy management officer who reports directly to the Media Broadcast management via the "General and Administration" department. The freenet subsidiaries EXARING and The Cloud also conclude decentralised energy contracts for their locations.

Media Broadcast's energy management is part of an integrated management system based on the requirements of ISO 50001, which controls and monitors environmental protection in addition to quality, occupational health and safety, safety and data protection. An ISO 14001-certified environmental management system (EMS) was also introduced for the latter in 2008. The centrepiece of the EMS is the environmental protection and energy guideline, which defines the significance, objectives, activities and their implementation and review. Furthermore, it has been established internally that only ISO 14001-certified suppliers and waste disposal companies may be commissioned, e.g. for the dismantling or removal of transmitters. Activities such as transmitter and antenna maintenance are sometimes associated with the handling of hazardous substances; a special duty to inform and advise applies here. Every Media Broadcast employee is instructed annually and must provide evidence of this. The instructions are tool-based and take place in accordance with the latest legal and regulatory laws and requirements, with mandatory certification for each employee. To regularly assess Media Broadcast's compliance with environmental regulations, a legal register is kept, the results of internal and external audits are documented and their implementation is tracked. To date, no fines or non-monetary sanctions have been imposed for non-compliance with environmental protection laws and regulations.

In freenet's business model, greater energy efficiency can also be achieved through technological optimisation and digitalisation. This is illustrated, for example, by the switch to the DVB-T2 standard in the TV business or the replacement of the FM standard with the more energy-efficient DAB+ transmission standard in the broadcasting business area of Media Broadcast. Energy efficiency is also anchored as a key sustainability aspect in the purchasing guidelines and the Supplier Code of Conduct. In the latter, suppliers are encouraged to use energy and limited resources consciously and sparingly.

freenet sees effective levers for reducing the fuel consumption of the vehicle fleet in the low-consumption and low-emission composition of the vehicle portfolio and its gradual electrification. The targeted incentivisation and creation of solutions for climate-friendly travel for employees to the locations should also contribute to the reduction of CO_2 emissions. In the 2023 reporting year, the company came one step closer to its declared goal of increasing the proportion of hybrid or electric vehicles in the Group to over 20% of the total vehicle fleet by the end of 2024, despite long delivery times and increased leasing costs. The proportion of electric and hybrid vehicles doubled from around 9% in the previous year to 18%. This was accompanied by the further expansion of the charging infrastructure at the company's locations.

Group-wide energy consumption at freenet AG was reduced to 85.1 GWh in 2023 (previous year: 87.1 GWh). Around 80% (70.1 GWh) of energy consumption is accounted for by electricity consumption and district heating, with the majority of electricity consumption relating to the operation of Media Broadcast's transmission infrastructure. The other approx. 20% (15.0 GWh) of total energy consumption is attributable to heating and fuel consumption.

At 5,668.9 tonnes of CO_2 eq, market-based CO_2 emissions from the use of energy (total of Scope 1 and Scope 2) in the reporting year were around 14% below the previous year's figure of 6,566.6 tonnes of CO_2 eq, which is primarily due to the increase in the share of renewable energy sources in total electricity consumption. The CO_2 intensity (in relation to Scope 1 and Scope 2 market-based) fell to 2.2 tonnes of CO_2 eq/million revenue with revenues roughly at the previous year's level. At 3,253.6 t CO_2 eq, Scope 3 emissions (before offsetting) were roughly on a par with the previous year (3,310.5 t CO_2 eq) and to date mainly comprise emissions from the use of the employee vehicle model, parcel shipping, the production of standard contract documents and travel activities. For the 2024 reporting year, it is planned to determine further relevant Scope 3 emissions in accordance with the categorisation of the GHG Protocol in order to supplement freenet's CO_2 footprint with the influence of the value chain.

Table 26: Energy consumption and CO_2 emissions [GRI 302-1, 305-1, 305-2, 305-3, 305-4, 305-5]

Units as indicated	Unit	2023	2022 (adapted)[1]	2015[2] (base year)
Energy consumption (total)	**GWh**	**85.1**	**87.1**	**156.0**
Electricity consumption/district heating (Scope 2)[3]	GWh	70.1	72.0	134.0
Thereof Media Broadcast	GWh	55.9	58.1	116.2
Heating and fuel consumption (Scope 1)[4]	GWh	15.0	15.1	21.9
Electricity from renewable energy sources (total electricity consumption)	**GWh**	**65.2**	**65.6**	**46.8**
Share of electricity consumption from renewable energy sources in total electricity consumption[5]	**%**	96.5	94.2	34.9
Share of electricity consumption from renewable energysources through controlled sourcing in total electricityconsumption	**%**	99.4	99.0	k.A.
CO_2 emissions (Scope 1, 2, 3) – market-based after offsetting	**t CO_2eq[6]**	**8,714.4**	**9,630.0**	**75,146.2**
CO_2 emissions (Scope 1, 2, 3) – location-based after offsetting	**t CO_2eq**	**36,046.7**	**35,987.3**	**78,633.1**
Direct CO_2 emissions (Scope 1)[7]	t CO_2eq	3,240.2	3,265.5	4,632.3
Indirect CO_2 emissions (Scope 2) – market-based[8]	t CO_2eq	2,428.6	3,301.2	67,151.3
Indirect CO_2 emissions (Scope 2) – location-based[8]	t CO_2eq	29,761.0	29,658.5	70,638.2
Other indirect CO_2 emissions (Scope 3) before offsetting[9]	t CO_2eq	3,253.6	3,310.5	3,362.6
Other indirect CO_2 emissions (Scope 3) after offsetting[9]	t CO_2eq	3,045.5	3,063.4	3,362.6
CO_2-intensity (Scope 1, Scope 2 market-based)	**t CO_2eq / million revenues**	**2.2**	**2.6**	**23.0**
CO_2-intensity (Scope 1, Scope 2 location-based)	**t CO_2eq / million revenues**	**12.6**	**12.9**	**24.1**

1 The values for 2022 were adjusted retrospectively, mainly due to an adjustment to the procedure for determining the electricity consumption of the shop chain and the first-time recording of Group-wide heating consumption in 2023.
2 2015 = base year, as retrograde, consolidated reporting of energy consumption and CO_2 emissions was carried out for the first time for this year.
3 Electricity consumption is calculated by also taking into account appropriate estimates and extrapolations.
4 Fuel consumption includes the utilization of diesel and petrol for the company car fleet as well as Group-wide heating consumption. Group-wide heating consumption was determined for the first time in 2023 using appropriate estimates and projections (previously only recording utilization from direct natural gas contracts). The previous year's figure was adjusted accordingly to ensure comparability. The conversion factors of the UK Department for Environment, Food and Rural Affairs (DEFRA) are used to convert fuel consumption into GWh and CO_2 emissions.
5 Calculated by taking into account the German electricity mix plus actual energy purchases from renewable energy sources.
6 CO_2 eq = CO_2, CH4 and NO₂.
7 Emissions from the use of refrigerants were not taken into account for reasons of materiality.
8 To determine the indirect, market-based CO_2 emissions, the amount of electricity from renewable energy sources is recognised as CO_2 neutral; all other electricity quantities are converted using the same conversion factor as for the location-based method. The conversion of electricity consumption into indirect, location-based CO_2 emissions is carried out using a standardised Group-wide conversion factor, regardless of the actual purchase of renewable energy (source emission factor: German Federal Environment Agency).
9 Indirect emissions (Scope 3) include emissions from (1) the employees' vehicle model, (2) travel activities (flights, rail travel, hotel accommodation, car hire bookings), (3) payment services, (4) the production of standard contract documents in customer communication and (5) parcel shipping (logistics). The Scope 3 emissions in the base year (2015) only include CO_2 emissions from (1). CO_2 emissions for items that were offset are recognised as CO_2 neutral in the "after offsetting" figure.

Actions: Statutory energy audits are carried out at freenet regularly, but at least every four years, in accordance with Sections 8-8d EDL-G (Act on Energy Services and Other Energy Efficiency Measures). The last Group-wide energy audit was carried out in the 2022 financial year. The resulting recommendations for improving energy efficiency are taken into account after weighing up the costs and benefits and in accordance with the requirements of DIN EN 16247-1.

Energy efficiency was also prioritised during the comprehensive energy refurbishment of the company's own office and administration building in Büdelsdorf, which was completed in December 2022. In addition to the energy-efficient thermal insulation of the façade and roof, modern building technology was installed with the installation of a ventilation system, a heat pump and an automated LED lighting system. In addition to its logistics sites, freenet also converted its own shops and the administrative site in Erfurt to LED lighting technology in the reporting year.

In order to further reduce fuel consumption within the Group and drive forward the electrification of the vehicle fleet, freenet is offering targeted incentives. To promote climate-friendly travel by employees to the locations, freenet offers a leasing model for bicycles/e-bikes, which has been positively received by the company with over 100 (electric) bicycles ordered in the past financial year and around 270 (electric) bicycles ordered since its introduction in 2021. In addition, freenet subsidises the use of local public transport and contributes to the costs of setting up private charging stations for electric vehicles at the homes of employees who are entitled to company cars. In order to further increase employees' willingness to embrace e-mobility, seven charging stations were installed at the company's locations in the past financial year. This increased the number of e-charging points from 15 to 22.

In addition to the infrastructure, the corresponding range of vehicles is also being created. In 2023, the portfolio of employee vehicles comprised four electric vehicle models from different manufacturers to enable every employee to choose an electric vehicle as part of the employee vehicle model. As a result, the number of registered electric vehicles in the Group almost doubled compared to the previous year. Some of the vehicles in the central logistics area and in the company's own vehicle pool, which is used for business trips, have also been electrified.

In order to reduce CO_2 emissions from travelling, freenet makes its employees aware of the need to consider sustainability aspects when planning business trips. For example, information and tips for reducing the CO_2 footprint are displayed in the booking portal for every planned trip. Travel bookings are made Group-wide according to a standardised travel booking process based on a travel policy that explicitly points out, among other things, that virtual meetings are preferable to physical ones. In addition, the labelling of sustainably certified hotels in the travel booking tool is planned for 2024.

Resource consumption

Management approach: freenet has anchored the digital-first approach in its mission statement. In external communication with customers and business partners as well as internally, digital channels and platforms are to be prioritised, used and further expanded. This leads to a reduction in the use of materials (e.g. paper) and shipping volumes. In logistics, the topic of environmental sustainability in the sense of a holistic view of the value chain is becoming increasingly important. freenet is striving to further reduce the use of resources in logistics.

Governance: Various departments are responsible for managing the use of operational resources and are affiliated to the IT Executive Board (CTO) and the Chief Financial Officer (CFO). For example, the Billing and Customer Management departments are responsible for digitalisation projects in customer communication. The Supply Chain Management department in the CFO's division is responsible for processes to reduce the use of resources in logistics. In cooperation with various transport service providers, freenet's central logistics department is working on making the shipping of parcels more climate-friendly in the coming years. The company already ensures that logistics partners are certified in accordance with ISO 14001 in addition to their obligations to optimise the provision of services for freenet's customers.

In addition to the digital networking of sales channels, the main focus for minimising freenet's resource consumption is on the digital dispatch of standard contract documents (invoices and daily mail) and accompanying letters (delivery notes and returns labels). Other key factors include material savings in packaging (cardboard and fillers) and the use of climate-neutral shipping services for the transport of hardware (smartphones, SIM cards, accessories) between locations and to customers.

Actions: Digital invoicing is an important area for saving paper. The proportion of invoices issued digitally in mobile communications increased further to 98.8% in 2023 (previous year: 97.7%). In addition to expanding the digitalisation of billing for private customers, the focus was on business customers, who were notified in the fourth quarter of 2023 about the planned complete switch to digital billing by summer 2024. There are limits to the further expansion of digital invoicing due to the already high level of coverage and against the backdrop of regulatory requirements. It can therefore be assumed that the rate will remain fairly constant in future.

In the TV and media sector, subscriptions are taken out almost exclusively digitally and standard contractual documents are also transmitted to the customer digitally. This applies equally to freenet TV and waipu.tv customers. The initiatives thus contribute to automating and digitising more and more customer processes (see Service quality).

Table 27: Proportion of online invoices

In %	2023	2022
Online Invoice	**95.7**	**93.5**
Thereof freenet mobile communications	94.6	91.9
Thereof klarmobil	98.8	97.7

Unavoidable CO_2 emissions generated in customer communications during the production and delivery of standard contract documents and payment processing are offset in mobile communications in cooperation with service providers via certified climate protection projects. With regard to customer communications, this related to mailings from the freenet Mobilfunk and klarmobil brands in the 2023 financial year, with calculated CO_2 emissions of around 208 tonnes (previous year: around 247 tonnes). The approach is to be rolled out to other brands in the coming years with the aim of ensuring Group-wide climate-friendly production and delivery of standard contract documents in customer communications. Parcel delivery to customers caused CO_2 emissions of around 517 tonnes in the 2023 financial year (previous year: approx. 516 tonnes). This figure includes CO_2 emissions from the storage, packaging, outgoing goods and dispatch of parcels to customers (excluding CO_2 emissions from related energy consumption and stock transfer). In order to improve the environmental sustainability of packaging materials or to further optimise or reduce the internal shipping volume, the standardised cardboard box dimensions are regularly reviewed in relation to the variety of products. In addition, the package size is automatically controlled in relation to the item volume.

The proportion of recycled granulate in the fillers used in logistics was increased to 100% in the 2023 financial year (previous year: 50%). A total of nine filler machines were replaced at the logistics sites in Büdelsdorf and Oberkrämer for this purpose.

External suppliers are also made responsible for the composition of the packaging materials used, taking into account the applicable and necessary transport safety standards. Since 2020, tenders for fillers and closure materials have included sustainability aspects with a weighting of 40% when awarding contracts, in addition to economic and safety factors.

Compliance and integrity

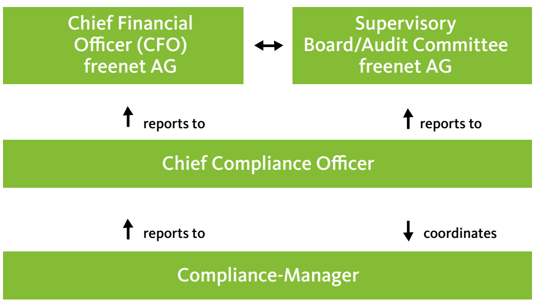
Management approach: freenet is committed to the applicable laws and standards and the underlying ethical principles. Integrity and legal compliance are the most important cornerstones for social and economic co-operation. To ensure the trust of all stakeholders, freenet therefore ensures compliance with legal requirements and internal guidelines. Non-compliance can have negative effects on freenet's reputation and trustworthiness and disrupt cooperation with business partners and customers in the long term. The company naturally pursues a zero-tolerance policy for criminal offences. The Executive Board underlines the strict basic attitude with a “tone from the top”, which is also communicated to all areas of the organisation by downstream managers. In addition, freenet's works councils support all compliance guidelines. Legal compliance as a strong component of the corporate culture is expressed through active action and support from all parts of the organisation. The aim is to minimise compliance risks and thereby maintain and strengthen freenet's trustworthiness in the long term.

Governance: Compliance management is very important to freenet. In order to successfully counter general compliance risks, the company has implemented a compliance management system (CMS) that has created uniform Group standards for compliance issues such as anti-corruption. The Chief Compliance Officer (CCO) is responsible for the content of compliance measures, which are implemented in close and constructive cooperation with the Internal Audit, Human Resources and Legal departments and continuously monitored for compliance. Preventive and investigative measures are coordinated by the Governance Board, which is made up of the CFO, CCO and the Head of Group Audit, Risk and Control. The measures intended by the company management are also regularly updated on the basis of new forensic findings or changes in the law.

The CCO reports directly to the Chief Financial Officer (CFO) and advises him as the person with overall responsibility for compliance with the law and the monitoring of compliance risks in the implementation of relevant legal requirements. In addition, the CCO reports regularly, at least once per financial year, on the implemented processes, developments and special incidents to the Audit Committee of the Supervisory Board so that it can satisfy itself of the effectiveness of the CMS. The Supervisory Board is informed immediately if serious risks arise that could jeopardise the existence of freenet AG.

In the 2023 financial year, as in the previous year, freenet AG was not aware of any confirmed cases of corruption [GRI 205-3].

Figure 17: Compliance management structure



Actions: Risk analyses are regularly carried out to determine in which areas of activity the risk of compliance violations is particularly high. With regard to the typical economic offence of corruption, this occurs above all where the corruptor can influence larger cash flows in his favour with limited resources. This risk exists at freenet, for example, in the context of high-revenue contractual partners, both on the customer and supplier side. Based on the risk assessment, however, the risk is considered to be low, as these are always companies that themselves demonstrate a strong commitment to compliance; namely, for example, mobile network operators operating in Germany, smartphone providers and renowned electronics retailers.

In general, freenet AG addresses the management of compliance risks in several areas simultaneously, each of which is characterised by prevention, detection and reaction. In terms of prevention, the focus is on providing employees with targeted information. Employees are given a stable framework to orientate themselves by means of target group-specific training, personal discussions and generally binding guidelines. Our corporate culture encourages employees to constantly exchange information with each other and with their managers about the legal risks involved in their work.

In addition, clear guidelines and requirements have been defined for the most important compliance issues in employees' day-to-day work. In this context, the benefits, purchasing and signature guidelines play a decisive role, as they serve to combat anti-corruption, among other things. For this reason, these are part of the Audit Universe and are risk-assessed annually and included in the audit plan of Internal Audit on a selective basis. The aim of the grant guideline is to prevent the improper influencing of business transactions, both internally and externally. All employees must report all benefits received and granted in excess of EUR 20 to the Compliance department via their line manager on a quarterly basis so that gifts, invitations and favours can be checked for their factual and legal compliance. At freenet, the receipt and granting of benefits is only permitted if it can be unequivocally ruled out that a business decision will be influenced.

However, the signature guideline ensures that only selected persons can conclude business transactions and that authorised representatives from different departments or divisions always sign important declarations of intent. In addition, the purchasing guideline ensures procurement from the objectively best supplier for key purchasing transactions through clear procedural requirements and the mandatory involvement of the purchasing department – as a neutral body alongside the procuring department. In addition, payment transactions with customers and suppliers are always processed non-cash. Only in end customer transactions does freenet accept cash to the customary extent in order to counteract money laundering in the best possible way. In addition, the Compliance department always offers legal and substantive advice via a hotline in order to quickly clear up any uncertainties in day-to-day work. The investigation of any legal violations is also multi-pronged. Possible breaches of the rules are pursued in particular by Internal Audit and the central Fraud Management department.

If employees observe misconduct or suspect a violation of laws or internal guidelines, they are required to report this immediately to the Compliance department. A whistleblower system is available to them and external parties (e.g. franchisees or suppliers) around the clock for this purpose, which fulfils the requirements of the German Whistleblower Protection Act (HinSchG) and Section 8 of the German Supply Chain Due Diligence Act (LkSG). Contact options for reporting suspected compliance violations and further information on the reporting procedure are available on the freenet AG intranet and on the company website at fn.de/whistleblower. Reports can be made either anonymously or by disclosing one's identity. Naturally, all whistleblowers are protected from negative consequences as a result of their report in accordance with the EU Whistleblower Directive. The Whistleblower Committee examines incoming reports and initiates further investigations if necessary. The composition and working methods of the committee are explained in more detail in the corporate governance declaration (fn.de/cgstatement).

One aspect that has become increasingly important in recent years is the responsibility of companies for human rights and environmental violations in the supply chain. freenet AG takes this responsibility very seriously and has therefore implemented a code of conduct for business partners many years ago and made it the subject of its contractual relationships in the B2B environment. More information on supply chain management is provided in the following section "Supply chain and human rights due diligence".

Supply chain and human rights due diligence

Management approach: freenet is aware of its environmental and human rights responsibilities as a company and therefore attaches great importance to upholding and complying with these aspects in its business and procurement processes. Legislators have also recently emphasised their importance by passing the LkSG. It aims to improve the international human rights situation by setting out requirements for the responsible management of supply chains for certain companies.

freenet has set out its position on human rights and environmental risks in the 2023 supply chain in a policy statement published on freenet AG's website. freenet's goal is to hold smartphone manufacturers and network operators, in addition to all other suppliers, accountable for using their influence and position in the value chain to ensure, in particular, compliance with human rights due diligence obligations and the exclusion of conflict minerals in the production of telecommunications hardware and accessories. However, freenet's ability to exert influence on its main suppliers with regard to sustainability aspects is limited in view of its share of the total business volume of these suppliers and its position in the value chain.

Governance: freenet's constantly developing supplier base includes suppliers from various countries. In the mobile communications segment, the following main suppliers account for the majority of the monetary purchasing volume:

- Mobile network operators: Deutsche Telekom, Vodafone and Telefónica Deutschland
- Device/accessory manufacturer: Apple, Huawei or Samsung
- Service providers in (outsourced) customer support such as Capita

The main procurement organisation and responsibility is bundled in the "Partner Relations" Executive Board department. Cooperation with the aforementioned mobile network operators, device/accessory manufacturers and service providers in customer support is handled by separate purchasing units. In addition, suppliers are managed and managed centrally by indirect purchasing (corresponds to indirect purchasing volume). In addition, Media Broadcast has its own purchasing unit due to the high specificity of the preliminary services to be procured.

When the LkSG came into force on 1 January 2023, corporate responsibility for compliance with human rights and environmental due diligence obligations in supply chains was regulated at national level. In this context, freenet AG has intensified its efforts and, among other things, improved its existing risk management, introduced systematic risk analyses for environmental and human rights-related risks and established preventive measures. These measures are monitored by the Group's Human Rights Officer, who reports directly to the freenet AG Executive Board.

With regard to its direct supplier structure, the company believes that it has a low risk exposure overall: in relation to the indirect purchasing volume of new suppliers commissioned in 2023, over 95% (previous year: almost 95%) are based in Germany, another EU member state or the European Economic Area. These suppliers are therefore subject to similarly strict legal (transparency) regulations with regard to environmental and human rights aspects as freenet AG itself. With regard to the LkSG, this means that the risk of violations of the legal positions protected by the law among freenet's direct suppliers can generally be considered very low. With a few exceptions, the other suppliers operate from OECD countries or in industries with a low risk profile.

Actions: Irrespective of the risk assessment, freenet has established various measures to further emphasise its self-imposed responsibility in the procurement process. For example, a Group-wide Supplier Code of Conduct was formulated in 2018 and is regularly revised in line with market requirements. It defines minimum standards in the areas of human rights (including zero tolerance of forced or compulsory labour), social standards (including payment of wages in accordance with legal requirements), environmental protection, safety, health and compliance and is generally included in all new procurement contracts/processes. Alternatively, a declaration is required from strategic suppliers that their standards at least correspond to those of freenet. In addition, suppliers are obliged to comply with the Supplier Code of Conduct and the basic principles expressed in the Global Compact, the Guiding Principles of the United Nations (UN) and the Declaration on Fundamental Rights at Work of the International Labour Organisation (ILO) as standard via the General Terms and Conditions of Purchase.

In the event of violations of the Code of Conduct for Suppliers, freenet reserves the right to appropriate reactions and sanctions depending on the severity of the violation. These include in particular, but are not limited to, the request to remedy the violation immediately, the assertion of claims for damages or – as a final consequence – the cancellation of the contract. If suppliers or their employees suspect a violation of applicable law or freenet standards, the Code of Conduct includes direct contact with freenet's Compliance department, which will initiate investigations if necessary. Contact can also be made anonymously via the whistleblower system publicly accessible on the freenet AG website (fn.de/whistleblower).

To underpin the responsibility we have set ourselves, sustainability aspects were already included as decision parameters in the freenet purchasing guidelines in 2017. This is intended to sensitise the responsible employees to explicitly take these aspects into account when making purchasing decisions. Accordingly, since 2020, information on sustainability aspects has been obtained in advance for all tenders in addition to aspects relating to the financial situation, if this appears sensible or necessary due to the specific circumstances of the individual case. In this context, prior consent to the freenet Supplier Code of Conduct is always obtained from all suppliers and service providers.

In Media Broadcast's separate purchasing guidelines, particular attention is paid to the aspects of environmental protection and energy efficiency, as the freenet subsidiary is an intensive electricity consumer due to its broadcasting infrastructure. If offers are completely equivalent, preference is to be given to suppliers who take these aspects into greater consideration. With regard to the procurement of all technical equipment, electricity consumption has been evaluated as one of the most relevant criteria in the technical bid analysis for tenders as standard since 2021.

In the financial year, supplier risk management was restructured against the background of the LkSG. In a first step, abstract risk indicators were defined and applied to the creditors of all affiliated companies. Companies identified as having an increased abstract risk were specifically assessed by the responsible purchasing departments on the basis of their own experience. In order to verify the risk assessment, questionnaires were sent to a large number of suppliers. This showed that there are only a very small number of relevant risks according to the LkSG among freenet's suppliers.

EU Taxonomy report

Subject and objective of the EU Taxonomy

The main objectives of the European Commission's action plan for financing sustainable growth are to channel capital flows into sustainable investments and to ensure a harmonised level of market transparency. The overarching goal is to transform the European economy into a CO_2-neutral economy by 2050. With the EU Taxonomy, the European Commission has created a central steering instrument to achieve this goal and promote the transition to a sustainable economy.

The legal basis for companies is Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (hereinafter: Taxonomy Regulation or EU Taxonomy) on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088. In accordance with Art. 8 of the Taxonomy Regulation in conjunction with Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 (hereinafter: Delegated Act on Art. 8 of the EU Taxonomy) non-financial companies must disclose the proportion of their revenues, the proportion of their capital expenditure (CapEx) and the proportion of operating expenditure (OpEx) associated with economic activities that are classified as environmentally sustainable within the meaning of the Taxonomy Regulation.

Previously, the information only had to be provided for activities defined by the EU for the first two ("climate change mitigation" and "climate change adaptation") of the six environmental objectives listed in Art. 9 of the Taxonomy Regulation. In 2023, further activities were published for the other four environmental objectives ("Sustainable use and protection of water and marine resources", "Transition to a circular economy", "Prevention and reduction of environmental Pollution" and "Protection and restoration of biodiversity and ecosystems") and must also be taken into account.

Economic activity of freenet AG

Principles and definitions

In the EU Taxonomy, a distinction is made between Taxonomy-eligible and Taxonomy-aligned activities. An economic activity is Taxonomy-eligible if it is mentioned in one of the delegated acts [4] that supplement the Taxonomy Regulation and specify the environmental objectives. It is not necessary for the activity to fulfil one or all of the technical assessment criteria specified in the delegated acts. Conversely, all economic activities that are not mentioned in the supplementary delegated acts are considered non-Taxonomy-eligible.

An economic activity is Taxonomy-aligned, i.e. environmentally sustainable within the meaning of the Taxonomy Regulation, if it fulfils the following requirements cumulatively:

1. It makes a substantial contribution to one or more environmental objectives, demonstrated by compliance with the substantial contribution criteria defined by the EU,
2. it does not significantly impair the achievement of the other environmental objectives ("DNSH: Do No Significant Harm") and
3. it is carried out in accordance with minimum social protection criteria ("minimum safeguards").

The interpretation of the description of activities in the EU Taxonomy is the responsibility of the companies preparing the statements due to the terms requiring interpretation and the lack of commentary literature from the regulator, academia or relevant practitioners. As part of the preparation of the disclosures on the EU Taxonomy, freenet AG has taken appropriate account of interpretative notes on the Taxonomy Regulation, the Delegated Acts and the FAQs published by the European Commission. The following reporting obligations reflect the current status of the assessment.

Procedure followed for the identification of Taxonomy-eligible and Taxonomy-aligned economic activities

The implementation of the EU Taxonomy at freenet AG is being handled by an interdisciplinary team composed by members of the ESG Reporting, ESG Controlling, Accounting and Legal departments. In order to identify Taxonomy-eligible economic activities, internal experts are consulted to analyse in detail how individual business activities are affected by the EU Taxonomy and to structure the identified topics. The starting point for analysing the fundamental impact of the EU Taxonomy was the "Mobile Communications" and "TV and Media" segments defined in accordance with IFRS 8 and their primary sales activities.

In its "Mobile Communications" segment, freenet AG mainly provides services as a mobile communications service provider. The primary sales activity is the purchase and marketing of wireless services, primarily to private customers. The company does not operate its own mobile communications network, but utilises the network infrastructure provided by network operators based in Germany. In the "TV and media" segment, the main sales activity is the transmission of third-party television and radio programmes using the company's own or rented infrastructure. In this respect, freenet AG also markets technological additions to linear television via antenna (DVB-T2) or Internet television (IPTV) to private customers (see business model and organisational structure). The primary sales activities of freenet AG can be allocated to the (NACE) sector "Information and Communication", which is covered by the EU Taxonomy, which means that the company is fundamentally affected by the EU Taxonomy.

The results of the impact analysis at activity level were summarised in an impact matrix containing the total activities of the EU Taxonomy and explanations of their relevance for freenet. For the activities in connection with the objectives "climate change mitigation" and "climate change adaptation", the analysis from 2022 was reassessed for the 2023 financial year, taking into account the business transactions and activities that actually occurred in the past financial year. In principle, there were no changes to the assessment of the impact of these activities, including the amendments to the Delegated Acts of 27 June 2023. The activities in connection with the four new environmental objectives were also subject to a review.

For the economic activities already defined by the EU Commission in 2021, the requirements for Taxonomy-alignment were analysed in the same way as in the previous year, taking into account all additions made in the meantime, and their degree of fulfilment was evaluated. The results are presented in the following chapters.

In accordance with Art. 5 of Delegated Regulation (EU) 2023/2486, only the Taxonomy-eligibility was analysed for the 2023 financial year with regard to the economic activities that were newly included as a result of the extension of the Taxonomy.

[4] Commission Delegated Regulation (EU) 2021/2139 Annex 1 of 4 June 2021 (hereinafter: Delegated act on Art. 10 of the Taxonomy Regulation (Annex 1)) and Commission Delegated Regulation (EU) 2021/2139 Annex 2 of 4 June 2021 (hereinafter: Delegated Act on Art. 11 of the Taxonomy Regulation (Annex 2)) together with Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending the aforementioned Delegated Regulation and Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 and amending Delegated Regulation (EU) 2021/2178.

Taxonomy-eligible economic activities

The following activities relevant to the "Information and Communication" sector were recognised for the aforementioned core business areas "Mobile Communications" and "TV and Media" and classified as non-Taxonomy-eligible in line with the previous year's reporting:

- Activity 8.2: Data-based solutions to reduce greenhouse gas emissions (environmental goal: climate change mitigation)
- Activity 8.3: Broadcasting activities (environmental objective: climate change adaptation)

Accordingly, the primary sales activities are not currently covered by the EU Taxonomy.

With regard to activity 8.2, it was also clarified in a notice (FAQ) published by the European Commission on 19 December 2022 that although general electronic communication networks are an important and necessary prerequisite for implementing the ICT solutions mentioned in the activity, they are not operated primarily to reduce emissions (answer to question no. 159). General telecommunication infrastructures, such as mobile phone networks, are therefore not covered by the activity. Accordingly, freenet AG's business activity of providing customers with additions to mobile communications is also not covered by activity 8.2.

According to the current understanding of the EU Taxonomy, it is not only important whether an economic activity directly serves to generate turnover and thus the actual economic activity of the company. Rather, any activity carried out within the company can be Taxonomy-eligible.

As part of the provision of its own services, freenet also utilises products and services from suppliers that are related to investment and operating expenses. In the context of the EU Taxonomy, this involves the acquisition of output from Taxonomy-eligible activities or the implementation of individual measures to improve energy efficiency. At freenet, these are primarily cross-sectional and infrastructure activities such as the leasing of vehicles (Section 6 – "Transport" sector) or the buildings used (Section 7 – "Construction and real estate" sector).

In addition, freenet also carries out activities relating to data centres (Section 8 – "Information and Communication" sector) and circular economy-oriented product solutions (Section 5– "Services" sector). The latter are new activities resulting from the analysis of the new environmental objectives.

With regard to the activities of the "Transport", "Construction and real estate" and "Information and communication" sectors, the "Climate change mitigation" objective is at the forefront. The activities of the "Services" sector are assigned to the environmental goal "Transition to a circular economy".

All activities relevant to the 2023 financial year are described in table 28:

Table 28: Taxonomy-eligible economic activities

Environmental goal[1]	Economic activity	Description related to freenet AG
"Transport" sector		
CCM 6.5 CCA 6.5	Transport by motorbikes, passenger cars and light commercial vehicles	Vehicle fleet consisting of company and service cars
Construction and real estate sector		
CCM 7.2 CCA 7.2 CE 3.2	Renovation of existing buildings	Successive CapEx for the renovation of the office building at the Büdelsdorf site
CCM 7.3 CCA 7.3	Installation, maintenance and repair of energy efficiency equipment	Installation of energy-efficient LED lighting at our own and rented locations as well as shops/stores
CCM 7.4 CCA 7.3	Installation, maintenance, and repair of charging stations for electric vehicles in buildings	Establishment of a charging station infrastructure at the office sites
CCM 7.7 CCA 7.7	Acquisition and ownership of buildings	Operating expenses (maintenance, servicing and other) for the (renovated) Büdelsdorf site
"Information and Communication" sector		
CCM 8.1 CCA 8.1	Data processing, hosting and related activities	Operation of own data centre and rental of colocation areas including power supply and air conditioning (rights of use recognised in accordance with IFRS 16), equipped with own IT
"Services" sector		
CE 5.1	Repair, refurbishment and remanufacturing	Repair of mobile devices (mobile communications segment), refurbishment of CI cards and WiFi access points (TV and media segment)
CE 5.4	Sale of second-hand goods	Sale of used mobile devices and accessories (mobile communications segment), sale of used CI cards (TV and media segment)
CE 5.5	Product as a service and other cycle- and result-orientated service models	Rental models for access points for the operation of WiFi networks (TV and media segment)

[1] This column indicates the number and environmental objective of the economic activities. If several possible environmental objectives are assigned, the objective that was assigned to the activity is emphasised. The abbreviations are specified by the Taxonomy Regulation: Climate change mitigation = CCM, Climate change adaptation = CA, Water and marine resources = WTR, Circular economy = CE, Pollution prevention and control = PPC, Biodiversity and ecosystems = BIO.

Taxonomy-alignment of the identified Taxonomy-eligible economic activities

The reporting obligations under the EU Taxonomy for the 2023 financial year only require to analyse and report on Taxonomy-alignment for the identified economic activities that are assigned to the environmental objective "climate change mitigation" and "climate change adaptation". The investigation revealed that none of the activities to be analysed are Taxonomy- alignedcompliant.

With regard to the data centres (Activity 8.1), the criteria defined by the EU for a substantial contribution to the environmental goal of "climate change mitigation" are not met. The global warming potential (GWP) of the refrigerants used in the cooling system of the data centres is above the defined maximum value of 675, but within the requirements of Regulation (EU) 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases. Due to the fact that the maximum GWP value was exceeded and the sequential nature of the three-stage test in accordance with Art. 3 of the Taxonomy Regulation, the other criteria and requirements were not checked.

The other activities in connection with the objectives "climate change mitigation" and "climate change adaptation" are related to the purchase of output of Taxonomy-eligible economic activities and individual measures ("Category (c)" under section 1.1.2.1. or section 1.1.3.1. according to the delegated act on Art. 8 of the Taxonomy Regulation), which make it possible to reduce the greenhouse gas emissions of freenet AG's primary (non-Taxonomy-eligible) sales activities. According to the current state of discussion, proof of the Taxonomy-alignment of the purchased output must be provided jointly by the respective supplier or owner and the reporting company. Since many companies are only just checking conformity themselves and their results cannot even be included by freenet AG due to the time aspect, no statement can currently be made about the degree of fulfilment of these services procured from third parties. In addition, many companies are not required to report under the EU Taxonomy. The corresponding expenses are therefore reported as non-Taxonomy-aligned for the 2023 reporting year.

Taxonomy indicators and reporting principles

In accordance with Art. 8 of the EU Taxonomy, the reportable performance indicators (Taxonomy KPIs) include revenues, CapEx and OpEx. In addition to the Taxonomy-eligible portion, non-financial companies must also disclose the Taxonomy-aligned portion of their revenues, CapEx and OpEx. The latter thereof is reported by freenet AG as zero due to the lack of Taxonomy-aligned economic activities.

The delegated act on Art. 8 of the Taxonomy Regulation (Annex 1) and its supplement of 27 June 2023 define the content, calculation methods and presentation for the KPIs of non-financial companies to be disclosed. freenet AG has determined the data required for the reporting year in accordance with the aforementioned definitions and requirements. The data for calculating the key figures originate from the Group's accounting system and are based on the consolidated financial statements of freenet AG. The direct allocation of relevant transactions to the respective Taxonomy-eligible activity eliminates double counting.

Table 29: Abridged presentation of the Taxonomy KPIs 2023

Taxonomy KPI	Total (KPI denominator)	Non Taxonomy-eligible portion		Taxonomy-eligible portion		Taxonomy-aligned portion	
In EUR million/as indicated	absolute	absolute	in %	absolute	in %	absolute	in %
Revenues	2,627.3	2,611.5	99.4	15.8	0.6	0	0
CapEx	88.8	85.2	95.9	3.6	4.1	0	0
OpEx	30.7	24.6	80.2	6.1	19.8	0	0

Revenues KPI

The share of Taxonomy-eligible economic activities in consolidated revenue was calculated on the basis of the share of net revenue generated from goods and services related to Taxonomy-eligible economic activities (numerator) divided by freenet AG's consolidated revenue (denominator); in each case for the financial year beginning on 1 January and ending on 31 December.

The Group revenues used in the denominator correspond to the Group's net revenues, which are reported in accordance with IAS 1.82. Further details on the accounting policies relating to revenue recognition can be found in Note 2.1. The consolidated revenue corresponds to the consolidated net revenue as reported in the consolidated income statement and Note 4.

The Taxonomy-eligible portion of revenues amounts to 0.6% (previous year: 0.1%) of total revenues totalling EUR 2,627.3 million (previous year: EUR 2,556.7 million). The numerator of the revenues KPI corresponds to net revenues from goods and services provided to external third parties (customers). Compared to the previous year, Taxonomy-eligible revenues increased by EUR 12.2 million to EUR 15.8 million (previous year: EUR 3.6 million), mainly due to the newly added activities in the area of the environmental goal “Transition to a circular economy” (EUR 13.4 million).

The Taxonomy-aligned portion amounts to 0% (previous year: 0%).

CapEx KPI

The CapEx KPI is defined as Taxonomy CapEx (numerator) divided by total CapEx (denominator).

The denominator comprises additions to property, plant and equipment and intangible assets during the financial year before depreciation, amortisation and any revaluations, including those resulting from write-ups and impairments, and excluding changes in fair value. Of the CapEx categories listed in the Delegated Act to Art. 8 of the Taxonomy Regulation, the basic category of investments used here includes gross additions to property, plant and equipment (IAS 16), intangible assets (IAS 38) and additions to long-term right-of-use assets (IFRS 16). Additions from business combinations (IFRS 3) – if any – are also part of the denominator. Additions to goodwill are not included as they do not fulfil the definition of an intangible asset (IAS 38). Further details on the accounting policies relating to investments can be found in Note 2.2. and Note 2.3. Total investments correspond to the total of additions to property, plant and equipment (IAS 16) and intangible assets (IAS 38) under Note 38 and additions to lease assets (IFRS 16) under Note 2.5.1.

The Taxonomy-eligible portion of CapEx amounts to 4.1% (previous year: 3.0%) of total CapEx totalling EUR 88.8 million (previous year: EUR 182.3 million). Of which:

- 65.9% (previous year: 83.8%) to gross additions to property, plant and equipment (IAS 16) and
- 34.1% (previous year: 16.2%) to additions to long-term right-of-use assets (IFRS 16).

The share of gross additions to property, plant and equipment (IAS 16) has decreased as the renovation of the headquarters in Büdelsdorf was almost completed in 2022. In 2023, most of the Taxonomy-eligible CapEx is attributable to activity 8.1. The investments could be clearly allocated to the corresponding activities based on the asset classes and measures.

The Taxonomy-aligned portion amounts to 0% (previous year: 0%).

OpEx KPI

The OpEx KPI is defined as Taxonomy-eligible OpEx (numerator) divided by total OpEx (denominator) as defined by the EU Taxonomy. The denominator includes direct, non-capitalised expenses relating to research and development, building refurbishment, short-term leasing, maintenance and repair and all other direct expenses relating to the day-to-day maintenance of property, plant and equipment to ensure the continued and effective functioning of these assets. The following items are included:

- Research and development expenses did not affect the consolidated income statement in either the financial year or the previous year.
- Current leases relate to the expenses determined in accordance with IFRS 16 under Note 2.5.1.
- Maintenance and repair expenses as well as all other direct expenses in connection with the daily maintenance of property, plant and equipment were determined on the basis of an individual account analysis and can be allocated to various items (including maintenance of administrative buildings, systems technology or IT systems) under other operating expenses (see Note 10). Building refurbishment measures are also included.
- Personnel expenses associated with the areas listed above are also included. The EU Taxonomy does not explicitly state that these may not be included. In particular, the personnel costs attributable to maintenance and repair of the technical infrastructure were taken into account in accordance with the cost centre allocation of the employees.

The corresponding Group accounts were used for the total operating costs.

Compared to CapEx, the specific OpEx understanding of the EU Taxonomy is decisive for the fact that total OpEx is significantly lower than the Group’s total operating expenses. Including the aforementioned personnel expenses, this results in a Taxonomy-eligible portion of OpEx of 19.8% (previous year: 18.9%) of total OpEx (as defined by the EU Taxonomy) totalling EUR 30.7 million (previous year: EUR 32.1 million), which is roughly comparable to the previous year. Of which:

- 76.7% to maintenance and repair expenses (previous year: 83.7%) and
- 23.3% to other costs (previous year: 16.3%).

Most of the Taxonomy-eligible OpEx (80.9%) in 2023 is attributable to activity 8.1. To allocate the OpEx to the activities, the acquisition processes and measures were identified and the corresponding cost centres evaluated in order to make a clear allocation.

The Taxonomy-aligned portion amounts to 0% (previous year: 0%).

Tables according to Annex II of the Delegated Act pursuant to Art. 8 of the Taxonomy Regulation

Revenues

Table 30: Proportion of revenues from products or services associated with Taxonomy-aligned economic activities – Disclosure for the year 2023

Financial year 2023		2023		Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Revenues (3) in EUR '000	Proportion of revenues (4) in %	Climate change mitigation (5) in %	Climate change adaptation (6) in %	Water (7) in %	Circular economy (8) in %	Pollution (9) in %	Biodiversity (10) in %
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
–	–	0	0	–	–	–	–	–	–
Revenues environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**	**–**	**–**	**–**	**–**	**–**	**–**
of which "enabling activities"		0	0						
of which "transitional activities"		0	0						
A.2 Taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy-aligned activities)									
Data processing, hosting and related activities	**CCM 8.1**, CCA 8.1	2,389.7	0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Repair, refurbishment and remanufacturing[1]	**CE 5.1**[1]	7,375.9	0.3	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Sale of second-hand goods[1]	**CE 5.4**[1]	3,298.1	0.1	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Product as a service and other circular use and result-orientated service models[1]	**CE 5.5**[1]	2,735.4	0.1	N/EL	N/EL	N/EL	EL	N/EL	N/EL
Revenues of Taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy-aligned activities) (A.2)		**15,799.2**	**0.6**	**0.1**	**–**	**–**	**0.5**	**–**	**–**
Total (A.1 + A.2)		**15,799.2**	**0.6**	**0.1**	**–**	**–**	**0.5**	**–**	**–**
B. Taxonomy-non-eligible activities									
Revenues of Taxonomy-non-eligible activities (B)		**2,611,521.8**	**99.4**						
Total (A + B)		**2,627,321.0**	**100.0**						

[1] For the economic activities that were supplemented in 2023 by Delegated Regulation (EU) 2023/2486 of 27 June 2023, no conformity check was carried out in accordance with the law.

	Proportion of revenues/Total revenues	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	0.1%
CCA	0.0%	0.1%
WTR	n.a.	0.0%
CE	n.a.	0.5%
PPC	n.a.	0.0%
BIO	n.a.	0.0%

DNSH criteria ('Does not significantly harm')									
Climate change mitigation (11) J/N	Climate change adaptation (12) J/N	Water (13) J/N	Circular economy (14) J/N	Pollution (15) J/N	Biodiversity (16) J/N	Minimum safeguards (17) J/N	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) revenues, 2022 (18) in %	Category enabling activities (19) E	Category transitional activities (20) T
–	–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**
							0.1		
							–		
							–		
							–		
							0.1		
							0.1		

CapEx

Table 31: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – Disclosure for the year 2023

Financial year 2023		2023		Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	CapEx (3) in EUR '000	Proportion of CapEx (4) in %	Climate change mitigation (5) in %	Climate change adaptation (6) in %	Water (7) in %	Circular economy (8) in %	Pollution (9) in %	Biodiversity (10) in %
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
–	–	0	0	–	–	–	–	–	–
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**	**–**	**–**	**–**	**–**	**–**	**–**
of which "enabling activities"		0	0	–	–	–	–	–	–
of which "transitional activities"		0	0	–					
A.2 Taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy-aligned activities)									
Transport with motorbikes, passenger cars and light commercial vehicles	**CCM 6.5**, CCA 6.5	748.8	0.8	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Renovation of existing buildings	**CCM 7.2**, CCA 7.2, CE 3.2	196.1	0.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy-efficient equipment	**CCM 7.3**, CCA 7.3	163.2	0.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and car parks belonging to buildings)	**CCM 7.4**, CCA 7.4	211.0	0.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Data processing, hosting and related activities	**CCM 8.1**, CCA 8.1	1,406.3	1.6	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Product as a service and other circular use and result-orientated service models[1]	**CE 5.5**[1]	923.0	1.0	N/EL	N/EL	N/EL	EL	N/EL	N/EL
CapEx of Taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy-aligned activities) (A.2)		**3,648.3**	**4.1**	**3.1**	**–**	**–**	**1.0**	**–**	**–**
Total (A.1 + A.2)		**3,648.3**	**4.1**	**3.1**	**–**	**–**	**1.0**	**–**	**–**
B. Taxonomy-non-eligible activities									
CapEx of Taxonomy-non-eligible activities (B)		**85,190.0**	**95.9**						
Total (A + B)		**88,838.4**	**100.0**						

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	**0.0%**	**3.1%**
CCA	**0.0%**	**3.1%**
WTR	n.a.	**0.0%**
CE	n.a.	**1.3%**
PPC	n.a.	**0.0%**
BIO	n.a.	**0.0%**

[1] For the economic activities that were supplemented in 2023 by Delegated Regulation (EU) 2023/2486 of 27 June 2023, no conformity check was carried out in accordance with the law.

	DNSH criteria ('Does not significantly harm')									
	Climate change mitigation (11) J/N	Climate change adaptation (12) J/N	Water (13) J/N	Circular economy (14) J/N	Pollution (15) J/N	Biodiversity (16) J/N	Minimum safeguards (17) J/N	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CapEx, 2022 (18) in %	Category enabling activities (19) E	Category transitional activities (20) T
	–	–	–	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**		–
								0.2		
								2.1		
								0.1		
								0.0		
								0.6		
								–		
								3.0		
								3.0		

OpEx

Table 32: Proportions of OpEx of goods or services associated with Taxonomy-aligned economic activities – Disclosure for the year 2023

Financial year 2023		2023		Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	OpEx (3) in EUR '000	Proportion of OpEx (4) in %	Climate change mitigation (5) in %	Climate change adaptation (6) in %	Water (7) in %	Circular economy (8) in %	Pollution (9) in %	Biodiversity (10) in %
A. Taxonomy-eligible activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
—	—	0	0	—	—	—	—	—	—
OpEx environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**	**—**	**—**	**—**	**—**	**—**	**—**
of which "enabling activities"		0	0	—	—	—	—	—	—
of which "transitional activities"		0	0	—					
A.2 Taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy-aligned activities)									
Transport with motorbikes, passenger cars and light commercial vehicles	**CCM 6.5**, CCA 6.5	737.0	2.4	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in car parks belonging to buildings)	**CCM 7.4**, CCA 7.4	6.7	0.0	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	**CCM 7.7**, CCA .7	416.7	1.4	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Data processing, hosting and related activities	**CCM 8.1**, CCA 8.1	4,916.2	16.0	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Repair, refurbishment and remanufacturing[1]	**CE 5.1**[1]	2.1	0.0	N/EL	N/EL	N/EL	EL	N/EL	N/EL
OpEx of Taxonomy-eligible but not environmentally sustainable activities (Not-Taxonomy-aligned activities) (A.2)		**6,078.7**	**19.8**	**19.8**	**—**	**—**	**0.0**	**—**	**—**
Total (A.1 + A.2)		**6,078.7**	**19.8**	**19.8**	**—**	**—**	**0.0**	**—**	**—**
B. Taxonomy-non-eligible activities									
OpEx of Taxonomy-non-eligible activities (B)		**24,631.8**	**80.2**						
Total (A + B)		**30,710.6**	**100.0**						

[1] For the economic activities that were supplemented in 2023 by Delegated Regulation (EU) 2023/2486 of 27 June 2023, no conformity check was carried out in accordance with the law.

	Proportion of OpEx/Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	**0.0%**	**19.8%**
CCA	**0.0%**	**19.8%**
WTR	n.a.	**0.0%**
CE	n.a.	**0.0%**
PPC	n.a.	**0.0%**
BIO	n.a.	**0.0%**

DNSH criteria ('Does not significantly harm')									
Climate change mitigation (11) J/N	Climate change adaptation (12) J/N	Water (13) J/N	Circular economy (14) J/N	Pollution (15) J/N	Biodiversity (16) J/N	Minimum safeguards (17) J/N	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx, 2022 (18) in %	Category enabling activities (19) E	Category transitional activities (20) T
–	–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
							3.5		
							0.0		
							1.0		
							14.4		
							–		
							18.9	**–**	**–**
							18.9	**–**	**–**

Corporate governance and other disclosures

Corporate governance statement in accordance with Sections 289f, 315d HGB (incl. GCGC / diversity concept)*

The corporate governance declaration contains key aspects of corporate governance reporting at freenet AG. It contains in detail

- the current Declaration of Conformity pursuant to Section 161 AktG by the Executive Board and Supervisory Board,
- information on access to the current remuneration report, the auditor's report and the most recent remuneration resolution of the Annual General Meeting,
- the relevant disclosures on corporate governance practices that go beyond the legal requirements,
- the working methods of the Executive Board and Supervisory Board and the composition and working methods of the Supervisory Board committees,
- the stipulations for the proportion of women on the Executive Board and in the two management levels below the Executive Board,
- a statement as to whether the minimum proportion of women and men on the Supervisory Board was complied with in the financial year or, if necessary, an explanation for any deviation,
- an indication of whether the company has appointed at least one woman and one man as members of the Executive Board or, if necessary, an explanation for any deviation, and
- a description of the diversity concept for the Supervisory Board and the Executive Board and its objectives, its implementation and the results achieved in the financial year or, if necessary, an explanation of why no diversity concept is being pursued.

The Corporate Governance Statement pursuant to Sections 289f, 315d HGB and the Declaration of Compliance pursuant to Section 161 AktG can be found at fn.de/cgstatement.

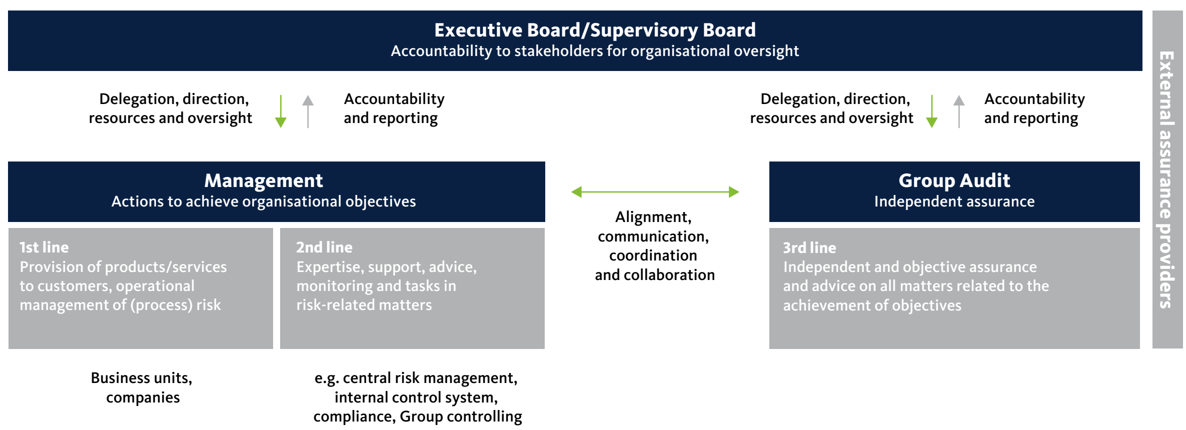
Control and monitoring systems

Design and assessment at freenet

Structure of internal control and monitoring systems*

As part of the establishment of internal control and monitoring systems, freenet analysed key processes with regard to weaknesses and risks and created key controls and behavioural guidelines to ensure the identification of risks along processes and the definition of controls and behavioural guidelines to avoid detrimental effects on financial and non-financial success. To this end, the Executive Board has defined organisational structures, roles and responsibilities that are based on the three-line model of the Institute of Internal Auditors (IIA) and are illustrated below.

Figure 18: Three-lines model of freenet AG



* Indicates auditable and non-auditable information that is not normally part of the management report as well as information typically included in the management report, the statutory inclusion of which in the substantive audit of the management report as part of the audit of the annual/consolidated financial statements is not required and which therefore is not audited as part of the audit of the annual/consolidated financial statements.

The Executive Board is responsible for the appropriate establishment and regular monitoring of internal control and monitoring systems, the appropriateness and effectiveness of which is also monitored by the Supervisory Board and the Audit Committee of freenet AG. The individual organisation may vary depending on the scope of the business activities and the risk situation of the divisions and companies.

The operational management of freenet AG's business divisions and companies (1st line) directs and manages the activities and deployment of resources in order to achieve the targets set (e.g. guidance or "freenet Ambition 2025"). It ensures compliance with internal company and legal requirements in the operating business. This is done in accordance with Group-wide requirements (e.g. risk management, data protection, information security, signatory authorisation) and is implemented in the organisational structure and processes as far as possible through defined, standardised and automated procedures and certifications of selected core processes (e.g. ISO 9001, ISO 14001 or ISO 27001). Furthermore, process-integrated security measures are implemented (e.g. transaction and quality controls, separation of functions and dual control principle as well as release mechanisms and access authorisations), which ensure the correctness of the processes. Indirect controls in the form of discussions across all management levels are a central component of freenet's corporate culture. Operational management is also in regular dialogue with the Executive Board and reports on planned, actual and expected results and the achievement of targets.

The 2nd line management controls and coordinates the organisation of the process-integrated control and monitoring systems across the board. The aim is to ensure compliance with internal company requirements and laws, to guarantee information, technology and corporate security and to set internal controls, quality and sustainability standards. The 2nd line central units perform Group-wide analysis, monitoring and reporting tasks and provide expertise and advice to support the operating units in achieving their objectives.

The main systems of freenet's 2nd line are:

- Risk management system
- Internal control system
- Compliance management system
- IT security management system
- Internal control and reporting system

The design of the systems is based on the specifications of the Executive Board and is generally governed by Group-wide guidelines. Legal requirements, common ISO standards and frameworks from standard setters (e.g. Committee of Sponsoring Organisations of the Treadway Commission (COSO), German Federal Office for Information Security (BSI) or the Institute of Public Auditors in Germany (IDW)) serve as orientation.

Internal control and monitoring systems are interlinked at freenet. Regular dialogue between management (e.g. in business reviews, on the Governance and IT Security Board or in the ESG Committee) ensures a cross-system focus and a transparent flow of information. In addition, the 2nd line management is in regular dialogue with the Executive Board and the Supervisory Board and Audit Committee of freenet AG and reports on the results, appropriateness and effectiveness of the overarching control and monitoring systems.

Group Internal Audit supports the Executive Board in monitoring the respective business divisions and companies of freenet AG (1st line and 2nd line). With process-independent monitoring activities in the form of risk-oriented plan and event-driven special audits, it provides independent and objective audit assurance on the structural and procedural organisation in the business divisions and companies as well as of the process and system level. Group Internal Audit is also in regular dialogue with the Executive Board and the Supervisory Board and Audit Committee of freenet AG and reports on the audit results, which regularly include statements on the appropriateness and effectiveness of internal control and monitoring systems.

In addition, the auditor of freenet AG audits accounting-related processes and systems as part of the annual audit of the consolidated financial statements and provides an independent assessment.

The design of the process-integrated control and monitoring systems and the process-independent internal audit system at freenet enables the management and Executive Board to take any remaining risks into account appropriately in business management and decision-making.

Summarising the assessment of appropriateness and effectiveness *

As of 31 December 2023, the Executive Board of freenet AG has no information that would suggest that the internal control system (including the compliance management system) and risk management system as a whole are inadequate or ineffective.

When making statements on the appropriateness and effectiveness of internal control and monitoring systems, it must be taken into account that no system – even if it has been assessed as appropriate and effective – can guarantee that all risks that arise will be recognised and managed in advance or that any (process) violations will be prevented with certainty.

The summarised assessment of the appropriateness and effectiveness of internal control and monitoring systems at freenet is based on the exchange of information between the Executive Board and the 1st and 2nd line management as well as the Executive Board and Governance Board meetings in which the responsible managers report on their activities and findings. Audit results from the Group Internal Audit department and the Group auditor that relate directly or indirectly to the aforementioned systems do not lead to a different assessment. There are also no indications from the Audit Committee of the Supervisory Board of freenet AG that internal control and monitoring systems were inappropriate or ineffective.

Description of the material characteristics of the internal control and risk management system relevant for the consolidated financial reporting process (section 315 (4) HGB)

freenet's accounting-related internal control and risk management system is conceptually based on the internationally recognised COSO framework. It comprises all principles, procedures and measures intended to ensure the effectiveness, efficiency and correctness of accounting and compliance with the relevant legal regulations.

The core elements of the internal control and monitoring system are process-integrated and process-independent monitoring measures. Automated IT process controls, standardised and manual control actions in the business processes (including in the form of the dual control principle) and automatic security measures integrated into the workflows (separation of functions, access restrictions) are embedded in the accounting process.

The departments involved in the accounting process constantly analyse these controls and measures in relation to new legal requirements and other standards to be observed and use them to develop appropriate internal guidelines and training for the employees responsible.

The accounting of the individual financial statements of subsidiaries of freenet AG is essentially centralised in SAP accounting systems (SAP FI). In order to minimise the scope for discretion in the recognition, measurement and disclosure of consolidated financial statement items, uniform Group accounting policies in accordance with IFRS are laid down in a Group accounting manual. The SAP EC-CS module is used at the highest Group level to consolidate the individual financial statements into consolidated financial statements. The individual management report and note disclosures are obtained from standardised reporting packages and established reconciliation processes as part of the internal management and reporting system. Consolidation is the responsibility of the Group Consolidation department. In principle, the processes established in accounting are aimed at largely automated determination and control of all key accounting-relevant data.

The aim of the controls implemented in the internal control system of the accounting process is to ensure that the financial statements comply with standards and that the accounting is correct. Approval procedures in connection with the allocation of access rights protect the IT systems used in the accounting process against unauthorised access. Internal controls ensure the proper functioning of the interface between SAP FI and the SAP EC-CS consolidation module as well as the transfer of the standardised reporting packages of the subsidiaries to the consolidated financial statements of freenet AG. Process-integrated, automated monitoring measures are supplemented by manual plausibility checks of relevant interim results and random checks by management or controlling, among others.

The appropriateness and effectiveness of the accounting-related control system is ensured, among other things, by process-independent monitoring measures. Group Internal Audit is responsible for process-independent, internal monitoring at freenet. It examines the appropriateness and effectiveness of the internal control system in order-related, risk-oriented planned audits and special audits as required in the form of random sample audits and, if necessary, initiates optimisations in cooperation with the management.

In addition, the Group auditor of freenet AG audits the effectiveness of the accounting-related internal control system and, in particular, the interface and reconciliations between the individual financial statements (SAP FI) and the consolidation module (SAP EC-CS) using a risk-oriented audit approach as part of the annual audit of the consolidated financial statements.

* Indicates auditable and non-auditable information that is not normally part of the management report as well as information typically included in the management report, the statutory inclusion of which in the substantive audit of the management report as part of the audit of the annual/consolidated financial statements is not required and which therefore is not audited as part of the audit of the annual/consolidated financial statements.

The risk management system is partially linked to the internal control system and, in addition to operational risk management, also includes systematic early risk identification, management and monitoring throughout the Group. Further information on the risk management system can be found in the "Risk management system" section of the report.

Legal Group structure and takeover relevant disclosures in accordance with sections 289a (1), 315a (1) HGB

Composition of the subscribed capital

The subscribed capital (share capital) of freenet AG amounts to EUR 118,900,598. It is divided into the same number of registered shares. Each share grants one vote at the Annual General Meeting.

Restrictions on the transfer of shares or voting rights

The Executive Board is not aware of any restrictions relating to voting rights or the transfer of shares.

Shareholdings exceeding 10% of the voting rights

According to the available voting rights notifications pursuant to Sections 21 et seq. WpHG, there were no direct or indirect shareholder exceeding 10% of the voting rights in freenet AG as of 31 December 2023.

Shares with special rights and powers of control

There are no shares with special rights that confer powers of control.

Type of voting right control if employees hold equity investments

Insofar as employees participate in the capital as shareholders, they cannot derive any special rights from this.

Appointment and dismissal of members of the Executive Board, amendments to the Articles of Association

The appointment and dismissal of the members of the Executive Board of freenet AG are governed by Sections 84, 85 AktG and Section 31 MitbestG in conjunction with Section 5 (1) of the Articles of Association. The relevant provisions for amending the Articles of Association are Sections 133, 179 AktG and Section 16 of the Articles of Association of freenet AG.

Authorisation of the Executive Board to issue shares

By resolution of the Annual General Meeting on 27 May 2020, the Executive Board is authorised until 2 September 2025, with the approval of the Supervisory Board, to increase the share capital by issuing new shares against cash and/or non-cash contributions by a maximum of EUR 12,800,000.00 (Authorised Capital 2020).

In addition, the Annual General Meeting on 27 May 2020 resolved to conditionally increase the share capital by up to a total of EUR 12,800,000.00, divided into 12,800,000 new no-par value ordinary registered shares (Conditional Capital 2020). The conditional capital increase serves to grant no-par value registered shares to the holders or creditors of convertible bonds and/or bonds with warrants that are issued on the basis of the authorisation resolved by the Annual General Meeting on 27 May 2020 under agenda item 8, no. 1) and grant a conversion or option right to no-par value registered shares in the company or stipulate a conversion or option obligation. The Executive Board was authorised to determine the further details of the implementation of a conditional capital increase.

Authorisation of the Executive Board to buy back shares

By resolution of the Annual General Meeting on 5 May 2022, the Executive Board was authorised until 4 May 2027 to acquire treasury shares in the amount of up to 10 percent of the current share capital or – if the amount is lower – of the share capital existing at the time the authorisation is exercised. This authorisation may be exercised by the company, its subsidiaries or by third parties for the account of the company or for the account of its subsidiaries. At the discretion of the Executive Board, the shares may be acquired via the stock exchange, by means of a public purchase offer, by means of a public invitation to submit offers to sell, by issuing tender rights to shareholders or by using equity derivatives (put or call options or a combination of both). In other respects, the authorisation to acquire treasury shares in accordance with Sections 71 et seq. AktG.

Detailed information on the share buyback programmes can be found at fn.de/sharebuyback.

Change of control

A change of control could have effects on the repayment claims from the syndicated loan agreement between the freenet Group and a banking consortium as well as from the promissory note loans issued by freenet AG. In such a case, these loans could be called due in part or in full without freenet having any influence on this. Such a change of control may occur, regardless of whether it precedes the takeover offer, if more than 50% of the voting rights in freenet AG are acquired or if one or more persons acting in concert have the right to determine the majority of the members of the Supervisory Board of freenet AG. In such a case, freenet would bear the risk that subsequent financing to redeem the repayment claims would not be realised or only at less favourable conditions.

Compensation agreement of the company

There are no compensation agreements between the company and the members of the Executive Board or employees in the event of a takeover bid.

Report on post-balance sheet date events

With regard to the acquisition of Super Nova GmbH & Co. KG, Cologne, please refer to Note 35 of the Notes to the Consolidated Financial Statements. There were no other events of material importance for the freenet Group after the balance sheet date.

Büdelsdorf, 22 February 2024

freenet AG

The Executive Board

Christoph Vilanek (CEO)	Ingo Arnold (CFO)	Nicole Engenhardt-Gillé (CHRO)	Stephan Esch (CTO)	Antonius Fromme (CCE)	Rickmann v. Platen (CCO)

Consolidated financial statements

Consolidated income statement

1 January to 31 December

In EUR million/as indicated	Note	2023	2022
Revenues	4	**2,627.3**	**2,556.7**
Other operating income	5	46.2	49.5
Other own work capitalized	6	24.5	25.0
Cost of materials	7	– 1,676.2	– 1,670.0
Personnel expenses	8	– 239.1	– 229.6
Other operating expenses	10	– 282.5	– 252.9
thereof loss allowances on financial assets and contract assets		– 12.8	– 21.1
thereof without loss allowances on financial assets and contract assets		– 269.7	– 231.8
EBITDA [1]		**500.2**	**478.7**
Depreciation, amortisation and impairment	9	– 254.1	– 349.3
EBIT [2]		**246.1**	**129.4**
Result of equity-accounted investments	17	– 2.6	– 2.0
Interest and similar income	11	6.4	6.4
Interest and similar expenses	12	– 30.7	– 23.7
Other financial result	12	0.5	3.8
Financial result		**– 26.4**	**– 15.4**
EBT		**219.7**	**114.0**
Income taxes	13	– 63.4	– 32.1
Consolidated profit		**156.3**	**81.8**
Consolidated profit attributable to shareholders of freenet AG	24	154.6	79.3
Consolidated profit attributable to non-controlling interests	24	1.7	2.6
Earnings per share (EPS) basic and diluted (in EUR)	14.1, 14.2	**1.30**	**0.67**
Weighted average number of shares outstanding in units, basic and diluted (in millions)	24.1	118.9	118.9

[1] EBITDA is defined as earnings before interest and taxes (EBIT) plus depreciation and impairments.
[2] EBIT is defined as earnings before interest and taxes (EBIT).

Consolidated statement of comprehensive income

1 January to 31 December

In EUR million	Note	2023	2022
Consolidated profit		**156.3**	**81.8**
Currency conversion differences		0.0	0.0
Other comprehensive income/to be reclassified to the income statement in future periods		**0.0**	**0.0**
Change in fair value of investments in equity instruments		17.1	– 74.4
Recognition of actuarial gains and losses from the accounting of pension plans in accordance with IAS 19 (2011)	29	– 8.4	33.2
Income taxes recognised in other comprehensive income		2.3	– 8.9
Other comprehensive income/not to be reclassified to the income statement in future periods		**11.0**	**– 50.1**
Other comprehensive income		**11.0**	**– 50.1**
Consolidated total comprehensive income		**167.3**	**31.7**
Consolidated total comprehensive income attributable to shareholders of freenet AG		165.6	29.2
Consolidated comprehensive income attributable to non-controlling interests		1.7	2.6

Consolidated balance sheet

31 December

Assets

In EUR million	Note	31.12.2023	31.12.2022
Non-current assets			
Intangible assets	15, 16, 37	190.8	316.0
Lease assets	2.5	293.6	350.5
Goodwill	15, 16	1,379.8	1,382.4
Property, plant and equipment	15, 16, 37	129.4	134.2
Equity-accounted investments	17	0.3	0.1
Deferred income tax assets	18	108.2	132.2
Trade accounts receivable	21	44.8	45.7
Other receivables and other assets	21	90.7	99.1
Other financial assets	21	126.7	118.1
Contract acquistion costs	19	282.9	274.8
		2,647.1	**2,853.1**
Current assets			
Inventories	20	63.8	91.1
Current income tax assets	23	0.2	0.4
Trade accounts receivable	21	312.7	296.3
Other receivables and other assets	21	160.5	158.6
Other financial assets	21	70.7	51.2
Liquid assets	22	159.8	178.0
		767.8	**775.6**
Total assets		**3,414.9**	**3,628.7**

Equity and liabilities

In EUR million	Note	31.12.2023	31.12.2022
Equity			
Share capital	24.1	118.9	118.9
Capital reserve	24.2	567.5	567.5
Accumulated other comprehensive income	24.3	– 161.5	– 172.5
Consolidated balance sheet result	24.4	915.8	960.9
Equity attributable to shareholders of freenet AG		**1,440.6**	**1,474.7**
Equity attributable to non-controlling interests	24.5	– 3.8	– 5.5
		1,436.9	**1,469.2**
Non-current liabilities			
Lease liabilities	2.5, 28	269.0	336.5
Other liabilities and accruals	26	118.1	119.8
Other financial liabilities	26	56.8	86.7
Financial liabilities	28	250.1	393.4
Pension provisions	29	68.2	61.8
Other provisions	30	56.2	54.7
		818.4	**1,052.9**
Current liabilities			
Lease liabilities	2.5, 28	78.3	82.0
Trade accounts payable	26	337.7	331.2
Other liabilities and accruals	26	443.8	457.8
Other financial liabilities	26	38.3	46.2
Current income tax liabilities	27	54.2	46.8
Financial liabilities	28	180.7	116.1
Other provisions	30	26.6	26.5
		1,159.6	**1,106.6**
Total equity and liabilities		**3,414.9**	**3,628.7**

Consolidated statement of changes in equity

1 January to 31 December 2023

				Accumulated other comprehensive income		
In EUR million	Share capital	Capital reserve	Treasury shares	Currency conversion differences	Change in fair value of investments in equity instruments	Revaluation reserve in accordance with IAS 19
As of 1.1.2023	**118.9**	**567.5**	**0.0**	**0.8**	**– 166.9**	**– 6.4**
Dividend payment	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated profit	0.0	0.0	0.0	0.0	0.0	0.0
Change in fair value of investments in equity instruments[1]	0	0	0	0	16.9	0
Recognition of actuarial losses/gains in accordance with IAS 19 (2011)[1]	0.0	0.0	0.0	0.0	0.0	– 5.8
Foreign currency conversion[1]	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal: Consolidated total comprehensive income	0.0	0.0	0.0	0.0	16.9	– 5.8
As of 31.12.2023	**118.9**	**567.5**	**0.0**	**0.8**	**– 150.0**	**– 12.3**

[1] The amounts are netted with the income taxes recognised in other comprehensive income.

Consolidated balance sheet result	Equity attributable to shareholders of freenet AG	Equity attributable to non-controlling interests	Equity
960.9	**1,474.7**	**– 5.5**	**1,469.2**
– 199.7	– 199.7	0.0	– 199.7
154.6	154.6	1.7	156.3
0.0	16.9	0.0	16.9
0.0	– 5.8	0.0	– 5.8
0.0	0.0	0.0	0.0
154.6	165.6	1.7	167.3
915.8	**1,440.6**	**– 3.8**	**1,436.9**

Consolidated statement of changes in equity

1 January to 31 December 2022

				Accumulated other comprehensive income		
In EUR million	Share capital	Capital reserve	Treasury shares	Currency conversion differences	Change in fair value of investments in equity instruments	Revaluation reserve in accordance with IAS 19
As of 1 January 2022	**128.1**	**737.5**	**– 164.6**	**0.8**	**– 93.7**	**– 29.5**
Dividend payment	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of further interests in subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment of obligations from earn-outs	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of treasury shares	0.0	0.0	– 14.7	0.0	0.0	0.0
Cancellation of treasury shares	– 9.2	– 170.1	179.2	0.0	0.0	0.0
Consolidated profit	0.0	0.0	0.0	0.0	0.0	0.0
Change in fair value of investments in equity instruments[1]	0	0	0	0.0	– 73.2	0.0
Recognition of actuarial losses/gains in accordance with IAS 19 (2011)[1]	0.0	0.0	0.0	0.0	0.0	23.1
Foreign currency conversion[1]	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal: Consolidated total comprehensive income	0.0	0.0	0.0	0.0	– 73.2	23.1
As of 31.12.2022	**118.9**	**567.5**	**0.0**	**0.8**	**– 166.9**	**– 6.4**

[1] The amounts are netted with the income taxes recognised in other comprehensive income.

For further explanations, see the notes to the consolidated financial statements, note 24.

Consolidated balance sheet result	Equity attributable to shareholders of freenet AG	Equity attributable to non-controlling interests	Equity
1,064.5	**1,643.1**	**– 4.2**	**1,638.9**
– 186.6	– 186.6	0.0	– 186.6
3.9	3.9	– 3.9	0.0
– 0.2	– 0.2	0.0	– 0.2
0.0	– 14.7	0.0	– 14.7
0.0	0.0	0.0	0.0
79.3	79.3	2.6	81.8
0.0	– 73.2	0.0	– 73.2
0.0	23.1	0.0	23.1
0.0	0.0	0.0	0.0
79.3	29.2	2.6	31.7
960.9	**1,474.7**	**– 5.5**	**1,469.2**

Consolidated statement of cash flows

1 January to 31 December

In EUR million	Note	2023	2022
Earnings before interest and taxes (EBIT)		**246.1**	**129.4**
Adjustments:			
Depreciation, amortisation and impairments of non-current assets	9	254.1	349.3
Dividends received from equity investments		0.0	5.5
Losses from the disposal of non-current assets		0.5	0.4
Increase in networking capital not attributable to investing or financing activities	20, 21, 26, 29, 30	– 57.4	– 31.2
Cash inflows from the redemption of financial assets from leases		13.6	14.1
Capitalization of contract acquisition costs	19	– 300.5	– 299.9
Amortization of contract acquisition costs	19	292.4	276.2
Taxes paid	13, 18	– 30.2	– 29.1
Income from interest and other financial result	11, 12	4.6	0.8
Interest paid	11, 12	– 25.3	– 19.8
Cash flow from operating activities	32.1	**398.0**	**395.7**
Cash outflows for investments in property and intangible assets		– 55.6	– 62.9
Cash inflows from the disposal of property and intangible assets		2.9	2.9
Cash outflows for the acquisition of subsidiaries		0.0	– 10.0
Cash inflows from the sale of equity-accounted companies		0.5	0.4
Cash outflows into equity of equity-accounted investments		– 2.8	– 2.0
Cash outflows to acquire other equity investments		– 0.3	– 0.2
Cash flow from investing activities	32.2	**– 55.3**	**– 71.9**
Cash outflows to company owners and minority shareholders		– 199.7	– 186.6
Cash outflows for the acquisition of treasury shares		0.0	– 14.7
Cash outflows for the acquisition of minority interests		0.0	– 3.9
Cash inflows from the assumption of financial liabilities	28	35.0	0.0
Cash outflows for the repayment of financial liabilities	28	– 113.5	– 140.5
Cash outflows for the repayment of lease liabilities	28	– 82.7	– 86.4
Cash flow from financing activities	32.3	**– 360.9**	**– 432.1**
Net change in cash funds		**– 18.2**	**– 108.3**
Cash funds at the beginning of the period		178.0	286.3
Cash funds at the end of the period		159.8	178.0

Composition of cash funds

In EUR million	31.12.2023	31.12.2022
Liquid assets	159.8	178.0
Cash funds	**159.8**	**178.0**

Composition of free cash flow

In EUR million	2023	2022
Cash flow from operating activities	398.0	395.7
Cash outflows for investments in property and intangible assets	– 55.6	– 62.9
Cash inflows from the disposal of property and intangible assets	2.9	2.9
Cash outflows for the repayment of lease liabilities	– 82.7	– 86.4
Free cash flow [1]	**262.6**	**249.2**

[1] Free cash flow is an alternative performance indicator that is defined in the “Corporate management” section of the Group management report.

Notes to the consolidated financial statements

Notes to the consolidated financial statements

for 2023 financial year

1 General information

1.1. Business activity and accounting standards

freenet AG ("Company") as the parent company of the Group ("freenet") has its registered office at Hollerstraße 126, 24782 Büdelsdorf, Germany. The Company was founded in 2005 and is registered at Kiel District Court under HRB 7306. The Group provides telecommunications, broadcasting and multimedia services in Germany with a focus on mobile communications/mobile Internet and digital lifestyle.

The consolidated financial statements for the 2023 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union as of 31 December 2023. In addition, the provisions of commercial law to be applied in accordance with section 315e HGB were observed.

The consolidated financial statements were prepared in euros, the company's functional currency. All amounts are presented in thousands of euros (EUR thousand) or millions of euros (EUR million), as appropriate.

The consolidated financial statements are based on the principle of historical cost – limited by the fair value measurement of certain financial assets. The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting and valuation principles. They are prepared as of the reporting date of the consolidated financial statements.

The consolidated financial statements are submitted to the company register.

The following table shows the new or amended standards (IAS/IFRS) and interpretations (IFRIC) whose application is mandatory from 1 January 2023 and their effects on the Group:

Standard/Interpretation		Effective date	Adopted by the EU Commission	Effects
IFRS 17	Insurance contracts	01.01.2023	19.11.2021	No effects
IAS 12	Amendments to IAS 12 – Deferred taxes relating to assets and liabilities arising from a single transaction	01.01.2023	11.08.2022	No material effects
IFRS 17	Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01.01.2023	08.09.2022	No effects
IAS 1	Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	01.01.2023	02.03.2022	No material effects
IAS 8	Amendments to IAS 8 – Definition of accounting estimates	01.01.2023	02.03.2022	No material effects
IAS 12	Amendments to IAS 12 – International Tax Reform – Pillar 2 Model Provisions	01.01.2023	08.11.2023	No material effects

The following table shows the new or amended standards (IAS/IFRS) and interpretations (IFRIC) that are not yet mandatory in the 2023 financial year and their effects on the Group:

Standard/Interpretation		Effective date	adopted by the EU Commission	Effects
IFRS 16	Amendments to IFRS 16 Leases: Lease liabilities on sale and leaseback	01.01.2024	19.12.2023	No material effects
IAS 1	Amendments to IFRS 1 – Classification of Liabilities as Current and Non-current	01.01.2024	20.11.2023	No material effects

1.2. Basis of consolidation

All companies that are controlled by the Group are included in the consolidated financial statements as subsidiaries. For a complete list of all companies included in the consolidated financial statements of freenet AG, please refer to our disclosures pursuant to section 315e HGB in Note 36. Pursuant to IFRS 11, there are two forms of joint arrangements, depending on the structure of the rights and obligations arising from the joint arrangement: joint operations and joint ventures.

Associated companies are those companies over which the Group exercises significant influence but over which it does not have control, usually accompanied by a share of voting rights of between 20% and 50%.

The companies 01019 Telefondienste GmbH, 01024 Telefondienste GmbH, freenet.de GmbH, freenet Cityline GmbH, freenet Datenkommunikations GmbH, 01050.com GmbH, vitrado GmbH, freenet Direkt GmbH, MobilCom Multimedia GmbH, freenet Shop GmbH, SuperNova Holding GmbH (formerly: Stanniol GmbH für IT & PR), Gravis Computervertriebsgesellschaft mbH ("Gravis"), freenet Energy GmbH, freenet Shopping GmbH, freenet Logistik GmbH, Taunus Beteiligungs GmbH, Field Service Deutschland FSD GmbH, Media Broadcast TV Services GmbH, audio.digital NRW GmbH and The Cloud Networks Germany GmbH will make use of the exemption provisions of section 264 (3) HGB for the annual financial statements as of 31 December 2023.

The basis of consolidation was not expanded in the 2023 financial year.

1.3. Consolidation principles

Companies are included in the consolidated financial statements for the first time (full consolidation) with effect from the date on which control of the subsidiary is transferred to the Group. They are deconsolidated on the date on which control ends. The company controls a company if it can exercise control over the investee, it is exposed to fluctuating returns from its investment and the company can influence the amount of the returns due to its control. Control is generally associated with a share of voting rights of more than 50%. However, when assessing whether control exists, the existence and effects of potential voting rights, rights from other contractual agreements and, if applicable, other facts and circumstances that indicate the possibility of control are also taken into account. The Group therefore also assesses whether control exists if the parent company holds less than 50% of the voting rights but has the ability to direct the relevant activities of the company. Control may also exist, for example, on the basis of voting right agreements. freenet AG carries out a reassessment if there are indications that one or more of the control criteria have changed. Amounts due to other shareholders are recognised separately.

Capital consolidation is based on the purchase method.

The cost of a business combination is the total of the fair values of the assets given, liabilities incurred or assumed and any equity instruments issued for acquisition purposes. The acquisition costs also include the fair values of any recognised assets and liabilities resulting from a contingent consideration agreement.

All identifiable assets, liabilities and contingent liabilities of the acquired company that meet the recognition criteria of IFRS 3.37 are recognised separately at fair value, regardless of the amount of any non-controlling interests. For each company acquisition, the Group decides on an individual basis whether the non-controlling interests in the acquired company are recognised at fair value or on the basis of the proportionate share of the net assets of the acquired company.

Acquisition-related costs are recognised as expenses when they are incurred.

If options to tender additional shares are granted by non-controlling shareholders in Group companies, the accounting is based on the allocation of opportunities and risks from these shares. If the opportunities and risks are transferred to the freenet Group, the equity in the Group attributable to the non-controlling shareholders is reduced accordingly. Only a financial liability is then recognised in relation to the option obligation. If the opportunities and risks remain with the non-controlling shareholder, the equity attributable to the non-controlling shareholders is recognised. In this case, the financial liabilities relating to the option obligation are recognised at the expense of the equity attributable to the shareholders of freenet AG. The initial measurement of the financial liability is carried out at the present value of the estimated repurchase amount at the expected exercise date and the subsequent measurement at amortised cost using the effective interest method, taking into account possible changes in the repurchase amount.

Transactions with non-controlling interests without loss of control are treated as transactions with equity investors in the Group. Any difference arising from the acquisition of a non-controlling interest between the consideration paid and the relevant share of the carrying amounts of the subsidiary's net assets is recognised in equity. Gains and losses arising on the disposal of non-controlling interests are also recognised in equity.

The goodwill recognised at the acquisition date is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Any excess of the acquirer's interest in the net fair value of the acquiree over the cost of acquisition is recognised immediately in profit or loss.

Equity investments in associated companies and joint ventures are included in the consolidated financial statements using the equity method so that the measurements of the equity investments are increased or decreased annually by the changes in the equity of the respective company attributable to the freenet Group. The Group's share in the profits and losses of associated companies and joint ventures is recognised in the income statement and in Other comprehensive income from the date of acquisition. Dividend payments received reduce the carrying amount of the investment in the associated company. The goodwill from the acquisition of associated companies and joint ventures is not recognised separately. If the Group's share of the losses of an associated company or joint venture equals or exceeds the value of its equity investments in these companies, the Group does not recognise any further shares of losses. After the carrying amount of the investment has been reduced to zero, additional losses are only taken into account and recognised as a liability to the extent that the Group has entered into legal or constructive obligations or made payments for the associated companies or joint ventures.

If the Group loses control of an entity, the remaining interest is remeasured at fair value and the resulting difference recognised as a gain or loss. In addition, all amounts recognised in other comprehensive income in relation to this company are accounted for as would be required if the parent company had sold the associated assets and liabilities directly. This means that a gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Intragroup profits and losses, revenues, expenses and income as well as receivables and liabilities between consolidated companies are eliminated. The same applies to joint ventures and associated companies in the case of the elimination of intercompany profits and losses.

2. Accounting policies

The following accounting policies were applied in the preparation of these consolidated financial statements. The accounting policies have been applied consistently to the previous year.

2.1. Recognition of revenue and expenses

The Group mainly provides services over a short performance period. Revenue is recognised once the service has been rendered in full, provided the amount can be reliably determined and it is sufficiently probable that future economic benefits will flow to the company. Services rendered but not yet invoiced are recognised accordingly in the consolidated financial statements. Revenues are recognised excluding value added tax and after deduction of discounts and other price reductions granted. Revenues comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business.

The majority of the Group's revenues are generated with a large number of end customers, while the remaining revenues are generated with business customers.

In addition, we draw attention to the following with regard to revenue recognition (for a breakdown by business segment, see Note 3, Segment reporting):

Revenues in the mobile communications segment are generated from the provision of mobile communications services, one-off provision fees and the sale of mobile devices and accessories. Revenues from wireless services (voice communication and data transmission) include monthly service charges, charges for special features as well as connection and roaming charges. The fees from mobile services are recognised as revenues over the period in which the service is provided. Revenue from the sale of mobile devices and accessories is recognised when the goods are delivered to the customer or distributor. Revenues are also recognised from the planning, construction, installation and maintenance of WiFi networks at schools.

The methodology for recognising revenue in accordance with IFRS 15 is based on a multi-step process. Firstly, the customer contract and the performance obligations contained therein must be identified. The agreed consideration (the transaction price) must then be determined as a whole and allocated to the separate performance obligations on the basis of the relative stand-alone selling prices. Finally, revenues must be recognised for each identified performance obligation as soon as the performance obligation has been satisfied by transferring a promised good or service (asset) to the customer. An asset is deemed to have been transferred when the customer has obtained control over it. A distinction is made between the fulfilment of performance obligations at a point in time (e.g. delivery of mobile communications hardware) and the fulfilment of performance obligations over time (e.g. provision of mobile communications services over 24 months). With the new regulations on revenue recognition, revenue recognition in many cases – particularly in the case of multi-component contracts with several different contractual services – no longer corresponds to the amount invoiced to the customer, meaning that changes may arise with regard to the amount and timing of revenue recognition as well as revenue adjustments due to contract modifications.

With regard to certain brokerage services provided by dealers, where the amount of the dealer commission depends on the future retention of the new customers acquired in the Group's customer base and the amount of the Group's future revenues with the new customers acquired, the services received are deferred at their most probable value upon customer acquisition and recognised as an expense on a straight-line basis over the average term of the associated end customer contract.

Revenues in the TV and media segment are generated through the provision of services to end customers in the areas of IPTV and DVB-T2 as well as through the operation and service of broadcast-related solutions for business customers in the broadcasting and media industry. Revenue is generally recognised when the service is provided to the customer. In the TV and media segment, time-based revenues from the delivery of hardware to end customers are also realised, although not to a significant extent at present.

2.2. Intangible assets

Goodwill is tested for impairment at least once a year and whenever there are indications of impairment and is measured at its original cost less accumulated impairment losses.

For this purpose, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. For the specific allocation, see Note 15, Intangible assets, lease assets, plant and equipment, and goodwill, and Note 16, Impairment testing of non-monetary assets in accordance with IAS 36. As part of the realignment of the brand strategy, the Executive Board of freenet AG decided in January 2022 to successively replace the “mobilcom-debitel” brand, which has been used since 2009, with the “freenet” brand. The “mobilcom-debitel” brand was recognised in the balance sheet with an indefinite useful life until 31 December 2021. As a result of the Executive Board resolution, the carrying amounts of the “mobilcom-debitel” brand were amortised on a straight-line basis over an expected remaining useful life (18 months) until 30 June 2023.

The other trademarks are recognised at cost and amortised on a straight-line basis over their expected useful life of 18 to 180 months. As at the balance sheet date of 31 December 2023, the remaining useful life of these trademarks is 86 months.

Licences, software and other intangible assets are recognised at cost and amortised on a straight-line basis over their expected useful life, generally three to four years for software and three to ten years for licences.

Costs incurred in connection with the development or maintenance of software programs are generally recognised as an expense in the year in which they are incurred. If the costs can be clearly allocated to a definable software product that can be utilised by the company and if the total expected economic benefit exceeds the costs incurred, they are capitalised as an intangible asset in the category “Internally generated software”. The costs of development are only capitalised at the time when technical and economic feasibility can be demonstrated. These costs include, for example, the personnel costs of the software development team or expenses for services and fees incurred in the creation of the asset. They also include an appropriate portion of the corresponding overheads. Capitalised software development costs are amortised using the straight-line method over their expected useful life of three to seven years.

Customer relationships are amortised on a straight-line basis over a term of 120 to 262 months. As at the balance sheet date of 31 December 2023, the remaining useful life of the recognised customer relationships is between 60 and 180 months.

Distribution rights are amortised on a straight-line basis over the expected term of the underlying contracts of 36 months. As at the balance sheet date of 31 December 2023, the remaining useful life of the recognised distribution rights is 21 months.

2.3. Property, plant and equipment

Property, plant and equipment is generally measured at the cost of purchased / manufactured goods, less scheduled straight-line depreciation and any impairments. The useful lives taken as a basis correspond to the expected useful life of the assets in the company. Residual values have been disregarded in the calculation of depreciation due to immateriality.

Residual carrying amounts and useful lives are reviewed at each balance sheet date and adjusted if necessary.

Depreciation of property, plant and equipment is generally based on the following useful lives:

Asset	Useful life
Building	10 to 50 years
Technical equipment and machinery	3 to 15 years
Motor vehicles	6 to 10 years
IT equipment	3 to 8 years
Telecommunications equipment and hardware	2 to 8 years
Leasehold improvements	3 to 10 years

2.4. Impairment of non-monetary assets

An impairment of non-monetary assets is always recognised if the carrying amounts exceed the recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use.

An impairment test must be carried out if events or changes in circumstances (triggering events) indicate that the asset may be impaired. In accordance with IAS 36, goodwill and intangible assets with an indefinite useful life must be tested for impairment at least once a year.

If the reason for impairment no longer applies, the asset is written up to a maximum of the amount of the amortised cost. This does not apply to goodwill, as no write-ups are possible here.

2.5. Leases

2.5.1. freenet as lessee

In principle, the Group decides on a case-by-case basis whether assets are leased or purchased. Agreements that transfer the right to use assets for a certain fixed period in return for a payment or series of payments qualify as leases.

For leases for the rental of locations, co-location leases, shop/store space, TV and media network infrastructure, motor vehicles and other assets, the Group recognises a lease liability as lessee in the amount of the present value of the lease payments to be made over the term of the lease. Fixed lease payments, variable index-based payments, reasonably certain renewal options, exercise prices of purchase options and payments from early termination of leases less lease incentives received are taken into account when determining the present value. The lease payments determined are calculated at the commencement date of the lease (commencement date) using the corresponding term-specific incremental borrowing rate. The lease liabilities are amortised until the lease expires in the amount of the repayment portion of the lease payment - corresponding interest expenses are recognised in the financial result.

At the same time, the Group as lessee capitalises a right-of-use asset in the amount of the acquisition cost at the inception of the lease. Based on the lease liability, the acquisition costs may be increased by initial direct costs, dismantling costs and lease payments that are made by the lessee before or at the start of the lease term and are therefore not included in the lease liability. The right-of-use assets are amortised over the shorter of the lease term or the useful life of the leased asset.

When extension options are exercised and the term of the lease is changed as a result, the right-of-use asset and the lease liability are adjusted in the same amount at the time of the change and an interest rate is recalculated at the time the term is adjusted. Lease modifications resulting from a change in an index-based instalment are also recognised by adjusting the right-of-use asset and the lease liability, but using the interest rate originally applied.

We provide the following breakdown of lease assets:

In EUR million	31.12.2023	31.12.2022
Right-of-use assets, site leases	151.9	175.9
Right-of-use assets, shops/stores[1]	83.7	101.2
Right-of-use assets, co-location leases	44.2	54.2
Right-of-use assets, network infrastructure	11.4	15.5
Right-of-use assets, motor vehicles	1.5	1.7
Right-of-use assets, other	0.9	2.0
Total	**293.6**	**350.5**

[1] As at 31 December 2023, this includes operating leases from the subleasing of shop space to franchise partners in the amount of EUR 32.1 million (31 December 2022: EUR 30.1 million).

A reconciliation of the right-of-use assets from 31 December 2022 to 31 December 2023 is only possible taking into account the disposals from disposals of lease assets due to a reduction in the scope of the lease in terms of time and quantity.

Additions to lease assets are reported at EUR 33.7 million in the 2023 financial year (31 December 2022: EUR 37.4 million). In the reporting year, amortisation of right-of-use assets is broken down as follows

In EUR million	2023	2022
Site leases	31.5	33.0
Shops/stores	20.0	20.5
Co-location leases	10.5	11.1
Network infrastructure	3.2	3.5
Motor vehicles	0.9	0.9
Other	1.7	3.2
Total	**67.8**	**72.2**

Other operating expenses include expenses for short-term leases (31 December 2023: EUR 0.7 million, 31 December 2022: EUR 1.0 million) and expenses for leases for low-value assets (31 December 2023: EUR 0.1 million, 31 December 2022: EUR 0.2 million). The variable lease payments also included in other operating expenses, which are not recognised in lease liabilities, are of minor importance.

Interest expenses from lease liabilities amounted to EUR 11.2 million in the reporting year (31 December 2022: EUR 8.8 million). We provide the following breakdown of the maturities of the lease liabilities as of 31 December 2023 and 31 December 2022:

In EUR million	31.12.2023	31.12.2022
1 year or less	78.3	82.0
More than 1 year up to and including 5 years	231.6	261.7
More than 5 years	37.3	74.9
Total	**347.2**	**418.6**

In the 2023 financial year, total cash outflows from leases amounted to EUR 94.7 million (31 December 2022: EUR 96.4 million).

In the event of the exercise of extension options that are not currently recognised (due to an exercise that is not considered probable), cash outflows of EUR 431.9 million (previous year: EUR 431.9 million) would result in addition to the lease liabilities currently recognised. This relates to the extension of the framework sublease agreement with Deutsche Funkturm GmbH in connection with the lease of rental space for the Media Broadcast Group's infrastructure.

2.5.2. freenet as lessor

As a lessor, the freenet Group is active in the subleasing of TV and media locations, shop space, motor vehicles and other assets.

If all material opportunities and risks are transferred, the lease is a finance lease. In this case, a receivable in the amount of the net investment (31 December 2023: EUR 37.4 million, 31 December 2022: EUR 44.8 million) in the lease is recognised in other financial assets. The receivables contained therein mainly relate to the subletting of locations in the TV and media segment. The corresponding interest income is recognised in the financial result and amounted to EUR 1.0 million in the 2023 financial year (previous year: EUR 1.1 million). Income from variable lease payments, which are not recognised in the measurement of the net investment, is immaterial.

The future (undiscounted) cash inflows from finance leases are due as follows on 31 December 2023 and 31 December 2022:

In EUR million	31.12.2023
2024	19.0
2025	12.8
2026	6.8
2027 et seq.	0.0
Future (undiscounted) cash inflows	**38.6**
Unearned interest income	– 1.2
Receivables from finance leases	**37.4**

In EUR million	31.12.2022
2023	14.4
2024	13.1
2025	12.3
2026	6.5
2027 et seq.	0.0
Future (undiscounted) cash inflows	**46.3**
Unearned interest income	– 1.5
Receivables from finance leases	**44.8**

Lease income from operating leases in which the Group is the lessor is recognised in profit or loss on a straight-line basis over the term of the lease and mainly results from the subleasing of shop space to franchise partners. Lease income from operating leases totalling EUR 6.2 million (previous year: EUR 6.5 million) will be recognised in other operating income in the 2023 financial year.

The future (undiscounted) cash inflows from non-cancellable operating leases are due as follows:

In EUR million	31.12.2023
2024	6.0
2025	4.5
2026	2.1
2027	1.1
2028	0.3
2029 et. seq.	0.2
Future (undiscounted) cash inflows	**14.2**

In EUR million	**31.12.2022**
2023	6.1
2024	4.6
2025	3.0
2026	1.7
2027	0.9
2028 et seq.	1.7
Future (undiscounted) cash inflows	**18.0**

2.6. Interests in associates and joint ventures

The carrying amount of the investment in associated companies and joint ventures is recognised in the separate financial statements or consolidated financial statements in accordance with IFRS of the associated company or joint venture concerned, which were prepared in accordance with the Group's accounting policies. For information on the equity method, see Note 1.3, Consolidation principles.

2.7. Financial instruments

2.7.1 Definition and classification

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are categorised as follows for measurement purposes:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income
- Fiabilities measured at amortised cost

The classification of a financial asset and a financial liability is based on the characteristics of the contractual cash flows of the financial asset and the business model used by management to control the financial asset. The classification of financial assets and financial liabilities is determined by management upon initial recognition.

2.7.2 Financial assets measured at amortised cost

The Group assigns the following three categories to this classification:

Liquid assets

Cash/liquid assets consist of cash and cash equivalents – these include cash, demand deposits and other short-term highly liquid financial assets with a residual term of no more than three months.

Trade accounts receivable

Trade accounts receivable are amounts owed by customers for goods and services provided in the ordinary course of business. They are classified as current assets, with the exception of those that are not due until twelve months after the balance sheet date. The latter are recognised as non-current trade accounts receivable. The Group holds trade accounts receivable in order to collect the contractual cash flows and subsequently measures them at amortised cost using the effective interest method.

Non-derivative financial assets

The Group measures its non-derivative financial assets at amortised cost if the financial asset is held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows. In addition, the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category includes receivables from trustees, collateral and other contractual assets, which are recognised under other financial assets.

2.7.3 Financial assets measured at fair value through profit or loss

The Group assigns the following two categories to this classification:

Trade accounts receivable

Trade accounts receivable held for trading purposes are recognised by the freenet Group at fair value through profit or loss. This includes trade accounts receivable from multi-component contracts (mobile phone option) that are sold to a bank. Please refer to the comments on factoring in Note 33.6.

Other equity instruments

The company measures financial investments in equity instruments at fair value through profit or loss for which the Group has decided not to recognise changes in fair value in other comprehensive income. As at the balance sheet date, other equity investments are allocated to this category and recognised in other financial assets.

2.7.4 Financial assets measured at fair value through other comprehensive income

The Group assigns the following category to this classification:

Other equity instruments

Other equity instruments measured at fair value through other comprehensive income are financial assets that are not held for trading and for which the freenet Group irrevocably decided to recognise them in this category upon initial recognition. This category includes equity investments and securities to secure long-term pension obligations, which are recognised under other financial assets.

2.7.5 Liabilities measured at amortised cost

Financial liabilities are based on contractual agreements on the payment of cash or the provision of other financial assets to a third party. A financial liability is recognised when freenet becomes a party to the contract. The financial liabilities existing on the balance sheet date are recognised in trade payable accounts, financial liabilities and other financial liabilities.

2.7.6 Measurement of financial instruments

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets that are classified as debt instruments are recognised at fair value on additions. Transaction costs increase or decrease the initial value if the financial assets are not measured at fair value with changes in value recognised in profit or loss for the period.

Financial assets are divided into two classification categories - those measured at amortised cost and those measured at fair value. If financial assets are measured at fair value, income and expenses can be recognised either in profit or loss for the period (at fair value through profit or loss, FVTPL) or in other comprehensive income (at fair value through other comprehensive income, FVTOCI). The classification is made upon initial recognition of the financial asset and is based on the business model for managing financial assets and the characteristics of the contractual cash flows of the financial asset.

A financial asset is to be measured at amortised cost if the following conditions are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial assets lead to cash flows at fixed points in time that exclusively represent repayments and interest payments on the outstanding nominal value.

A financial asset must be measured at fair value through other comprehensive income if the following conditions are met:

- the financial asset is held within the business model whose objective is both to collect contractual cash flows and to sell financial assets, and
- the contractual terms of the financial assets result in cash flows at fixed points in time that represent exclusively repayments of principal and interest on the outstanding nominal value.

Financial assets not measured at amortised cost or at fair value through other comprehensive income must be measured through profit or loss.

Financial liabilities measured at amortised cost are initially recognised at the fair value of the consideration received less the transaction costs associated with the borrowing. In the subsequent period, the financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. Non-current financial liabilities are recognised at amortised cost. Differences between historical cost and the repayment amount are recognised in accordance with the effective interest method. Current financial liabilities are recognised at their repayment or settlement amount. Loan liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability to a date at least twelve months after the balance sheet date. The measurement of financial instruments is based on future cash flows. Derivative financial instruments can therefore also be recognised as financial liabilities.

2.7.7 Impairment of financial assets

The Group applies the simplified approach to the impairment regulations in order to measure the expected credit losses. Accordingly, the credit losses expected over the term of all trade accounts receivable, lease receivables and contract assets are used upon initial recognition. Impairments of financial assets are based on assumptions regarding the default risk and expected loss rates, based on the Group's historical defaults and past experience as well as forward-looking estimates at the end of the financial year.

No defaults have occurred on lease receivables in the past. The expected loss rates do not take historical default rates into account, but are based on current and forward-looking information (e.g. remaining term of the lease receivables, benchmark information). However, the identified impairment loss was immaterial and was not recognised.

The carrying amounts of receivables are reduced through the use of an allowance account. As soon as a reasonable estimate indicates that the receivable is no longer realisable, it is derecognised against the allowance account. Subsequent payments received on amounts previously derecognised are recognised in profit or loss against the impairments of trade accounts receivable reported in the income statement.

The Group generally applies the general impairment model (general approach) to non-derivative assets, with the exception of trade accounts receivable, lease receivables and contract assets, for which the simplified impairment model is applied in each case. The expected credit loss approach uses a three-stage procedure to allocate loss allowances. In principle, all instruments are categorised in stage 1 upon additions. For these, the present value of the expected payment defaults resulting from possible default events within the next twelve months after the reporting date must be recognised as an expense. Interest is recognised on the basis of the gross carrying amount, i.e. the effective interest method must be carried out on the basis of the carrying amounts before taking risk provisions into account. Level 2 includes all instruments that show a significant increase in default risk on the reporting date compared to the date of addition. The risk provision must reflect the present value of all expected losses over the remaining term of the instrument. Interest is recognised on the basis of the gross value, i.e. the effective interest method must be carried out on the basis of the carrying amounts before taking the risk provision into account. Significant indications of impairments include the following

- Significant deterioration in the expected performance and behaviour of the debtor
- Significant deterioration in the credit quality of other instruments of the same debtor
- Actual or expected deterioration in the economic, financial, regulatory or technological circumstances relevant to the debtor's creditworthiness

If, in addition to a significant increase in the default risk on the reporting date, there is also objective evidence of impairment (stage 3), the risk provision is also measured on the basis of the present value of the expected losses over the remaining term. However, interest recognition must be adjusted in subsequent periods so that interest income is calculated in future on the basis of the net carrying amounts, i.e. the carrying amounts after deduction of the risk provision. Objective indications of impairments include

- Significant financial difficulties of the issuer or debtor
- A breach of contract such as a default or delay in interest and amortisation payments
- An increased probability that the debtor will go into insolvency or other reorganisation proceedings

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9. Spreading cash and cash equivalents across various major banks significantly reduces the default risk.

In the case of equity instruments, no impairment is recognised for expected credit losses. A significant or prolonged decline in fair value below cost is considered objective evidence of impairment. If no market prices are available, other valuation methods, such as the discounted cash flow method, are used to determine the need for impairment.

2.7.8 Derecognition of financial assets

The freenet Group derecognises a financial asset when the contractual rights to cash flows from a financial asset expire or when it transfers the financial asset and substantially all the risks and rewards incidental to ownership of the asset to a third party. For details, please refer to the explanations in Note 33.6.

2.7.9 Derecognition of financial liabilities

The freenet Group only derecognises a financial liability when it has been extinguished, i.e. when the obligation specified in the contract has either been settled, cancelled or has expired. In the event of an exchange of debt instruments with substantially different contractual terms or in the event of substantial changes in the contractual terms of an existing liability, the transaction is treated as a repayment of the original financial liability and the recognition of a new financial liability. A gain or loss from the repayment of the original financial liability is recognised in profit or loss.

2.7.10 Netting of financial instruments

Financial assets and liabilities are only offset and recognised as a net amount in the balance sheet if there is a legal right to do so and the intention is to settle on a net basis or to extinguish the associated liability at the same time as the asset is used.

2.8. Inventories

Inventories are measured at the lower of the cost of purchased/manufactured goods and the net realisable value on the balance sheet date. The net realisable value is the estimated realisable sales proceeds less costs yet to be incurred.

2.9. Foreign currency transactions

The items contained in the financial statements of each group company are measured on the basis of the currency that corresponds to the currency of the primary economic environment in which the company operates (functional currency). The consolidated financial statements are prepared in euros, which is the reporting currency of freenet AG.

Foreign currency transactions are translated into the functional currency at the exchange rate on the transaction date. Gains and losses resulting from the settlement of such transactions and from the conversion at the closing rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign currency transactions of minor significance took place in the 2023 financial year.

The results and balance sheet items of all Group companies that have a functional currency other than the euro are translated into euros using the modified closing rate method. The resulting currency conversion differences are recognised in other comprehensive income until the disposal of the subsidiary and reported cumulatively in equity.

2.10. Equity

Ordinary shares, capital reserves, reserves for changes in value, treasury shares, consolidated balance sheet result and minority interests are recognised as equity. The costs of capital increases are recognised in equity in the capital reserve after deduction of the current taxes due on them.

The Executive Board is authorised by the Annual General Meeting to acquire treasury shares, subject to the approval of the Supervisory Board (section 71 (1) no. 8 AktG). Thresholds are defined for a buy-back programme, such as number, total amount and duration. The acquisition of treasury shares is valued at acquisition cost plus fees for each individual transaction.

2.11. Pension provisions

Pension provisions are recognised and measured in accordance with IAS 19. The net obligation recognised in the balance sheet, reported under pension provisions and non-current other receivables and other assets, corresponds to the actuarial present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets plus the influence from the asset ceiling. The present value of the defined benefit obligation is calculated annually by an independent actuarial expert using the projected unit credit method. This projected unit credit method takes into account not only the pensions and vested benefits known on the reporting date, but also expected future increases in pensions and salaries.

Actuarial losses / gains based on experience-based adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise. In the event of an overfunding of plans, the remeasurement component also includes the difference between the interest on the effects of the asset ceiling and the total change in net assets from the effects of the asset ceiling.

Differences between the calculated and actual return on plan assets are recognised in other comprehensive income in the period in which they arise.

Pension commitments are subject to the provisions of the German Company Pensions Act. Insofar as the pension plans provide for pension benefits, there is a biometric risk of longevity. Further risks arise in relation to pension adjustment obligations from the development of inflation and, in the case of salary-related commitments, from the development of salaries.

Past service costs are recognised immediately in profit or loss. The service cost is recognised in personnel expenses, while the interest portion of the addition to provisions is recognised in the financial result.

Contributions to defined contribution plans are recognised in profit or loss in the year in which they are incurred.

2.12. Provisions

Provisions are recognised for current legal or constructive obligations to third parties that originated in the past and are uncertain in terms of their maturity and/or amount if it is more likely than not that the fulfilment of the obligation will lead to an outflow of resources and a reliable estimate of the amount of the obligation can be made. Measurement is based on the best possible estimate of the short-term obligation as of the balance sheet date, taking into account discounting for long-term obligations.

If a number of similar obligations exist, the probability of a charge on assets is determined on the basis of the group of these obligations. A provision is also recognised as a liability if the probability of a charge on assets in relation to individual obligations contained in this group is low.

In accordance with IAS 16, the expected costs of asset retirement obligations for transmitters and leasehold improvements are included in the cost of these assets. Therefore, to the extent that an outflow of assets is probable, a provision is recognised for these obligations in the amount of the present value at the time they arise in accordance with IAS 37. Changes in the measurement of existing provisions, i.e. changes in the settlement amount and/or the discount rate, are recognised by adjusting the carrying amounts of the transmission systems and leasehold improvements (upper limit: recoverable amount; lower limit: zero).

Restructuring provisions mainly comprise severance payments to employees. Provisions for contingent losses primarily relate to negative-margin tariffs and vacancy costs.

There are partial retirement obligations within the meaning of the German Partial Retirement Act (AltTZG) of 23 July 1996 according to the block model. The partial retirement phase begins at the earliest after reaching the age of 55. During the partial retirement phase, the monthly part-time net salary is usually topped up to 85% (or 83% for contracts concluded after 1 October 2012) of the notional monthly full-time salary less statutory deductions. The obligations were netted against the fair value of the corresponding plan assets. If the fair value of the plan assets exceeds the obligations, the excess assets are recognised under receivables and other assets.

Provisions for obligations from long-term work accounts are measured on the basis of certain accounting assumptions. Long-term work accounts are set up for longer-term time off in lieu. The reduction takes the form of a leave of absence with continued payment of the current monthly salary. The obligations were netted against the fair value of the corresponding plan assets. If the fair value of the plan assets exceeds the obligations, the asset surplus is recognised under receivables and other assets.

2.13. Employee incentive programmes

The Group had three main long-term incentive programmes (LTIP programmes) as employee incentive programmes in the 2023 financial year.

In the LTIP programmes, an LTIP account is maintained for each beneficiary, to which a credit or debit in the form of virtual shares is made each financial year, depending on the degree of achievement of certain targets defined for that financial year. Depending on the balance of the LTIP account, payouts (exclusively in the form of cash payments), less taxes and duties, are then possible within a fixed period of time per financial year. The amount of these payments depends, among other things, on the relevant share price at the time of payment. The provisions are measured at the fair value of the virtual shares that are expected to vest. The corresponding expense is recognised in personnel expenses. For details, please refer to our explanations in Note 25. freenet Group also has two other employee incentive programmes (hereinafter referred to as “Other employee incentive programmes”).

2.14. Deferred and current income taxes

Deferred taxes are recognised in accordance with the liability method on all temporary differences between the tax base and the carrying amounts of assets and liabilities as well as on tax loss carryforwards. Deferred taxes are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets on deductible temporary differences are recognised in the amount for which deferred tax liabilities exist. If the amount of deferred tax assets on deductible temporary differences exceeds this amount, they are only recognised to the extent that it is probable that these deferred tax assets will be utilised through future profits. Deferred tax assets on existing tax loss carryforwards are also only recognised to the extent that it is probable that they will be utilised through future profits. The expected future profits are based on the corporate planning of earnings before taxes valid on the balance sheet date.

Deferred tax liabilities arising from temporary differences in connection with equity investments in subsidiaries and associated companies are recognised unless the timing of the reversal of the temporary differences can be determined by the Group and it is probable that the temporary differences will not reverse in the foreseeable future due to this influence.

The current tax expense is calculated using the German tax regulations that apply or will soon apply on the balance sheet date. Management regularly reviews tax declarations, particularly in relation to matters subject to interpretation, and, where appropriate, recognises provisions based on the amounts expected to be payable to the tax authorities.

2.15. Judgements, forward-looking assumptions and estimation uncertainties

The presentation of the net assets, financial position and results of operations in the consolidated financial statements is dependent on recognition and measurement methods as well as forward-looking assumptions and estimates. The actual amounts may differ from the estimates. The significant estimates and related assumptions listed below, as well as the uncertainties associated with the accounting policies selected, are crucial to understanding the underlying risks of financial reporting and the effects that these estimates, assumptions and uncertainties could have on the consolidated financial statements.

The measurement of property, plant and equipment and intangible assets involves estimates to determine the fair value at the time of acquisition if they were acquired as part of a business combination. The expected useful life of these assets must also be estimated.

When determining the measurement-relevant term of a lease in the shops/stores category, a sufficiently certain exercise of all extension options (based on operational considerations) was always assumed. Based on forward-looking assumptions, there may also be a lump-sum extension of the leases from a certain term. As at 31 December 2023, there was a change in the assessment of the extension options originally taken into account for the Gravis stores, as the exercise of options was no longer considered sufficiently certain due to operational considerations. As a result, the lease assets were adjusted by the amount resulting from the remeasurement of the lease liabilities.

For the purpose of evaluating the subleases in the TV and media segment that relate exclusively to FM, the end of the lease term is determined separately for each location (investor locations until 31 July 2026, locations of Bayerische Medien Technik GmbH, Munich, until 30 June 2026, locations of other third parties until 31 December 2026).

The calculation of the incremental borrowing rate for discounting the lease liabilities is ensured on a quarterly basis by the Group Treasury department. The incremental borrowing rate represents the Group-specific interest rate for borrowing funds with a similar term in order to finance the corresponding asset.

Please refer to Note 16 for information on the forward-looking assumptions made as part of the tests for possible impairments of goodwill (carrying amounts as of 31 December 2023: EUR 1,379.8 million, previous year: EUR 1,382.4 million).

As part of the realignment of the brand strategy, the Executive Board of freenet AG decided in January 2022 to gradually replace the “mobilcom-debitel” brand, which has been used since 2009, with the “freenet” brand. As a result, the carrying amounts of the “mobilcom-debitel” brand were amortised on a straight-line basis over an expected remaining useful life (18 months) until 30 June 2023. Following amortisation of EUR 194.7 million in the previous year 2022, the other brand value was amortised on a scheduled basis in the amount of EUR 98.5 million until 30 June 2023 (carrying amount as of 31 December 2023: EUR 0 million).

A sensitivity analysis regarding the impairment test of the assets allocated to the cash-generating unit (CGU) “mobile communications” shows that the fair value less costs to sell would be approximately EUR 587 million lower or EUR 842 million higher if the weighted average cost of capital (WACC) were to increase or decrease by 1.0 percentage points, respectively, and approximately EUR 936 million lower or EUR 842 million higher if the EBIT recognised in the planning period were to decrease or increase by 10%, respectively (with a simultaneous increase in the WACC of 1.0 percentage points). EUR 842 million higher, and a reduction or increase of 10% in the EBIT recognised in the planning period would result in a reduction of around EUR 936 million (with a simultaneous increase in the WACC of 1.0 percentage points) or an increase of EUR 1,338 million (with a simultaneous reduction in the WACC of 1.0 percentage points), which would not result in any impairments of the assets allocated to this CGU, particularly in the case of the negative scenarios.

A sensitivity analysis of the impairment test for the assets allocated to the “TV” CGU shows that the fair value less costs to sell would be approximately EUR 141 million lower or EUR 187 million higher if the WACC were to increase or decrease by 1.0 percentage points, and approximately EUR 236 million lower (if the WACC were to increase by 1.0 percentage points) or EUR 316 million higher (if the WACC were to decrease by 1.0 percentage points). EUR 236 million lower (with a simultaneous increase in the WACC of 1.0 percentage points) or EUR 316 million higher (with a simultaneous reduction in the WACC of 1.0 percentage points), which would not result in any impairments of the assets allocated to this CGU, particularly in the case of the negative scenarios.

A sensitivity analysis regarding the impairment test of the assets allocated to the “Online” CGU shows that the fair value less costs to sell would be approximately EUR 8 million lower or EUR 11 million higher if the WACC were to increase or decrease by 1.0 percentage points and approximately EUR 13 million lower or EUR 18 million higher if the EBIT recognised in the planning period were to decrease or increase by 10% respectively (if the WACC were to increase by 1.0 percentage points) EUR 13 million lower (with a simultaneous increase in the WACC of 1.0 percentage points) or EUR 18 million higher (with a simultaneous reduction in the WACC of 1.0 percentage points), which would not result in any impairments to the assets allocated to this CGU, particularly in the case of the negative scenarios.

For the impairment tests carried out in December 2023 on the assets allocated to the CGUs “Mobile Communications”, “TV” and “Online”, a sensitivity analysis shows that there would have been no need for impairment in each case even if the WACC had increased by 2.0 percentage points and the EBIT recognised in the planning period had been reduced by 10% in each case.

The other equity instruments measured at fair value through profit or loss are not listed shares for which there is an active market. The fair value is determined using recognised actuarial methods. The underlying assumptions about future developments are subject to judgement.

Impairments of financial assets are based on assumptions regarding default risk and expected loss rates. The Group exercises judgement in making these assumptions and selecting the input factors for calculating the impairments, based on the Group’s past experience and forward-looking estimates at the end of the financial year.

With regard to the accrual for services received from sales commissions for the Group’s various products, estimates based on past experience are used to determine the probability that the final and non-cancellable commission will be received.

In the case of multi-component contracts, we draw attention to the following significant judgements, forward-looking assumptions and estimation uncertainties:

To measure the contractual performance obligations, the individual customer contracts are identified and summarised into portfolios on the basis of certain criteria. Aggregated contracts with homogeneous characteristics each form a portfolio. The selection of these criteria (the assessment of whether homogeneity exists and the decision on the number of portfolios) is a matter of judgement.

Within the customer contracts (or after their aggregation within the portfolios), the relative stand-alone selling prices of the performance obligations are determined in a first step. This involves making estimates based on past transactions (such as hardware sales and the provision of mobile services over 24 months). In a further step, the net contract position is calculated taking other contract components into account: If the relative stand-alone selling price of a contract component exceeds the amount of the transaction price, a reallocation of the transaction prices takes place. The resulting net contract position of a contract (or after aggregation of a portfolio) is reversed pro rata over the underlying contract term depending on the respective performance dates or performance periods. The measurement of the respective net contract position is subject to certain assumptions. Future uncertain contractual events which are not within the sphere of influence of the freenet Group are anticipated according to their weighted probability of occurrence. Such contractual events include, for example, premature termination of contracts, cancellations, bad debts, contract modifications and the redemption of contractual rights (material rights) such as merchandise vouchers.

Significant judgements, estimates and forward-looking assumptions are also made when accounting for multiple-element arrangements in the following respects:

- forward-looking assumptions in determining the expected future customer contract term for the amortisation period of contract acquistion costs and the period-related bonuses and commissions of network operators
- Assessment of whether there is a significant financing component
- judgements and forward-looking assumptions in determining whether certain cost items are incremental contract acquisition costs that are expected to be recovered in the future
- judgements regarding the assessment of commissions and bonuses received from network operators, namely
  - which parts thereof are to be recognised as separable own services in revenues immediately upon provision of the service
  - which parts thereof represent a reduction in the cost of materials over the promotional period agreed with the network operator due to their discount character
  - which parts thereof have the character of a discount granted over the underlying customer contract term and therefore reduce the cost of materials pro rata temporis
- Judgements and estimates in deriving the consideration for agency services in indirect sales in order to recognise the consideration payable to a customer

The recognition and calculation of provisions and accruals (e.g. for dealer commissions) are dependent on estimates. Provisions for litigation in particular are recognised based on the estimates of the lawyers representing the Group companies.

Provisions for obligations in connection with the dismantling of broadcasting facilities and leasehold improvements are recognised by the specialist departments (e.g. Real Estate Management) in the amount of the present value at the time they arise if an outflow of assets is probable.

Please refer to Note 25 for information on the assumptions and estimates used in the valuation model to determine the provision for the LTIP programme as of 31 December 2023.

Note 29 on pension provisions and similar obligations describes the forward-looking assumptions made with regard to the measurement of provisions for pensions and similar obligations. This relates to the recognition of an actuarial interest rate, the pension trend, the estimation of the future development of the pensionable income of the beneficiaries and the estimation of life expectancy. The result of a sensitivity analysis is that an increase in the actuarial interest rate by 1.0 percentage points would reduce the present value of funded and unfunded obligations by EUR 10.1 million, while a reduction in the actuarial interest rate by 1.0 percentage points would increase the present value of funded and unfunded obligations by EUR 12.5 million. Please refer to Note 29 for further sensitivity analyses relating to pension obligations.

There are business transactions for which the final taxation cannot be conclusively determined during the ordinary course of business. The Group measures the amount of provisions for expected tax audits on the basis of estimates as to whether and to what extent additional income taxes will be due. If the final taxation of these transactions differs from that initially assumed, this will have effects on current and deferred and current income taxes in the period in which the taxation is finalised.

Deferred tax assets on loss carryforwards are based on corporate planning for the next four financial years, which incorporates forward-looking assumptions, e.g. regarding macroeconomic developments and the development of the telecommunications market. Please refer to Note 18 for the amount of capitalised deferred taxes on loss carryforwards and the amount of loss carryforwards for which no deferred tax assets were recognised. A sensitivity analysis of the deferred income tax assets shows that the deferred income tax assets would be EUR 12.4 million higher or EUR 12.4 million lower in the event of a 10% increase or decrease in trade income or corporation tax income in the relevant planning period.

2.16. Non-current assets held for sale

Unless IFRS 5 provides for the application of other standards: Discontinued operations and non-current assets held for sale that are classified as held for sale in accordance with IFRS 5 are recognised at the lower of carrying amount and fair value less costs to sell if their carrying amount will most likely be realised through a sale. At the time of reclassification to discontinued operations and non-current assets held for sale, amortisation of the corresponding assets is discontinued.

The assets held for sale or the asset group held for sale are reclassified back to “continuing operations” if the criteria of IFRS 5 are no longer met. The assets or asset group are recognised at the lower of the carrying amounts adjusted for depreciation or revaluation that would have been recognised if the assets or asset groups had not been classified as “discontinued operations” and the recoverable amount at the date of reclassification. The adjustments to remeasure the asset group are recognised in the income statement as part of continuing operations.

2.17. Comparative figures

The comparability of these consolidated financial statements with the consolidated financial statements as of 31 December 2022 is not limited.

3. Segment reporting

In accordance with IFRS 8, operating segments are to be defined on the basis of the internal management of Group divisions whose operating results are regularly reviewed by the company's chief operating decision maker with regard to decisions on the allocation of resources to this segment and the assessment of its earnings power.

The Executive Board organises and manages the company as the chief operating decision maker on the basis of the differences between the individual products and services offered. As the Group conducts its business activities almost exclusively in Germany, it is not organised and managed according to geographical areas. The Group operated in the following business segments in the 2023 financial year

- Mobile communications:
  - Activities as a mobile communications service provider - marketing of mobile communications services (voice and data services) of the mobile network operators Deutsche Telekom, Vodafone and Telefónica Deutschland in Germany
  - Offering its own network-independent services and tariffs as well as offering the tariffs of the network operators on the basis of the network operator contracts concluded with these network operators
  - Distribution / sale of mobile devices and additional services in the areas of mobile data communication and digital lifestyle
  - "freenet Internet": Offering its own app-based Internet product
  - Provision of distribution services
  - Planning, setup, installation and maintenance of WiFi networks

- TV and media:
  - Provision of DVB-T2 services to end customers
  - Planning, project development, construction, operation, service and marketing of broadcasting-related solutions for business customers in the broadcasting and media industry
  - Provision of services, primarily to end customers, in the area of IPTV

- Other / holding:
  - Provision of portal services such as e-commerce / advertising services (these essentially include the provision of online shopping and the marketing of advertising space on websites), payment services for end customers and the provision of various digital products and entertainment formats for download or for display and use on mobile devices
  - Development of communication solutions, IT services and other services for business customers
  - Offering narrowband voice services (call-by-call, pre-selection) and data services
  - Provision of distribution services

In addition to the operating activities, the "Other / Holding" segment also includes other business activities. These mainly include the holding activities of freenet AG (with the provision of intra-group services in centralised areas such as legal, human resources and finance), but also areas that cannot be clearly allocated to the operating segments. The segment revenue of EUR 41.8 million (previous year: EUR 35.2 million) reported for the "Other / Holding" segment for 2023 relates almost exclusively to operating activities - the gross profit of EUR 24.3 million (previous year: EUR 25.5 million) reported for the "Other / Holding" segment in 2023 relates almost exclusively to operating activities. The EBITDA of EUR -27.3 million (previous year: EUR -29.4 million) reported for the "Other / Holding" segment in 2023 was generated almost exclusively from operating activities.

The segments also provide or have provided services to the respective other operating segment. If comparable external market prices exist for internally provided services, these market prices are used as the internal transfer price. The transfer prices for non-marketable services are generally based on the costs incurred (plus overheads surcharge).

Expenses and income are allocated to the segments on the basis of selected criteria in accordance with their economic affiliation. As in the previous year, the recognition and measurement of the allocated expenses and income for segment reporting purposes do not deviate from the recognition and measurement in the consolidated balance sheet and consolidated income statement.

A breakdown of third-party revenues by individual products or services is shown in Note 4. A further breakdown by individual products or services is not available.

The freenet Group conducts mass business, which is primarily focussed on private customers. In this respect, there is no dependence on individual customers.

Segment report for the period from 1 January to 31 December 2023

In EUR '000s	Mobile Communications	TV and Media	Other/ Holding	Elimination of intersegment revenues and expenses	Total
Third-party revenues	**2,268,745**	**333,636**	**24,940**	**0**	**2,627,321**
Intersegment revenue	13,950	11,776	16,828	– 42,554	0
Total revenues	2,282,695	345,412	41,768	– 42,554	2,627,321
Cost of materials to third parties	**– 1,545,400**	**– 113,959**	**– 16,808**	**0**	**– 1,676,167**
Intersegment cost of materials	– 26,852	– 7,974	– 653	35,479	0
Total cost of materials	– 1,572,252	– 121,933	– 17,461	35,479	– 1,676,167
Segment gross profit	**710,443**	**223,479**	**24,307**	**– 7,075**	**951,154**
Other operating income	46,197	684	4,015	– 4,686	46,210
Other own work capitalized	16,399	6,343	1,708	0	24,450
Personnel expenses	– 135,894	– 61,033	– 42,172	0	– 239,099
Other operating expenses	– 219,756	– 59,321	– 15,160	11,761	– 282,476
thereof loss allowances on financial assets and contract assets	– 12,317	– 811	359	0	– 12,769
thereof without loss allowances on financial assets and contract assets	– 207,439	– 58,510	– 15,519	11,761	– 269,707
Total overheads[1]	**– 293,054**	**– 113,327**	**– 51,609**	**7,075**	**– 450,915**
thereof intersegment allocation	– 7,938	– 1,152	2,015	7,075	
Segment EBITDA	**417,389**	**110,152**	**– 27,302**	**0**	**500,239**
Depreciation, amortisation and impairment					– 254,131
EBIT					**246,108**
Financial result					– 26,419
Income taxes					– 63,231
Consolidated profit					**156,458**
Consolidated profit attributable to shareholders of freenet AG					154,779
Consolidated profit attributable to non-controlling interests					1,725
Net cash investments	**26,334**	**23,072**	**3,299**		**52,705**

[1] Overheads as the difference between gross profit and EBITDA include the items other operating income, other work capitalised, personnel expenses and other operating expenses.

Segment report for the period from 1 January to 31 December 2022

In EUR '000s	Mobile Communications	TV and Media	Other/ Holding	Elimination of intersegment revenues and expenses	Total
Third-party revenues	**2,235,795**	**302,105**	**18,814**	**0**	**2,556,714**
Intersegment revenue	15,485	11,206	16,431	– 43,122	0
Total revenues	2,251,280	313,311	35,245	– 43,122	2,556,714
Cost of materials to third parties	**– 1,558,066**	**– 102,941**	**– 9,008**	**0**	**– 1,670,015**
Intersegment cost of materials	– 22,458	– 12,635	– 738	35,831	0
Total cost of materials	– 1,580,524	– 115,576	– 9,746	35,831	– 1,670,015
Segment gross profit	**670,756**	**197,735**	**25,499**	**– 7,291**	**886,699**
Other operating income	49,592	581	2,080	– 2,705	49,548
Other own work capitalized	16,465	6,746	1,781	0	24,992
Personnel expenses	– 133,320	– 57,757	– 38,551	0	– 229,628
Other operating expenses	– 200,839	– 41,903	– 20,164	9,996	– 252,910
thereof loss allowances on financial assets and contract assets	– 17,872	– 3,170	– 82	0	– 21,124
thereof without loss allowances on financial assets and contract assets	– 182,967	– 38,733	– 20,082	9,996	– 231,786
Total overheads [1]	**– 268,102**	**– 92,333**	**– 54,854**	**7,291**	**– 407,998**
thereof intersegment allocation	– 6,576	– 969	254	7,291	
Segment EBITDA	**402,654**	**105,402**	**– 29,355**	**0**	**478,701**
Depreciation, amortisation and impairment					– 349,300
EBIT					**129,401**
Financial result					– 15,423
Income taxes					– 32,132
Consolidated profit					**81,846**
Consolidated profit attributable to shareholders of freenet AG					79,294
Consolidated profit attributable to non-controlling interests					2,552
Net cash investments	**28,388**	**20,282**	**11,352**		**60,022**

[1] Overheads as the difference between gross profit and EBITDA include the items other operating income, other work capitalised, personnel expenses and other operating expenses.

4. Revenues

A breakdown of revenues totalling EUR 2,628 million (previous year: EUR 2,557 million) by segment can be found in Note 3, Segment reporting.

Of the mobile communications segment's external revenues in the 2023 financial year totalling EUR 2,269 million (previous year: EUR 2,236 million), EUR 1,707 million (previous year: EUR 1,666 million) is attributable to service revenues (of which EUR 1,586 million (previous year: EUR 1.547 million) from postpaid and EUR 121 million (previous year: EUR 119 million) from no-frills and prepaid), EUR 463 million (previous year: EUR 483 million) from hardware revenues and EUR 99 million (previous year: EUR 87 million) from other revenues.

Of the TV and media segment's external revenues of EUR 334 million in the 2023 financial year (previous year: EUR 302 million), EUR 223 million (previous year: EUR 222 million) is attributable to the Media Broadcast Group and EUR 111 million (previous year: EUR 80 million) to EXARING.

We make the following disclosures pursuant to IFRS 15.116 b and IFRS 15.116 c:

In the 2023 financial year, revenues of EUR 39,775 thousand (previous year: EUR 28,516 thousand) were recognised that were included in the balance of contract liabilities to customers from contracts with customers as of 1 January 2023. In the 2023 financial year, revenues of EUR 30 thousand (previous year: EUR 32 thousand) were recognised from performance obligations that were fulfilled or partially fulfilled in previous periods.

The total amount of the transaction price allocated to the performance obligations not or partially not fulfilled at the end of the reporting period (IFRS 15.120) is EUR 1,324.4 million (previous year: EUR 1,295.0 million). Of the outstanding performance obligations, EUR 920.6 million is attributable to 2024, EUR 376.6 million to 2025, EUR 26.8 million to 2026 and EUR 0.4 million to 2027. No use was made of the practical expedients pursuant to IFRS 15.121 for this disclosure.

5. Other operating income

Other operating income largely comprises income from reminder and chargeback fees, income from the recharging of expenses, advertising cost subsidies (unless dependent on the capitalisation of new customers) and income from subleases (operating leases).

Please refer to our comments in Note 2.5, Leases.

6. Other own work capitalized

Other own work capitalised mainly relates to the development of software in the mobile communications sector, which is almost exclusively due to strategic projects and own installation services in connection with the development of broadcasting infrastructure.

The capitalised costs include the directly attributable individual costs, which mainly relate to consultancy and personnel costs, as well as the directly attributable overheads.

7. Cost of materials

The cost of materials breaks down as follows:

In EUR '000s	2023	2022
Costs of purchased goods	494,096	526,670
Costs of purchased services	1,182,071	1,143,345
Total	**1,676,167**	**1,670,015**

The costs of purchased goods consist mainly of the cost of mobile phones, computers/EDP products and bundles from the prepaid business.

The costs of purchased services mainly relate to fees for mobile telephony and mobile data as well as commissions and premiums paid to sales partners.

We make the following disclosure pursuant to IFRS 15.127: In the 2023 financial year, contract acquistion costs of EUR 292,375 thousand (previous year: EUR 276,191 thousand) were amortised. Under IFRS 15, the amortisation of contract acquisition costs is recognised on a straight-line basis over the term of the underlying contract, predominantly over a term of 24 months. As in the previous year, the contract acquistion costs amortised in 2023 relate almost exclusively to sales partner commissions.

8. Personnel expenses

Personnel expenses break down as follows:

In EUR ’000s	2023	2022
Wages and salaries	201,569	193,520
Social security contributions and pension expenses	37,530	36,108
Total	**239,099**	**229,628**

The Group employed an average of 3,686 employees in the 2023 financial year (previous year: 3,679). At the end of the financial year, the Group had 3,690 employees (previous year: 3,660 employees). As at 31 December 2023, this included 31 (previous year: 32) senior employees and 278 (previous year: 266) apprentices and students at universities of cooperative education.

The Group’s employee incentive programmes resulted in personnel expenses in accordance with IFRS 2 of EUR 12,779 thousand (previous year: EUR 12,572 thousand).

For an explanation of the employee incentive programmes, please refer to our comments in Notes 2.13 and 25 Employee incentive programmes.

Personnel expenses also include expenses for defined benefit pension plans totalling EUR 705 thousand (previous year: EUR 1,007 thousand), see also note 29.

Personnel expenses include employer contributions to social security totalling EUR 16,305 thousand (previous year: EUR 15,371 thousand) as expenses for defined contribution pension plans.

Social security contributions totalling EUR 0 thousand (previous year: EUR 189 thousand) were reimbursed as part of the short-time working allowance.

9. Depreciation, amortisation and impairment

The composition of depreciation and amortisation is shown in the following table:

In EUR ’000s	2023	2022
Amortisation of intangible assets	149,382	244,307
Depreciation of lease assets	67,819	72,189
Depreciation of property, plant and equipment	33,089	31,698
Impairment of goodwill	2,636	0
Impairment of property, plant and equipment	782	1,106
Impairment of intangible assets	423	0
Total	**254,131**	**349,300**

For information on the amortisation of lease assets, please refer to our comments in Note 2.5.

The impairments on goodwill relate to the "Narrowband" cash-generating unit. The goodwill attributable to the discontinued narrowband business model was impaired by EUR 2,636 thousand to EUR 232 thousand based on an impairment test of EUR 2,868 thousand.

The impairments of intangible assets relate to licences that are no longer used.

The impairments of property, plant and equipment mainly relate to radio infrastructure of the Media Broadcast Group that is no longer in use. In the previous year, the impairments of property, plant and equipment mainly related to buildings of the Media Broadcast Group that are no longer in use.

10. Other operating expenses

The other operating expenses mainly comprise marketing costs (EUR 119.3 million in 2023 compared to EUR 97.7 million in 2022), legal/consulting costs, administrative costs (e.g. ancillary costs for shops and administrative buildings), expenses for loss allowances and bad debts, expenses for billing, outsourcing and postage.

Other operating expenses in the 2023 financial year include expenses from loss allowances on financial assets and contract assets totalling EUR 12.8 million (previous year: EUR 21.1 million). Of this, EUR 17.8 million (previous year: EUR 24.5 million) is attributable to impairment losses recognised in accordance with IFRS 9 for contracts capitalised in the current financial year, of which EUR 17.8 million (previous year: EUR 24.5 million) relates to trade receivables, other receivables and other financial assets. Of this, EUR -5.0 million (previous year: EUR -3.4 million) is attributable to the corrections to impairment losses recognised in accordance with IFRS 9 for contracts capitalised in previous years - these also relate entirely to trade accounts receivable, other receivables, other assets and other financial assets.

11. Interest and similar income

Interest and similar income consists of the following items:

In EUR '000s	2023	2022
Interest from banks, debt collection and similar income	2,572	372
Interest income from present value adjustments	1,406	4,796
Interest from lease receivables	1,304	1,249
Interest from tax refunds	1,083	26
Total	**6,365**	**6,443**

For interest from lease receivables, please refer to our comments in Note 2.5.2, freenet as lessor.

The interest income from present value adjustments for 2023 in the amount of EUR 1,406 thousand (previous year: EUR 4,796 thousand) is mainly attributable to interest on other receivables and other assets.

12. Interest and similar expenses and other financial result

Interest and similar expenses break down as follows:

In EUR '000s	2023	2022
Interest to banks and similar expenses	13,430	10,990
Interest from leases	11,157	8,769
Interest expense from pension obligations	2,532	1,249
Interest expense from tax back payments and similar expenses	1,602	26
Interest expense from present value adjustments	1,534	2,006
Other	494	641
Total	**30,749**	**23,681**

The interest expense from present value adjustments for 2023 in the amount of EUR 1,534 thousand (previous year EUR 2,006 thousand) is mainly attributable to interest on provisions and other financial liabilities.

Interest from the effective interest method (IFRS 9 measurement category: amortised cost) is included in interest to banks and similar expenses in the amount of EUR 236 thousand (previous year: EUR 1,210 thousand) and in interest expense from present value adjustments of equity and liabilities in the amount of EUR 1,534 thousand (previous year: EUR 2,006 thousand).

For information on interest from leases, please refer to our comments in Note 2.5.

The other financial result totalled EUR 0.5 million (previous year: EUR 3.8 million).

13. Income taxes

Income taxes paid or owed and deferred taxes are recognised as income taxes.

In EUR '000s	2023	2022
Current tax expense for the financial year	– 35,020	– 36,934
Tax income from previous years	– 2,053	– 2,079
Deferred tax expense due to the utilisation of deferred income tax assets	– 34,730	– 45,609
Deferred tax income relating to temporary differences	8,436	52,490
Total	**– 63,367**	**– 32,132**

Additional disclosures on deferred taxes are included in Note 18, Deferred tax assets and deferred tax liabilities. Applying the average income tax rate of the Group companies to the consolidated profit before income taxes would result in an expected tax expense of EUR 66.6 million (previous year: EUR 34.5 million). The difference between this amount and the current tax expense from continuing operations of EUR 63.4 million (previous year: EUR 32.1 million) is shown in the following reconciliation:

In EUR '000s/as indicated	2023	2022
Earnings before taxes from continuing operations (EBT)	219,670	113,978
Expected tax expense applying the tax rate of 30.30% (previous year: 30.30%)	– 66,560	– 34,535
Change in deferred tax assets on loss carryforwards and unrecognised deferred tax assets on loss carryforwards	17,514	10,246
Tax effect on non-deductible expenses due to trade tax additions	– 2,015	– 1,978
Tax effect of other non-deductible expenses	– 1,318	– 1,142
Tax effect from associated companies	– 788	– 596
Tax income from previous years	– 2,053	– 2,079
Tax income not recognised in profit or loss	– 9,040	– 2,688
Other effects	893	640
Current tax expense from continuing operations	**– 63,367**	**– 32,132**
Effective tax rate in %	28.85	28.19

The significant increase in the breakdown item "Change in deferred tax assets on loss carryforwards and unrecognised deferred tax assets on loss carryforwards" is due to a reduction in the utilisation of deferred tax assets on loss carryforwards in the 2023 financial year compared to the previous year. This in turn is a consequence of the scheduled amortisation of the "mobilcom-debitel GmbH" trademark (please refer to Note 15 of these Notes) and the resulting reduction in deferred tax assets on loss carryforwards recognised for this trademark; the scheduled amortisation of this trademark described above covered almost 12 months in the previous year, but only 6 months in 2023, until the end of the amortisation period on 30 June 2023.

The "tax income not recognised in profit or loss" reported in 2023 is largely the result of a significant reduction in the tax deferral item for mobile phone subsidies in direct sales as a result of a tax audit.

A corporation tax rate of 15.0% (previous year: 15.0%) was applied to the Group companies in the 2023 financial year for the calculation of deferred and current income taxes. Furthermore, a solidarity surcharge of 5.5% (previous year: 5.5%) on corporation tax and an average trade tax multiplier of 414.80% (previous year: 413.71%) were applied. Deferred taxes in the 2023 financial year were calculated using an average tax rate of 30.30% (previous year: 30.30%).

The Group falls within the scope of the OECD Pillar Two model regulations. The Pillar Two legislation was published in the Federal Law Gazette in Germany, where freenet AG is based, on 27 December 2023 with the Minimum Tax Act (MinStG) and came into force on 1 January 2024. The Pillar Two rules apply to multinational companies that have generated consolidated revenues of at least EUR 750 million in at least two of the last four years. According to the legislation, the group must pay an additional tax per country in the amount of the difference between the effective tax rate determined in accordance with the MinStG rules and the minimum rate of 15%.

With regard to the Group companies based in Germany, freenet currently fulfils the requirements for the transitional regulation for subordinate international activities in accordance with section 83 MinStG and is therefore exempt from the minimum tax for the first five years (2024 to 2028) if these requirements are maintained. The conditions to be met for this include, firstly, that the Group may have companies in a maximum of six tax jurisdictions and, secondly, that the total value of the tangible assets of all business units in all tax jurisdictions (here currently: USA and Sweden) with the exception of the reference tax jurisdiction (here: Germany) does not exceed the amount of EUR 50 million. With regard to the business units in the USA and Sweden, freenet also assumes that it will be able to make use of temporary transitional regulations that exempt it from the minimum tax.

The Group is currently in the process of assessing the effects of Pillar Two for the period after the expiry of the respective temporary transitional arrangements.

The Group makes use of the exemption from recognising deferred taxes in connection with Pillar Two income taxes, which was the subject of the amendments to IAS 12 published in May 2023.

14. Earnings per share

14.1. Basic earnings per share

The basic earnings per share are calculated by dividing the earnings attributable to shareholders by the weighted average number of shares outstanding during the financial year. In future, there is the possibility of a reduction in basic earnings per share due to the possible utilisation of conditional capital. We refer here to our comments on Note 24.8.

	2023	2022
Consolidated profit attributable to shareholders of freenet AG in EUR ’000s	154,578	79,294
Weighted average number of shares outstanding in units	118,900,598	118,949,411
Earnings per share in EUR (basic)	**1.30**	**0.67**

14.2. Diluted earnings per share

The diluted earnings per share are calculated by dividing the earnings attributable to the shareholders by the weighted average number of shares outstanding increased by potentially dilutive shares.

There are no dilutive effects or potential dilutive effects as of 31 December 2023.

	2023	2022
Consolidated profit attributable to shareholders of freenet AG in EUR ’000s	154,578	79,294
Weighted average number of shares outstanding	118,900,598	118,949,411
Weighted average number of shares outstanding plus potential dilutive shares in units	118,900,598	118,949,411
Earnings per share in EUR (diluted)	**1.30**	**0.67**

15. Intangible assets, lease assets, property, plant and equipment and goodwill

The development of intangible assets and property, plant and equipment is presented in Note 37.

The amortisation of intangible assets on trademarks from the purchase price allocation in connection with the acquisition of the debitel Group in the 2008 financial year (see Note 9), which was still significant in the previous year, was written off in full in 2023.

The following table shows the carrying amounts of intangible assets from purchase price allocations:

In EUR '000s	31.12.2023	31.12.2022
Customer relationships	67,756	72,504
Trademarks	4,856	103,994
Software	346	692
Right-of-use assets	134	160
Total	**73,092**	**177,350**

In addition to the intangible assets from the various purchase price allocations, other intangible assets amounting to EUR 117.7 million (31 December 2022: EUR 138.6 million) are reported as of 31 December 2023, including internally generated software in the amount of EUR 69.8 million (31 December 2022: EUR 61.9 million) and distribution rights in the amount of EUR 45.2 million (31 December 2022: EUR 70.8 million). Please also refer to our comments on Note 9, Depreciation, amortisation and impairments. The exclusive distribution right with Media-Saturn Deutschland GmbH resulted in carrying amounts of EUR 44.8 million as of 31 December 2023 (previous year: EUR 70.5 million). The carrying amounts were reduced solely by amortisation. As at 31 December 2023, there were impaired intangible assets in the amount of EUR 0.4 million (previous year: EUR 0.0 million).

Lease assets amounted to EUR 306.0 million as of 31 December 2023 (31 December 2022: EUR 350.5 million). Please refer to our comments in Note 2.5.

The allocation of the goodwill recognised to CGUs is shown in the following overview:

In EUR '000s	31.12.2023	31.12.2022
Mobile communications	1,122,814	1,122,814
TV	226,621	226,621
Online	28,807	28,807
Other	1,516	4,152
Total	**1,379,758**	**1,382,394**

Since 2016, the “TV” CGU has been allocated to the “TV and media” segment and the “other” CGU to the “other/holding” segment.

Impairments were recognised in 2023. Please refer to our comments on Note 9.

EUR 63.4 million (31 December 2022: EUR 69.5 million) of the property, plant and equipment of EUR 129.4 million (31 December 2022: EUR 134.2 million) consists mainly of technical broadcasting infrastructure.

16. Impairment testing of non-monetary assets in accordance with IAS 36

Goodwill of EUR 1,122.8 million (previous year: EUR 1,122.8 million) was allocated to the "Mobile Communications" CGU, which is allocated to the "Mobile Communications" segment. As at 31 December 2023, goodwill of EUR 226.6 million (previous year: EUR 226.6 million) was allocated to the "TV" CGU, which is identical to the "TV and media" segment, and goodwill of EUR 28.8 million (previous year: EUR 28.8 million) was allocated to the "Online" CGU. The "Online" CGU is part of the "Other/holding" segment.

The recoverable amount of the CGUs "Mobile Communications", "TV" and "Online" was recognised as the fair value less costs to sell, calculated using the discounted cash flow method. The fair values were determined on the basis of a plan approved by management, which covers the period up to and including 2027. The detailed planning phases were amortised in perpetuity. These correspond to level 3 of the fair value hierarchy in accordance with IFRS 13.

The WACCs after taxes used to determine the fair values are derived from market data and are based on the respective specific risk structure of the CGUs. With regard to the capitalisation interest rates in the subsequent phase (from 2027), discounts have been assumed on the basis of growth assumptions, which also represent the growth rates used to extrapolate the free cash flow guidance.

The planning for the "Mobile Communications", "TV" and "Online" CGUs is based on detailed assumptions derived from experience and future expectations regarding the key earnings and value drivers.

The goodwill allocated to the CGUs, the discount rates (WACC), the assumed growth rates and the basic assumptions for corporate planning 2023 are shown in the following table.

CGU	Carrying amount of goodwill allocated to the CGU in EUR million	Discount rate in %	Growth rate in %	Key earnings / value drivers	Basic assumptions for corporate planning
Mobile Communications	1,122.8	6.10	0.50	▪ On the gross profit side, earnings can be broken down into two earnings streams: Profit contribution from new customers and customer retention. On the other hand, there are costs for purchased services (in particular mobile network operators) ▪ The earnings contribution from new customers and customer retention is dominated by the costs of acquiring and retaining customers. This is offset by costs for the procurement of hardware and dealer commissions to be paid to sales partners in the course of acquisition or retention.	▪ Stable customer acquisition and retention costs ▪ Slightly growing customer base in the postpaid business ▪ Slight increase in postpaid ARPU ▪ Stable development of revenues and EBITDA ▪ Slight increase in revenues and earnings contributions from digital lifestyle revenues ▪ Slight increase in revenues and gross profits at freenet Internet
TV	226.6	8.07	1.00	▪ Revenues and gross profits of the individual end products, broken down by the respective sales markets	▪ Significant increase in revenues, gross profits and EBITDA contributions ▪ Significantly growing customer base
Online	28.8	6.74	0.25	▪ Revenues and gross profits of the individual end products, broken down by the respective sales markets	▪ Slight increase in revenues and gross profits as well as EBITDA contributions

The following table shows the basic assumptions for 2022.

CGU	Carrying amount of goodwill allocated to the CGU in EUR million	Discount rate in %	Growth rate in %	Key earnings / value drivers	Basic assumptions for corporate planning
Mobile Communi-cations	1,122.8	5.49	0.50	▪ gross profit side, earnings can be broken down into two earnings streams: Profit contribution from new customers and customer retention. On the other hand, there are costs for purchased services (in particular mobile network operators) ▪ The earnings contribution from new customers and customer retention is dominated by the costs of acquiring and retaining customers. This is offset by costs for the procurement of hardware and dealer commissions to be paid to sales partners in the course of acquisition or retention.	▪ Stable customer acquisition and retention costs ▪ Moderate increase in customer base in postpaid business ▪ Stable postpaid ARPU ▪ Slight increase in revenues and EBITDA ▪ Increasing revenues and earnings contributions from digital lifestyle revenues ▪ Rising revenues and gross profits at freenet Internet
TV	226.6	7.12	1.00	▪ Revenues and gross profits of the individual end products, broken down by the respective sales markets	▪ Increasing revenues, gross profits and EBITDA contributions ▪ Growing TV customer base
Online	28.8	6.75	0.25	▪ Revenues and gross profits of the individual end products, broken down by the respective sales markets	▪ Slight increase in revenues and gross profits as well as EBITDA contributions

The 2023 impairment test for the “Mobile communications”, “TV” and “Online” CGUs confirmed that there was no need to recognise an impairment loss for the goodwill allocated to the “Mobile communications” CGU.

In the consolidated financial statements as of 31 December 2023, there is other goodwill for various CGUs in the amount of EUR 1.5 million (previous year: EUR 4.2 million), each of which is allocated to the “Other/holding” segment. The change compared to the previous year’s reporting date is due to the impairment of goodwill for narrowband in the amount of EUR 2.6 million based on current knowledge regarding the discontinuation of business operations. There were no other impairments of non-monetary assets (previous year: EUR 0).

17. Equity-accounted investments

In EUR million	31.12.2023	31.12.2022
Equity-accounted investments	0.3	0.1
Total	**0.3**	**0.1**

Bayern Digital Radio GmbH, Munich, is included in the consolidated financial statements as of 31 December 2023 with a carrying amount of EUR 0.3 million (31 December 2022: EUR 0.1 million). The net profit for the year of this company amounts to EUR 0.2 million (previous year: EUR 0.1 million).

18. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities were calculated using the liability method with an overall tax rate of 30.30% (previous year: 30.30%), taking into account temporary differences.

The following amounts are recognised in the consolidated balance sheet:

In EUR '000s	31.12.2023	31.12.2022
Deferred income tax assets	108,176	132,185
Total	**108,176**	**132,185**

Due to the expected utilisation of tax loss carryforwards, EUR 54.5 million (previous year: EUR 51.3 million) of the surplus of deferred income tax assets of EUR 89.9 million (previous year: EUR 116.1 million) recognised in the deferred income tax assets for freenet AG's corporate income tax and trade tax group is regarded as current and EUR 35.4 million (previous year: EUR 64.8 million) as non-current. An excess of deferred tax assets of EUR 18.3 million (previous year: EUR 16.0 million) is recognised for companies outside the corporate income tax and trade tax group of freenet AG, of which EUR 0 (previous year: EUR 1.6 million) is regarded as current.

The development of the recognised deferred tax assets and deferred tax liabilities for the 2023 financial year is shown in the following table:

In EUR '000s	01.01.2023	Set off in other comprehensive income	Balance sheet reclassifications	Tax income and expenses	31.12.2023
Property, plant and equipment	499	0	0	– 539	– 40
Intangible assets	– 130,365	0	0	28,862	– 101,503
Lease assets	– 107,971	0	0	17,604	– 90,367
Other financial assets	– 23,243	– 261	9	– 554	– 24,049
Contract acquistion costs	– 83,265	0	0	– 2,451	– 85,716
Loss carryforwards	246,054	0	0	– 34,729	211,325
Lease liabilities	126,562	0	0	– 21,546	105,016
Pension provisions	666	2,537	0	– 920	2,283
Other provisions	2,408	0	0	39	2,447
Other financial liabilities	19,062	0	0	2,305	21,367
Trade accounts payable, other liabilities	143,656	0	0	– 949	142,707
Financial liabilities	733	0	0	– 236	497
Trade accounts receivable, other assets	– 62,611	0	0	– 13,180	– 75,791
Total	**132,185**	**2,276**	**9**	**– 26,294**	**108,176**

Income tax income and expenses totalling a net expense of EUR 26,294 thousand (previous year: net income of EUR 6,880 thousand) are included in the consolidated income statement as deferred income taxes under "Income taxes". As in the previous year, they were exclusively attributable to continuing operations.

In the 2022 financial year, deferred tax assets and deferred tax liabilities developed as follows:

In EUR '000s	01.01.2022	Set off in other comprehensive income	Tax income and expenses	31.12.2022
Property, plant and equipment	392	0	107	499
Intangible assets	– 179,259	0	48,894	– 130,365
Lease assets	– 123,774	0	15,803	– 107,971
Other financial assets	– 27,246	1,127	2,876	– 23,243
Contract acquistion costs	– 76,069	0	– 7,196	– 83,265
Loss carryforwards	291,663	0	– 45,609	246,054
Lease liabilities	145,397	0	– 18,835	126,562
Pension provisions	11,382	– 10,051	– 665	666
Other provisions	4,202	0	– 1,794	2,408
Other financial liabilities	15,518	0	3,544	19,062
Trade accounts payable, other liabilities	129,828	0	13,828	143,656
Financial liabilities	682	0	51	733
Trade accounts receivable, other assets	– 58,487	0	– 4,124	– 62,611
Total	**134,229**	**– 8,924**	**6,880**	**132,185**

The summarised net development of deferred taxes is shown in the following overview:

In EUR '000s	2023	2022
As of 1.1.	**132,185**	**134,229**
Set off in other comprehensive income	2,276	– 8,924
Balance sheet reclassifications	9	0
Tax income and expenses	– 26,294	6,880
As of 31.12.	**108,176**	**132,185**

The existing tax loss carryforwards, which can be carried forward indefinitely, exceed the total of the forecast cumulative results for the following four financial years. For this reason, a deferred tax asset was only recognised in the consolidated balance sheet to the extent that the realisation of this asset is considered probable. The expected results are based on the corporate planning of earnings before taxes valid on the balance sheet date. As at 31 December 2023, deferred taxes recognised on loss carryforwards amounted to EUR 211,325 thousand (previous year: EUR 246,054 thousand). Of this item, EUR 136,433 thousand (previous year: EUR 149,177 thousand) is attributable to corporate income tax loss carryforwards and EUR 74,892 thousand (previous year: EUR 96,877 thousand) to loss carryforwards allocated to trade tax. Other loss carryforwards for which no deferred tax assets were recognised in the consolidated balance sheet relate to corporation tax in the amount of EUR 312 million (previous year: EUR 387 million) and trade tax in the amount of EUR 0 (previous year: EUR 9 million). As in the previous year, there are no unrecognised interest carryforwards in accordance with section 4h (1) sentence 2 EStG.

As at 31 December 2023, there are temporary outside basis differences (the net equity according to IFRS is higher than the corresponding carrying amounts of investments for tax purposes) in the amount of approximately EUR 29.0 million (previous year: approximately EUR 31.5 million). No deferred taxes were recognised on this due to the lack of an expected reversal in the tax planning period.

19. Contract acquistion costs

Capitalised contract acquistion costs amounted to EUR 282,891 thousand as of 31 December 2023 (31 December 2022: EUR 274,802 thousand). They are mainly attributable to dealer commissions in the mobile communications segment and, to a lesser extent, to employee commissions.

In the 2023 financial year, there were new capitalisations with an equivalent value of EUR 300,464 thousand (previous year: EUR 299,940 thousand) with amortisation of EUR 292,375 thousand (previous year: EUR 276,191 thousand). These are exclusively scheduled amortisations - as in the previous year, there were no unscheduled impairments of contract acquisition costs in the financial year.

In the postpaid business, the amortisation period is almost exclusively 24 months. In the prepaid business, amortisation takes place over the imputed initial term, which is between 15 and 17 months. In 2023, 89% (2022: 91%) of the amortisation amount across the entire Group and all business areas was attributable to contract acquistion costs with an amortisation period of 24 months.

20. Inventories

Inventories are made up as follows:

In EUR ’000s	31.12.2023	31.12.2022
Mobile phones/Accessories	38,764	52,128
Computer/IT products	11,781	25,433
SIM cards	6,449	6,643
Bundles and vouchers	16	16
Other	6,814	6,897
Total	**63,824**	**91,117**

The year-end inventories are impaired in the amount of EUR 5,066 thousand (previous year: EUR 6,116 thousand).

21. Receivables, other assets and other financial assets

Receivables, other assets and other financial assets are made up as follows:

	31.12.2023		
In EUR ’000s	Total	Non-current	Current
Trade accounts receivable	357,498	44,797	312,701
Other non-derivative financial assets	25,621	5,471	20,150
	383,119	**50,268**	**332,851**
Lease receivables	37,429	19,404	18,025
Other financial assets	46,544	13,986	32,558
Other equity instruments	87,820	87,820	0
Financial assets	**554,912**	**171,478**	**383,434**
Other assets	244,609	90,561	154,048
Prepayments made	6,629	159	6,470
Non-financial assets	**251,238**	**90,720**	**160,518**
Total receivables, other assets and other financial assets	**806,150**	**262,198**	**543,952**

	31.12.2022		
In EUR '000s	Total	Non-current	Current
Trade accounts receivable	342,021	45,672	296,349
Other non-derivative financial assets	20,172	5,023	15,149
	362,193	**50,695**	**311,498**
Lease receivables	44,708	31,256	13,452
Other financial assets	34,037	11,457	22,580
Other equity instruments	70,378	70,378	0
Financial assets	**511,316**	**163,786**	**347,530**
Other assets	250,446	98,852	151,594
Prepayments made	7,281	271	7,010
Non-financial assets	**257,727**	**99,123**	**158,604**
Total receivables, other assets and other financial assets	**769,043**	**262,909**	**506,134**

The other equity instruments are made up as follows:

In EUR '000s	31.12.2023	31.12.2022
Equity investment in CECONOMY	80,801	60,601
Eequity investments in MGI	4,473	7,549
Other equity investments	2,007	1,696
Other	539	532
Total	**87,820**	**70,378**

With effect from 12 July 2018, the freenet Group acquired 9.1% of the ordinary shares (32,633,555 shares) in CECONOMY at a price of EUR 277.4 million. The equity investment in CECONOMY is reported as of 31 December 2023 with a carrying amount of EUR 80.8 million under other financial assets. It is subsequently recognised at fair value in other comprehensive income. The Group recognises the market value of EUR 2.48 (Xetra trading platform) on the balance sheet date as the fair value.

By contract dated 28 August 2020 and executed on 30 September 2020, the Group sold all shares in freenet digital GmbH and received 4,376,492 shares in the buyer Media and Games Invest SE, Malta (hereinafter also referred to as “MGI”), with a value (measured as of 30 September 2020) of EUR 5.7 million. The equity investments in MGI are reported as of 31 December 2023 with a carrying amount of EUR 4.5 million under other financial assets. It is subsequently recognised at fair value in other comprehensive income. The Group recognises the market value of EUR 1.02 (Xetra trading platform) on the balance sheet date as the fair value.

Other equity investments are measured at fair value through profit or loss.

Trade accounts receivable are due from third parties and mainly relate to receivables from fee revenue, equipment sales and fixed-line and Internet services.

The total of trade accounts receivable and other non-derivative financial assets, less loss allowances recognised, amounted to EUR 383,119 thousand as of 31 December 2023 (previous year: EUR 362,193 thousand). Please refer to our comments in Note 33. Trade accounts receivable are the most significant item in this class in the freenet Group. They consist primarily of receivables from end customers, business customers, dealers and sales partners. Other assets and prepayments made in the amount of EUR 251,238 thousand (previous year: EUR 257,727 thousand) are non-financial assets as of 31 December 2023.

Invoicing in the mobile communications segment is carried out by the Group itself. In the other/holding segment, some invoices are issued by the Group itself, while Deutsche Telekom AG, Bonn (DTAG) is used for collection in the narrowband segment.

Insofar as invoices are issued to end customers themselves, they are predominantly due immediately after invoicing. Submissions made to DTAG have a payment term of 30 days.

The maximum default risk for trade accounts receivable as of the balance sheet date is EUR 350.7 million (previous year: EUR 329.7 million) due to existing trade credit insurance. In the case of other financial assets and other equity instruments, the maximum default risk corresponds to the carrying amounts recognised.

The loss allowances recognised as of the reporting date of 31 December 2023 were attributable to the categories of receivables and assets presented below. On this basis, the loss allowances with regard to trade accounts receivable, other assets and other receivables and other assets were determined as follows as of 31 December 2023:

31 December 2023
Impairment losses recognized on receivables, other assets and other financial assets in accordance with IFRS 9

In EUR '000s	Balance sheet item	Carrying amount before loss allowance in EUR '000s	Loss allowance in EUR '000s	Carrying amount after loss allowance in EUR '000s	Expected loss rate (mathematical) in EUR '000s
Receivables from end customers – not overdue	Trade accounts receivable	161,565	– 3,290	158,275	2.0
Receivables from end customers – overdue for < 90 days	Trade accounts receivable	21,799	– 5,968	15,831	27.4
Receivables from end customers – overdue for between 90 and 180 days	Trade accounts receivable	13,674	– 7,253	6,421	53.0
Receivables from end customers – overdue for >180 days	Trade accounts receivable	70,820	– 57,188	13,632	80.8
Receivables from business partners	Trade accounts receivable	166,158	– 2,818	163,340	1.7
Other non-derivative financial assets Assets (Level 1)	Other financial assets	67,848	– 2,252	65,596	3.3
Other financial assets					
thereof lease receivables	Other financial assets	39,277	– 1,848	37,429	4.7
thereof consideration payable in accordance with IFRS 15 (mobile communications/ mobile phone option) (Level 1)	Other financial assets	47,508	– 964	46,544	2.0
Other assets					
thereof contractual assets from contracts with customers (mobile communications)	Other receivables and other assets	103,674	– 2,260	101,414	2.2
thereof consideration payable in accordance with IFRS 15 (mobile communications / tariff)	Other receivables and other assets	112,072	– 2,433	109,639	2.2
thereof financial assets from contracts with customers (TV)	Other receivables and other assets	32,058	– 4,846	27,212	15.1

31 December 2022

Impairment losses recognized on receivables, other assets and other financial assets in accordance with IFRS 9

In EUR ’000s	balance sheet item	Carrying amount before loss allowance in EUR ’000s	Loss allowance in EUR ’000s	Carrying amount after loss allowance in EUR ’000s	Expected loss rate (mathematical) in %
Receivables from end customers – not overdue	Trade accounts receivable	164,842	– 4,158	160,684	2.5
Receivables from end customers – overdue for ‹ 90 days	Trade accounts receivable	20,703	– 7,583	13,120	36.6
Receivables from end customers – overdue for between 90 and 180 days	Trade accounts receivable	10,505	– 7,675	2,830	73.1
Receivables from end customers – overdue for ›180 days	Trade accounts receivable	79,391	– 68,869	10,522	86.7
Receivables from business partners	Trade accounts receivable	159,972	– 5,107	154,865	3.2
Other non-derivative financial assets (Level 1)	Other financial assets	67,542	– 435	67,107	0.6
Other financial assets					
thereof lease receivables [1]	Other financial assets	44,708		44,708	
thereof consideration payable under IFRS 15 (mobile communications / mobile phone upgrade option) (Level 1)	Other financial assets	34,746	– 708	34,038	1.8
Other assets					
thereof contract assets from contracts with customers (mobile communications)	other receivables and other assets	111,727	– 2,944	108,783	2.6
thereof consideration payable under IFRS 15 (mobile communications / tariff)	other receivables and other assets	100,227	– 2,334	97,893	2.3
thereof financial assets from contracts with customers (TV)	other receivables and other assets	36,261	– 4,500	31,761	12.4

[1] The identified impairment loss for lease receivables was immaterial in the 2022 financial year and was not recognised.

We provide the following information on the development of loss allowances in the 2023 financial year:

In EUR ’000s	Trade accounts receivable (simplified model)	Other financial assets Assets (Stage 1)	Other receivables and other assets (contract assets)	Total
Loss allowances as of 31.12.2022 - calculated in accordance with IFRS 9 (thereof impairment losses of 6,692, see table below)	**93,392**	**1,143**	**9,778**	**104,313**
Net change in loss allowances in 2023	– 16,875	2,073	– 239	– 15,041
Loss allowances as of 31.12.2023 - calculated in accordance with IFRS 9 (thereof EWB 3,358, see following table)	**76,517**	**3,216**	**9,539**	**89,272**

We provide the following information on the development of loss allowances in the 2022 financial year:

In EUR '000s	Trade accounts receivable (simplified model)	Other financial assets Assets (Stage 1)	Other receivables and other assets (contract assets)	Total
Loss allowances as of 31 December 2021 - calculated in accordance with IFRS 9 (thereof impairment losses 3,018, see table below)	**110,370**	**1,014**	**12,887**	**124,271**
Net change in loss allowances in 2022	– 16,978	129	– 3,109	– 19,958
Loss allowances as of 31 December 2022 - calculated in accordance with IFRS 9 (thereof impairment losses of 6,692, see table below)	**93,392**	**1,143**	**9,778**	**104,313**

We provide the following breakdown of non-current other financial assets:

In EUR '000s	31.12.2023	31.12.2022
Interest in CECONOMY AG	80,801	60,601
Lease receivables	19,404	31,256
Consideration payable under IFRS 15 (mobile communications/mobile phone upgrade option)	13,986	11,458
Interest in MGI	4,473	7,549
Other	8,017	7,250
Total	**126,681**	**118,114**

For information on lease receivables, please refer to our comments in Note 2.5.

The current other financial assets are made up as follows:

In EUR '000s	31.12.2023	31.12.2022
Consideration payable under IFRS 15 (mobile communications/mobile phone upgrade option)	32,558	22,580
Lease receivables	18,025	13,452
Other	20,150	15,149
Total	**70,733**	**51,181**

For information on lease receivables, please refer to our comments in Note 2.5.

We provide the following explanation of the "Consideration payable under IFRS 15", which (see the two breakdowns above) is a component of non-current and current other financial assets (insofar as it relates to mobile communications contracts with a mobile phone option) or (see the two breakdowns below) a component of non-current and current other receivables, other assets and other financial assets (insofar as it relates to mobile communications contracts without a mobile phone option): If freenet sells only the rate plan to the end customer while the independent dealer in indirect sales issues a discounted smartphone or other customer benefit to the end customer, freenet pays the dealer partial remuneration that exceeds the equivalent value of the pure brokerage service for the rate plan. In these cases, the rate price that freenet charges the end customer for the mobile service may include an increasing or compensatory component, which is referred to as "Consideration Payable to a customer".

We provide the following breakdown of non-current other receivables and other assets:

In EUR '000s	31.12.2023	31.12.2022
Contract assets from contracts with customers (mobile communications)	37,177	36,647
Consideration Payable in accordance with IFRS 15 (mobile communications/tariff)	30,497	26,799
Other assets from contracts with customers (TV)	16,836	29,471
Other	6,210	6,206
Total	**90,720**	**99,123**

The current other receivables and other assets are made up as follows:

In EUR '000s	31.12.2023	31.12.2022
Consideration Payable in accordance with IFRS 15 (mobile communications/tariff)	79,142	71,094
Contract assets from contracts with customers (mobile communications)	64,237	72,136
Other assets from contracts with customers (TV)	10,376	8,290
Other	6,763	7,084
Total	**160,518**	**158,604**

Non-current trade accounts receivable break down as follows:

In EUR '000s	31.12.2023	31.12.2022
Receivables from end customers with mobile phone option (mobile communications)	44,487	45,148
Other	310	524
Total	**44,797**	**45,672**

Current trade accounts receivable are made up as follows:

In EUR '000s	31.12.2023	31.12.2022
Receivables from network operators, dealers, distributors, hardware manufacturers (mobile communications)	143,766	131,057
Receivables from end customers with mobile phone option (mobile communications)	81,998	66,843
Receivables from end customers without mobile phone option (mobile communications)	64,056	75,166
Receivables from end customers (TV and media, and Other/Holding)	3,619	2,143
Other	19,262	21,140
Total	**312,701**	**296,349**

22. Liquid assets

The composition of liquid assets is as follows:

In EUR '000s	31.12.2023	31.12.2022
Cash at bank, cheques and cash in hand	159,815	178,022
Total	**159,815**	**178,022**

23. Current income tax assets

Current income tax assets mainly relate to expected tax refunds for past years from corporation tax and trade tax.

24. Equity

For the following figures, please also refer to the consolidated statement of changes in equity.

24.1. Share capital

The company's issued share capital remains unchanged from the previous year at EUR 118,901 thousand. The share capital is divided into 118,901 thousand no-par value registered shares with an imputed nominal value of EUR 1.00 each. The total share capital is fully paid up. All shares carry the same rights.

The Executive Board was authorised by the Annual General Meeting on 5 May 2022, with the approval of the Supervisory Board pursuant to section 71 para. 1 no. 8 AktG, to acquire and use treasury shares totalling up to 10% of the share capital existing at the time of the resolution on this authorisation or – if this amount is lower – of the share capital existing at the time of the respective exercise of this authorisation for any permissible purpose within the scope of the statutory provisions. The authorisation is valid until 4 May 2027.

In addition to the authorisation pursuant to section 71 para. 1 no. 8 AktG, the Executive Board may also use equity derivatives to acquire of treasury shares. This does not increase the total volume of shares that may be acquired; it merely opens up a further alternative to the acquisition of treasury shares.

24.2. Capital reserve

The capital reserves of freenet AG remained unchanged at EUR 567,465 thousand as of 31 December 2023. The main components of the reported capital reserve continue to stem from the capital increase in 2008 due to the acquisition of the debitel Group (EUR 349.8 million) and from the merger of mobilcom AG and freenet.de AG into freenet AG, which took effect in 2007, and the associated acquisition of the non-controlling interests in the former freenet.de AG (EUR 134.7 million).

24.3. Accumulated other comprehensive income

Accumulated other comprehensive income mainly comprises actuarial losses/gains from the accounting of pension plans in accordance with IAS 19, currency conversion differences due to the subsequent accounting of equity-accounted investments and changes in fair value of investments in equity instruments. Please refer to Note 18 for information on income taxes netted in other comprehensive income.

24.4. Consolidated balance sheet result

The consolidated balance sheet result essentially consist of the cumulative consolidated profits attributable to the shareholders of freenet AG and the acquisitions of further non-controlling interests in EXARING AG in the 2022 and 2023 financial years.

24.5. Non-controlling interests

The equity attributable to non-controlling interests of EUR –3.8 million (31 December 2022: EUR –5.5 million) are attributable to the 25.38% of shares (31 December 2022: 25.38%) held by non-controlling interests in EXARING. The following information is provided on EXARING's assets and liabilities as of 31 December 2023, before consolidation of liabilities, expenses and income and including the effects of subsequent accounting for the purchase price allocation:

EXARING AG In EUR million	31.12.2023	31.12.2022
Non-current assets	55.0	45.9
Current assets	25.8	17.3
Total assets	**80.8**	**63.2**
Non-current liabilities	10.1	6.8
Current liabilities	30.7	22.0
Total liabilities	**40.8**	**28.8**
Net assets	**40.0**	**34.3**
thereof Equity attributable to non-controlling interests	–3.8	–5.5

EXARING AG's net income for the 2023 financial year amounts to EUR 5.7 million (previous year: EUR 11.2 million).

24.6. Authorised capital

Authorised capital (Authorised Capital 2020) was created at the Annual General Meeting on 27 May 2020. Accordingly, the Executive Board is authorised until 10 June 2025, with the approval of the Supervisory Board, to increase the share capital by issuing new shares against cash and / or non-cash contributions on one or more occasions, but by a maximum total of EUR 12.8 million for up to 12,800,000 new shares. The full wording of the Executive Board's authorisation has been published in the Federal Gazette under agenda item 7 in the invitation to the 2020 Annual General Meeting. The Executive Board did not make use of this authorisation in the 2023 financial year.

24.7. Conditional capital

In accordance with the resolution passed by the Annual General Meeting on 27 May 2020, the company's capital is conditionally increased by up to EUR 12.8 million by issuing up to 12,800,000 new no-par value ordinary registered shares with a pro rata amount of the share capital of EUR 1.00 per share (Conditional Capital 2020). The conditional capital increase serves to grant no-par value registered shares to the holders or creditors of convertible bonds and / or bonds with warrants that are issued on the basis of the authorisation resolved by the Annual General Meeting on 27 May 2020 under agenda item 8, no. 1) and grant a conversion or option right or a share delivery right of the company to no-par value registered shares of the company or determine a conversion or option obligation.

The issue price for the new no-par value registered shares is based on the provisions set out in section 4 (7) of the Articles of Association. The conditional capital increase is only to be carried out to the extent that conversion or option rights or a share delivery right is exercised or to the extent that the holders or creditors obliged to exercise the conversion or option fulfil their obligation to convert or exercise the option and to the extent that treasury shares are not used for servicing or the company makes a cash settlement. The new no-par value registered shares participate in profits from the beginning of the financial year in which they are created. The Executive Board is authorised to determine the further details of the implementation of the conditional capital increase. The Executive Board did not make use of this authorisation in the 2023 financial year.

25. Employee incentive programmes

25.1. Programme 1

The Programme 1, which was granted to the members of the Executive Board in 2011, has been terminated by payment since 2015.

25.2. Programme 2

Programme 2, which was granted to the members of the Executive Board in 2014, was terminated in 2021 by payment.

25.3. Programme 3

Under Programme 3, in addition to the annual target agreement, a five-year (for Mr Vilanek and Mr Esch) or three-year (for Mr Arnold, Mr von Platen and Mr Fromme) target agreement was concluded in line with the term of the service contracts, which declares the target achievement from the respective annual variable remuneration for the financial years 2019 to 2023 (for Mr Vilanek), the financial years 2020 to 2024 (for Mr Esch), the financial years 2019 to 2021 (for Mr Arnold) and the financial years 2018 (pro rata from the appointment to the Executive Board, i.e. from 1 June 2018) to 2021 (pro rata until the end of the term of the service contract on 31 May 2021) (for Mr von Platen and Mr Fromme) as the target parameter. For Programme 3, a base amount was set as the target remuneration for each beneficiary in the service contract, which is posted to a virtual account for the respective Executive Board member as a positive amount depending on the achievement of targets per financial year as described in more detail below and is paid out after the other payment conditions (as described in more detail below) have been met, depending on further performance. Base amounts totalling EUR 1,650 thousand (thereof EUR 650 thousand for Mr Vilanek and EUR 250 thousand each for Mr Esch, Mr Arnold, Mr von Platen and Mr Fromme) per full financial year were set as the target remuneration for the beneficiaries.

If the degree of target achievement of the annual variable target agreement for a financial year is 100%, 100% (as a base amount multiplier) of the base amount is allocated to the virtual LTIP account. A maximum of 150% of the base amount (for a target achievement level of 125% or more) is allocated to the virtual account. If the target achievement level is less than 70%, no virtual shares are allocated for the financial year in question. If the target achievement level is between 70% and 125%, a corresponding linear interpolation is carried out at the 100% value.

The respective amount in the virtual account (referred to as the “allocation amount” for the respective target period as the product of the base amount and the respective base amount multiplier described above) is converted into the number of virtual shares to be cancelled by dividing it by the relevant share price. The relevant share price is the average Xetra closing price of all stock exchange trading days in the twelve months of the respective target period, i.e. the respective past financial year. Irrespective of the above division, the number of shares to be booked in each individual case is limited to 100,000 per year (for Mr Vilanek) or 40,000 virtual shares per year (for Mr Esch, Mr Arnold, Mr von Platen and Mr Fromme).

The following applies to all payments from the programme: an entitlement to payments from the LTIP account only arises, after observing the holding periods and exercise periods, if and to the extent that a certain long-term EBT target is achieved. EBT is defined as consolidated earnings before taxes, adjusted for one-off effects and the effects of inorganic growth. The relevant comparative value for the achievement of the EBT target is the Group EBT for the 2022 financial year for all Executive Board members benefiting from Programme 3 - with the exception of Mr Esch - and the Group EBT for the 2023 financial year for Mr Esch. If the Group EBT target is achieved on time, the number of virtual shares booked over several years as described above will be retained. If the EBT target is exceeded or not achieved, the maximum number of virtual shares cancelled is doubled if the target is achieved by 105% or more, or set to zero if the target is achieved by 90% or less. Linear interpolation is applied between the EBT target achievement levels mentioned. The Executive Board member can request payment of the resulting payout amount at the earliest when the EBT target is reached (for all Executive Board members except Mr Esch at the beginning of 2023; for Mr Esch at the beginning of 2024), but not before the end of the holding period for the respective number of entries.

Regarding the holding period: the respective number of shares booked into the virtual LTIP account must generally be held by the Executive Board member for three years from 1 January of the year in which the virtual shares were booked into the virtual LTIP account. If the service contract is not extended after the end of the regular contract term, the holding period ends for Mr Vilanek, Mr Esch and Mr Arnold no later than 18 months after the penultimate target period within the contract term (i.e. six months after the regular end of the contract term) and for Mr von Platen and Mr Fromme no later than 18 months after the last full target period within the contract term (i.e. 13 months after the end of the regular contract term).

Regarding the exercise period: The Executive Board member is entitled to demand payment of the payout amount within a period of two years after the end of the respective holding period, but at the earliest after the EBT target has been reached. Payment may also be requested in instalments. If payment is not requested or not requested on time, the virtual shares in question are forfeited.

The maximum amount that can be paid out in each case corresponds to the number of virtual shares that can be paid out, multiplied by the payout factor, plus the dividend amount. The payout factor is the average Xetra closing price of all stock exchange trading days in the twelve months prior to the date of the payout request. The Executive Board member can therefore continue to participate in the share price increase during the exercise period by not exercising virtual shares, but also bears the risk of a loss in value during this time. The payout factor is limited to the amount of EUR 50 (cap) regardless of the share price performance. The dividend amount is the total of the amounts of the respective gross dividend per share distributed in the period between the start of the holding period for the respective cancellation number and the date of the payout request, multiplied by the number of virtual shares that can be paid out. In this calculation of the dividend amount, however, an amount of EUR 20 per distributable virtual share may not be exceeded (dividend cap). For Mr Vilanek and Mr Esch, the last financial year of the service contract benefiting from Programme 3 (2023 for Mr Vilanek, 2024 for Mr Esch) is later than the year of the EBT target (2022 for Mr Vilanek, 2023 for Mr Esch). For this last financial year, the cancellation of virtual shares is determined depending on the achievement of the EBT target; a payout for this last financial year is only possible if the EBT of this last financial year exceeds the EBT of the previous year (i.e. the year of the EBT target) by at least 1.5%.

The usual market rules on protection against dilution apply, i.e. in cases such as a share split, a consolidation of shares or a capital increase from company funds with the issue of new shares, the respective number of virtual shares in the LTIP account is adjusted accordingly.

The obligation from the LTIP programme was determined at fair value in accordance with IFRS 2 using a recognised valuation model. The key parameters included in this valuation model are the share price of freenet AG on the balance sheet date, the volatility of the share prices corresponding to the remaining term of the LTIP programme, the estimate of the degree of target achievement for the respective past fiscal year and the estimate of the discount rate. The so-called “graded vesting method” is applied, according to which personnel expenses are incurred for all executive Board members from the time the programme is granted.

As at 31 December 2023, a total of 764,100 virtual shares (31 December 2022: 355,539 virtual shares) were booked to the virtual accounts of the beneficiaries in Programme 3. Of the virtual shares existing as of 31 December 2023, 708,178 virtual shares are vested - these are all existing virtual shares for Mr Vilanek, Mr Arnold, Mr von Platen and Mr Fromme. Due to the aforementioned exercise conditions, Mr Esch’s 55,922 virtual shares are forfeitable. The EBT target for 2023 relevant to Mr Esch had not yet been finalised through the approval of the consolidated financial statements when these financial statements were prepared; nevertheless, it is assumed that the maximum number of shares for Mr Esch will be achieved and thus doubled accordingly, which has already been taken into account in the calculation of the provision. As at 31 December 2022, the total of 355,539 virtual shares under Programme 3 were forfeitable.

The development of the number of virtual shares in Programme 3 in the 2023 financial year and in the previous year 2022 is shown in the following overviews:

PROGRAMME 3

	Number of virtual shares 01.01.2023	Additions	Disposal by payout	Number of virtual shares 31.12.2023	Provisions 31.12.2023 in EUR '000s
Christoph Vilanek	146,924	232,828	0	379,752	11,257
Ingo Arnold	56,509	56,509	0	113,018	3,392
Stephan Esch	39,402	16,520	0	55,922	3,010
Rickmann v. Platen	56,352	56,352	0	112,704	3,081
Antonius Fromme	56,352	56,352	10,000	102,704	2,785
Total	**355,539**	**418,561**	**10,000**	**764,100**	**23,525**

PROGRAMME 3

	Number of virtual shares 01.01.2022	Additions	Disposal by payout	Number of virtual shares 31.12.2022	Provisions 31.12.2022 in EUR '000s
Christoph Vilanek	100,161	46,763	0	146,924	7,394
Ingo Arnold	38,523	17,986	0	56,509	2,567
Stephan Esch	21,416	17,986	0	39,402	2,173
Rickmann v. Platen	48,858	7,494	0	56,352	2,099
Antonius Fromme	48,858	7,494	0	56,352	2,099
Total	**257,816**	**97,723**	**0**	**355,539**	**16,332**

Of the personnel expenses of EUR 7,484 thousand recognised in 2023 (previous year: EUR 8,524 thousand), EUR 3,863 thousand (previous year: EUR 3,822 thousand) is attributable to Mr Vilanek, EUR 825 thousand (previous year: EUR 1,378 thousand) to Mr Arnold, EUR 837 thousand (previous year: EUR 1,160 thousand) to Mr Esch and EUR 982 thousand (previous year: EUR 1,082 thousand) to Mr von Platen and EUR 977 thousand (previous year: EUR 1,082 thousand) to Mr Fromme. Of the personnel expenses of EUR 7,484 thousand recognised in 2023 (previous year: EUR 8,524 thousand), EUR 7,193 thousand (previous year: EUR 8,524 thousand) is attributable to additions to provisions and EUR 291 thousand (previous year: EUR 0) to payments for exercises. The payments of EUR 291 thousand were made to Mr Fromme.

The additions in 2023 were made for the 2022 financial year and for the previous financial years benefiting from the programme due to the doubling of the number of virtual shares as a result of the maximum achievement of the EBT target for 2022. The additions in 2022 were made for the 2021 financial year. An addition of virtual shares to the virtual LTIP account for the 2023 financial year had not yet been made as of the reporting date. The EBT target for 2023 relevant to Mr Vilanek and Mr Esch had not yet been finalised by the time these financial statements were prepared by approving the consolidated financial statements as of 31 December 2023; nevertheless, it is assumed that this EBT target will be reached to the maximum extent possible and that the number of virtual shares for these Executive Board members will double accordingly (for Mr Vilanek for his last financial year 2023 benefiting from Programme 3 and for Mr Esch for the first four financial years 2020 to 2023 benefiting from Programme 3). The additions for the 2023 financial year are expected to amount to 83,156 virtual shares for Mr Vilanek and 87,904 virtual shares for Mr Esch (thereof 55,922 virtual shares due to the doubling of the number of shares relating to the 2020 to 2022 financial years and 31,982 virtual shares as double the number of shares relating to the 2023 financial year).

25.4. Programme 4

In Programme 4, in addition to the annual target agreement, a five-year target agreement was originally concluded with Mr von Platen and Mr Fromme in line with the term of the new service contracts, which declares the target achievement from the respective annual variable remuneration for the financial years 2021 (pro rata from the appointment to the Executive Board, i.e. from 1 June 2021) to 2026 (pro rata until 31 May 2026) as the target parameter. Due to the transfer of the Executive Board service contracts of Mr von Platen and Mr Fromme to the new Executive Board remuneration system approved by the Annual General Meeting in 2022 and the associated granting of Programme 5 to Mr von Platen and Mr Fromme from 1 January 2022 (see also our comments on Programme 5 below), Programme 4 was shortened – now only the short-term variable remuneration from 1 June 2021 to 31 December 2021 represents the target parameter.

Base amounts of EUR 169 thousand each were set as the target remuneration for the beneficiaries for this period for the target period from 1 June 2021 to 31 December 2021.

The basic features and exercise conditions of Programme 4 correspond in principle to those of Programme 3 described above, although the holding period has been increased from three years to four years compared to Programme 3. A limit on the annual number of entries, a dividend cap and a maximum payout factor have not been set - instead, however, the total payout amount under Programme 4 (based on the term of the programme, not on individual years of the payout) is limited to 400% of the base amount of Programme 4.

The relevant comparative figure for the EBT target is the Group EBT for the 2025 financial year.

In the 2022 financial year, Mr von Platen and Mr Fromme were issued virtual shares for the first time for Programme 4, namely 12,170 shares each, which also represent the final holdings for this programme in terms of the number of shares issued. Depending on the achievement of the EBT target for 2025, this holding can be doubled at most or set to zero if the target is achieved by 90% or less.

The obligation from the LTIP programme was determined at fair value in accordance with IFRS 2 using a recognised valuation model. The key parameters included in this valuation model are the share price of freenet AG on the balance sheet date, the volatility of the share prices corresponding to the remaining term of the LTIP programme, the estimate of the degree of target achievement for the respective past fiscal year and the estimate of the discount rate. The so-called “graded vesting method” is applied, according to which personnel expenses are incurred for all executive Board members from the time the programme is granted.

The provisions recognised for Mr von Platen and Mr Fromme as of 31 December 2023 amount to EUR 691 thousand each (previous year: EUR 492 thousand each). The personnel expenses recognised from this programme in 2023 for Mr von Platen and Mr Fromme amount to EUR 199 thousand each (previous year: EUR 87 thousand each).

25.5. Programme 5

Under Programme 5, new long-term variable salary components were granted to Executive Board members Arnold, von Platen and Fromme as part of the introduction of the new Executive Board remuneration system in the 2022 financial year, namely from 1 January 2022 to 31 December 2026 for Mr Arnold and from 1 January 2022 to 31 May 2026 for Mr von Platen and Mr Fromme respectively. Ms Engenhardt-Gillé was granted long-term variable salary components under this programme on the occasion of her first appointment to the Executive Board from 1 January 2023 for the period from 1 January 2023 to 31 December 2025.

For Programme 5, a base amount was defined in the service contract for each beneficiary as the target remuneration, which is posted to a virtual account for the respective Executive Board member as a positive amount in accordance with the target achievement described in more detail below and is paid out after the other payout conditions have been met, depending on further performance. Virtual shares are booked into the LTIP account annually (one LTIP tranche per year) at the beginning of the performance period of the respective LTIP tranche. The performance period of an LTIP tranche begins on 1 January (for Mr Arnold, Mr von Platen and Mr Fromme for the first time on 1 January 2022, for Ms Engenhardt-Gillé for the first time on 1 January 2023) and lasts four years. The LTIP tranche, which was booked to the beneficiaries on 1 January 2023, for example, ends on 31 December 2026 and is referred to as the “2023/2026 tranche”. For the beneficiaries, the target remuneration for each LTIP tranche was set at EUR 469 thousand for Mr Arnold, EUR 435 thousand for Mr von Platen, EUR 435 thousand for Mr Fromme and EUR 215 thousand for Ms Engenhardt-Gillé. The number of virtual shares credited to the Executive Board member's LTIP account in each LTIP tranche (the initial number of virtual shares) is calculated by dividing the base amount by the "relevant share price I". The relevant share price I represents the average Xetra closing price of the freenet share on the last 60 trading days before the start of the relevant performance period.

The payout amount to which the Executive Board member is entitled for the respective LTIP tranche is calculated as the product of the final number of virtual shares and the "relevant share price II". The final number of virtual shares is calculated by multiplying the initial number of virtual shares by the total target achievement expressed as a percentage, which is described in more detail below. The relevant share price II is the average Xetra closing price of the freenet share on the last 60 trading days of the relevant performance period, plus the total of the amounts of the respective gross dividend per share distributed during the performance period. The following targets are defined: the EBT target (weighting 50%), the "relative total shareholder return" target (weighting 30%) and sustainability targets (weighting 20%). The overall target achievement is calculated on the basis of the weighted target achievement levels for the individual targets. The payout amount is limited to a maximum of 250% of the base amount of the relevant LTIP tranche. The payment amount per tranche is due for payment within six weeks of the Supervisory Board approving the consolidated financial statements.

The earnings-related target is EBT, which the Supervisory Board sets annually for each annual instalment on the basis of the corporate planning. EBT target achievement is determined by the Supervisory Board on the basis of the audited consolidated financial statements approved by the Supervisory Board for the last financial year of the performance period after adjustment for non-recurring items and inorganic effects.

The Supervisory Board also decides annually on the sustainability targets to be used for each annual instalment. The Supervisory Board selects the ESG targets from the following categories derived from the company's materiality analysis: Employees, digital responsibility, customer matters, corporate environmental protection, compliance and integrity as well as supply chain and human rights due diligence. It is taken into account that the sustainability targets are quantifiable and transparent, differ from the targets set out in the STIP and motivate the Executive Board to ensure the sustainable development of the company.

The total shareholder return (TSR) relative to suitable reference indices is calculated as a share price-based target. The MDAX and the STOXX Europe 600 Telecommunications currently serve as reference indices. To determine the performance of the freenet share in relation to the two reference indices, the absolute comparative value development (outperformance) is calculated annually over the four years of the performance period, plus the gross dividend per share of freenet AG paid out and notionally reinvested during this period. The absolute outperformance is calculated annually in percentage points (pp) and translated into the corresponding annual target achievement in accordance with the target scale for the relative TSR. To determine the overall target achievement, the arithmetic average of the annual target achievements over the four-year performance period of the respective annual tranche is calculated.

In order to avoid the influence of possible one-time effects on individual reporting dates, the average share price of the freenet share or the average performance of the respective reference indices of the last 60 trading days on the relevant reporting date is used to calculate the relative TSR. The target achievement of freenet's relative TSR against the respective reference index is converted into a target achievement percentage within a range of 0% to 200% (see below). Finally, to determine the overall target achievement of the relative TSR, the target achievement percentages against both reference indices are each weighted at 50% and added together.

For both the earnings target and the sustainability targets, target achievement levels of between 50% and 200% are set annually by the Supervisory Board at the beginning of the performance period for the respective annual tranche, along with the corresponding minimum and maximum values. The target achievement levels for the share price target are between 0% and 200%. Furthermore, the minimum value is –50% points (corresponds to 0% target achievement), the target value is 0% points (corresponds to 100% target achievement) and the maximum value is +50% points (corresponds to 200% target achievement) of the absolute outperformance for the share price target.

If the minimum value (hurdle) of a target is not exceeded, the target achievement for this performance criterion is 0%. If the actual value exceeds the defined maximum value (cap), the corresponding target achievement is limited to 200%. Target achievement between the defined anchor points, i.e. between the minimum target and the target value and between the target value and the maximum value, is calculated using linear interpolation.

The respective target achievements of the three performance criteria of the LTIP are added together according to their weighting to determine the overall target achievement.

In other respects, Programme 5 contains the usual anti-dilution provisions as well as the option for the Supervisory Board to reduce the number of virtual shares booked in at its discretion following prior consultation with the Executive Board member due to extraordinary developments up to the end of the respective performance period / holding period. In the event of breaches of duty or compliance, the Supervisory Board can review the LTIP payout entitlements and reduce or reclaim them if necessary (claw-back).

The obligation from the LTIP programme was determined at fair value in accordance with IFRS 2 using a recognised valuation model (Monte Carlo simulation). The key parameters included in this model are the share price of freenet AG on the balance sheet date, the average share prices of the relevant periods of the current and previous year relevant for the determination of the “relative TSR” target, the estimate of the future development of the share prices relevant for the “relative TSR” target, the volatility of the share prices corresponding to the remaining term of the LTIP programme, the estimate of the degree of target achievement with regard to the EBT target and the sustainability targets for the respective LTIP tranches issued and the estimate of the discount rate.

As at 31 December 2023, a total of 135,685 virtual shares were booked as the initial number of virtual shares for the beneficiaries under Programme 5 (previous year: 58,969 virtual shares), thereof 43,799 (previous year: 20,647) for Mr Arnold, 40,646 (previous year: 19,161) for Mr von Platen, 40,646 (previous year: 19,161) for Mr Fromme and 10,594 (previous year: 0) for Ms Engenhardt-Gillé. In the 2023 financial year, Programme 5 resulted in personnel expenses of EUR 2,682 thousand (previous year: EUR 1,376 thousand), thereof EUR 832 thousand (previous year: EUR 482 thousand) for Mr Arnold, EUR 773 thousand (previous year: EUR 447 thousand) for Mr von Platen, EUR 773 thousand (previous year: EUR 447 thousand) for Mr Fromme and EUR 304 thousand (previous year: EUR 0) for Ms Engenhardt-Gillé. The provisions recognised as of 31 December 2023 amount to EUR 1,314 thousand (previous year: EUR 482 thousand) for Mr Arnold, EUR 1,220 thousand (previous year: EUR 447 thousand) for Mr von Platen, EUR 1,220 thousand (previous year: EUR 447 thousand) for Mr Fromme and EUR 304 thousand (previous year: EUR 0) for Ms Engenhardt-Gillé.

25.6. Other employee incentive programmes

As at 31 December 2023, the Group had two further employee incentive programmes, which are recognised with provisions totalling EUR 2,300 thousand (EUR 2,216 thousand and EUR 94 thousand). In the programme with the provision amount of EUR 2,216 thousand, employees were granted virtual company shares that will vest by 31 December 2025. The amount paid out per virtual company share depends on the achievement of a customer base target.

In addition to programmes 3 to 5, there was another employee incentive programme in the previous year 2022, which was recognised with a provision of EUR 4,613 thousand as of 31 December 2022. As part of the programme, employees were granted virtual company shares, which were earned in various tranches until 2023 and paid out in 2023 at a predetermined value per share, resulting in payments of EUR 4,613 thousand.

26. Trade accounts payable, other liabilities and deferrals and other financial liabilities

Trade accounts payable, other liabilities and deferrals and other financial liabilities are made up as follows:

	31.12.2023		
In EUR '000s	Total	Non-current	Current
Trade accounts payable	337,724	0	337,724
Other non-derivative financial liabilities	95,095	56,808	38,287
Financial liabilities	**432,819**	**56,808**	**376,011**
Other liabilities and deferrals	69,104	6,896	62,208
Prepayments received	492,784	111,230	381,554
Non-financial liabilities	**561,888**	**118,126**	**443,762**
Total trade accounts payable, other liabilities and deferrals and other financial liabilities	**994,707**	**174,934**	**819,773**

	31.12.2022		
In EUR '000s	Total	Non-current	Current
Trade accounts payable	331,184	0	331,184
Other non-derivative financial liabilities	132,822	86,658	46,164
Financial liabilities	**464,006**	**86,658**	**377,348**
Other liabilities and deferrals	66,648	7,224	59,424
Prepayments received	510,995	112,584	398,411
Non-financial liabilities	**577,643**	**119,808**	**457,835**
Total trade accounts payable, other liabilities and deferrals and other financial liabilities	**1,041,649**	**206,466**	**835,183**

As at 31 December 2023, there were liabilities to related parties, see note 34.

EUR 819,773 thousand (previous year: EUR 835,183 thousand) of the liabilities are due within the next twelve months. Liabilities totalling EUR 174,934 thousand (previous year: EUR 206,466 thousand) are due within one and five years. EUR 85 thousand (previous year: EUR 0 thousand) is due after more than five years.

Of the liabilities summarised under financial liabilities, EUR 376,011 thousand (previous year: EUR 377,348 thousand) are due within one year and EUR 56,808 thousand (previous year: EUR 86,658 thousand) are due between one and five years. As in the previous year, no liabilities are due after more than five years.

We provide the following breakdown of current trade accounts payable:

In EUR '000s	31.12.2023	31.12.2022
Liabilities to network operators, dealers, distributors, hardware manufacturers (mobile communications)	191,550	187,837
Liabilities to sales partners from contracts with customers	52,838	46,143
Obligations from distribution rights	30,599	30,422
Other	62,937	66,782
Total	**337,924**	**331,184**

The current other financial liabilities are made up as follows:

In EUR ’000s	31.12.2023	31.12.2022
Personnel obligations	19,094	19,495
Refund liabilities	11,601	19,936
Other	7,592	6,733
Total	**38,287**	**46,164**

The non-current other financial liabilities break down as follows:

In EUR ’000s	31.12.2023	31.12.2022
Obligations from distribution rights	30,814	61,413
Liabilities to sales partners from contracts with customers	17,797	17,085
Obligations from earn-outs	7,612	7,515
Other	585	645
Total	**56,808**	**86,658**

The obligations from earn-outs result from the right of non-controlling shareholders of EXARING to tender shares in EXARING to freenet AG at a fixed price within a certain period of time.

Due to the financing component, the non-current portion of the liability from distribution rights is recognised in other financial liabilities.

The current other liabilities and accruals break down as follows:

In EUR ’000s	31.12.2023	31.12.2022
Deferred income from bonuses and commissions received from network operators	328,532	337,382
Deferred income from customer credit balances, mobile communication	28,140	35,000
Liabilities from value added tax	31,410	28,657
Liabilities to customers from contracts with customers	17,390	17,187
Other	38,290	39,609
Total	**443,762**	**457,835**

The non-current other liabilities and accruals break down as follows:

In EUR ’000s	31.12.2023	31.12.2022
Deferred income from bonuses and commissions received from network operators	109,866	110,848
Liabilities to customers from contracts with customers	6,897	7,223
Other	1,363	1,737
Total	**118,126**	**119,808**

27. Current income tax liabilities

Current income tax liabilities include expected taxes paid for past financial years and for the current financial year from corporation and trade tax.

28. Financial liabilities and lease liabilities

The financial liabilities are structured as follows:

In EUR million	31.12.2023	31.12.2022
Non-current		
Liabilities from promissory note loans	250.1	393.4
Current		
Liabilities from promissory note loans	180.7	116.1
Total	**430.8**	**509.5**

During the 2023 financial year, two tranches of the existing promissory note loans from 2016 and 2018 with a total nominal amount of EUR 113.5 million were repaid as scheduled.

In October 2023, freenet AG successfully placed a promissory note loan with a total volume of EUR 100.0 million. The bullet financing instrument consists of two tranches with a term until December 2026. Both tranches have a variable interest rate with a margin of 1.25% (plus 6-month EURIBOR). The first tranche was paid out in December 2023 (for EUR 35.0 million); the second tranche (for EUR 65.0 million) will be paid out in May 2024. The liabilities from promissory note loans are all due to banks.

The Group’s lease liabilities are broken down by lease category as follows:

In EUR million	31.12.2023	31.12.2022
Non-current		
Site leases	150.7	190.2
Shops/stores	69.2	85.6
Co-location leases	39.8	50.1
Motor vehicles	3.9	2.5
Network infrastructure	5.2	0.0
Other	0.2	8.1
	269.0	**336.5**
Current		
Site leases	41.4	42.6
Shops/stores	18.5	19.1
Co-location leases	12.1	11.7
Motor vehicles	3.8	3.4
Network infrastructure	2.3	1.3
Other	0.2	3.9
	78.3	**82.0**
Total	**347.3**	**418.5**

Further disclosures in connection with IFRS 16 are presented in Note 2.5.

29. Pension provisions and similar obligations

The pension obligations are based on defined benefit and defined contribution plans. The pension benefit provided for is the payment of a lifelong retirement pension after reaching the age of 60 or 65 as well as a surviving dependant's benefit. The pension benefits are partly financed by a reinsured provident fund. All pension commitments are generally determined according to salary level and length of service with the company. The Executive Board commitments are fully funded. These are secured by a reinsured provident fund and a pledged reinsurance policy with a total fair value of EUR 22,536 thousand (31 December 2022: EUR 22,257 thousand).

The net liability recognised in pension provisions and in non-current other receivables and other assets is calculated as follows:

In EUR '000s	31.12.2023	31.12.2022
Present value of funded obligations	22,646	19,359
Present value of unfunded obligations	68,136	61,785
Present value of obligations	**90,782**	**81,144**
Fair value of plan assets	– 22,536	– 22,257
Influence from the asset ceiling	0	1,974
Net liability recognized	**68,246**	**60,861**
thereof recognized in pension provisions	68,246	61,785
thereof reported under other non-current receivables and other assets	0	– 924

The fulfilment of these obligations is predominantly expected in the long-term. The development of the present value of funded and unfunded obligations is shown in the following table:

In EUR '000s	2023	2022
As of 1.1.	**81,144**	**116,302**
current service cost	705	1,007
gross interest expense	3,351	1,557
employee contributions	3	3
Settlement of pension obligations	– 10	– 39
Benefit payments from plan assets	– 178	0
Actuarial losses/gains (–)		
thereof due to experience adjustments	992	212
thereof due to demographic parameter adjustments	0	0
thereof due to financial parameter adjustments	7,035	– 35,602
Subtotal: Actuarial losses/gains (–)	**8,027**	**– 35,390**
Payments made	– 2,260	– 2,296
As of 31.12.	**90,782**	**81,144**

The weighted average remaining term of the performance obligations as of 31 December 2023 is 19.1 years (previous year: 18.7 years) for the freenet programme, 13.2 years (previous year: 13.1 years) for the debitel programmes and 7.2 years (previous year: 7.4 years) for the Media Broadcast Group programmes.

The following amounts were recognised for the defined benefit plans for the current reporting period and previous reporting periods:

In EUR '000s	2023	2022	2021	2020	2019
Present value of funded obligation	22,646	19,359	31,362	32,568	28,795
Present value of unfunded obligation	68,136	61,785	84,940	88,484	84,843
Fair value of plan assets	– 22,536	– 22,257	– 20,037	– 17,544	– 14,851
Influence from the asset ceiling	0	1,974	0	0	0
Plan deficit	**68,246**	**60,861**	**96,265**	**103,508**	**98,787**
Experience adjustments of plan liabilities	992	212	9	35	– 1,226
Experience adjustments of plan assets	– 2,339	– 219	113	285	53

The plan assets consist of several reinsurance policies taken out by the provident fund set up for this purpose with a total fair value of EUR 22,536 thousand (31 December 2022: EUR 22,257 thousand). The reinsurance policies invest the plan assets in equity fund units or shares that are listed on an active market. There is no active market for the reinsurance policies. The development of the fair value is shown in the table below:

In EUR '000s	2023	2022
As of 1.1.	**22,257**	**20,037**
Interest on plan assets (through income statement, with standardised interest)	980	310
Differences between the expected and actual income from plan assets (recognised through other comprehensive income)	– 2,339	– 219
Benefit payments from plan assets	– 178	
Employer contributions to plan assets	1,816	2,129
As of 31.12.	**22,536**	**22,257**

The actual expenses from the plan assets amount to EUR 1,359 thousand (previous year income: EUR 91 thousand) and are calculated as the total of the calculated expenses or income/loss on plan assets and the actuarial gains or losses.

For the 2024 financial year, freenet expects payments into the plan assets of EUR 845 thousand and payments for pensions of EUR 7,851 thousand. For the 2023 financial year, freenet had expected payments into the plan assets of EUR 1,787 thousand and payments for pensions of EUR 2,922 thousand.

The net liability recognised in pension provisions and in non-current other receivables and other assets developed as follows:

In EUR '000s	2023	2022
As of 1.1.	**60,861**	**96,265**
Current service cost	705	1,007
Net interest expense	2,371	1,247
Gains on the settlement of pension obligations	– 10	– 39
Subtotal: amount recognised in the consolidated income statement	**3,066**	**2,215**
Remeasurement		
Experience-based gains (–)/losses (+)	992	212
Gains (–)/losses (+) due to financial parameter adjustments	7,035	– 35,602
Income (–)/ expenses (+) on plan assets not already included in net interest income	2,339	219
Influence from the asset ceiling	– 1,974	1,974
Subtotal: remeasurements recognised through other comprehensive income	**8,392**	**– 33,197**
Payments made	– 2,260	– 2,296
Employer contributions to plan assets	– 1,816	– 2,129
Employee contributions	3	3
As of 31.12.	**68,246**	**60,861**

The following key actuarial assumptions were made:

In %	31.12.2023	31.12.2022
Discount rate (freenet, debitel programmes)	3.57	4.25
Discount rate (Media Broadcast Group programmes)	3.42	4.09
Future salary increases (debitel programme)	3.00	2.25
Future salary increases (Media Broadcast Group programmes)	2.50	2.50
Future pension increases (debitel programme)	2.25	2.25
Future pension increases (freenet programme)	2.20	2.20
Future pension increases (Media Broadcast Group programmes)	2.00	2.00

As in the previous year, the RT 2018G mortality tables by Dr Klaus Heubeck were used as the biometric basis.

The sensitivities of the present value of funded and unfunded obligations were calculated on the basis of actuarial reports. We provide the following information on this.

31.12.2023	Change in present value of obligations	
In EUR '000s	Rise	Decrease
Increase in the discount rate by 1.0 percentage points		10,063
Decrease of the discount rate by 1.0 percentage points	12,493	
Increase in future salary increases by 0.5 percentage points	313	
Decrease in future salary increases by 0.5 percentage points		24
Increase in future pension increases by 0.25 percentage points	1,276	
Decrease in future pension increases by 0.25 percentage points		1,217
Life expectancy: age shift + 2 years	3,274	

31.12.2022	Change in present value of obligations	
In EUR '000s	Rise	Decrease
Increase in the discount rate by 1.0 percentage points		8,886
Decrease of the discount rate by 1.0 percentage points	10,954	
Increase in future salary increases by 0.5 percentage points	119	
Decrease in future salary increases by 0.5 percentage points		27
Increase in future pension increases by 0.25 percentage points	1,041	
Decrease in future pension increases by 0.25 percentage points		1,012
Life expectancy: age shift + 2 years	2,559	

The sensitivities were calculated on the basis of the same portfolio and using the same measurement method as the calculation of the scope of the obligation as of 31 December 2023, whereby one parameter was varied in each case and the other parameters were left constant. Any interdependencies between individual parameters that occur in practice were not taken into account.

30. Other provisions

The following table provides a breakdown of the changes in the carrying amounts of provisions:

In EUR '000s	1.1.2023	Utilization	Reversal	Interest	Addition	31.12.2023	Non-current	Current
Other								
Contingent losses	680	176	20	6	294	**784**	78	706
Litigation	10,916	3,421	3,604	0	1,189	**5,080**	0	5,080
Asset retirement obligations	39,717	532	2,978	368	2,576	**39,151**	35,204	3,947
Storage costs	313	59	37	15	58	**290**	290	0
Other	3,149	5	145	0	1,577	**4,576**	0	4,576
	54,775	**4,193**	**6,784**	**389**	**5,694**	**49,881**	**35,572**	**14,309**
Personnel								
Employee incentive programmes	23,411	4,904	0	0	12,779	**31,286**	19,465	11,821
Service anniversaries	1,026	184	400	0	651	**1,093**	922	171
Restructuring	1,522	258	1,011	0	0	**253**	0	253
Other	392	179	110	14	103	**220**	220	0
	26,351	**5,525**	**1,521**	**14**	**13,533**	**32,852**	**20,607**	**12,245**
Total	**81,126**	**9,718**	**8,305**	**403**	**19,227**	**82,733**	**56,179**	**26,554**

The provisions for contingent losses at include expected vacancy costs for rented retail space and expected losses from negative-margin tariffs. An outflow of assets in the amount of EUR 706 thousand is expected for 2024.

The provisions for litigation relate to the expected costs from various lawsuits against Group companies and other outstanding disputes with third parties. The majority of this is attributable to litigation with former trading partners and customers as well as intellectual property matters. The Group anticipates a complete outflow of assets in 2024. In order not to disclose the legal and negotiating positions prematurely and thus jeopardise them, no further details are provided in this regard.

Due to the acquisition of the Media Broadcast Group, the provision for asset retirement obligations largely consists of obligations to dismantle radio infrastructure at numerous locations. The outflow of assets is expected to be EUR 2,457 thousand in 2024 and EUR 31,107 thousand in the years 2025 to 2031 following the expected expiry of the underlying rental agreements. There are further obligations to dismantle leasehold improvements at various technical and administrative locations and shops of the Group. The outflow of assets is expected to amount to EUR 1,490 thousand in 2024 and EUR 4,097 thousand in the years 2025 to 2031 following the expected expiry of the underlying rental agreements.

Further details on the recognition of provisions for employee incentive programmes are documented in Note 25. Due to the reorganisation of individual areas, a provision for restructuring was recognised in 2022. A further outflow of assets is expected in full in 2024.

Anniversary provisions were recognised for which an outflow of assets of EUR 171 thousand is expected for 2024 and EUR 922 thousand for the years 2025 to 2043. The calculation of the anniversary provisions was based on an interest rate of 3.42% and an average term from the balance sheet date to payment of seven years.

As a result of the acquisition of the Media Broadcast Group, obligations for semi-retirement and long-term work accounts were also assumed. These obligations are offset against the fair values of the corresponding plan assets on each balance sheet date. As at 31 December 2023, the provisions before offsetting for long-term work accounts amounted to EUR 3,387 thousand (previous year: EUR 3,558 thousand) and for semi-retirement EUR 0 thousand (previous year: EUR 0 thousand).

In EUR ’000s	2023	2022
Long-term work accounts		
Obligation as of 1.1.	**3,558**	**4,328**
Payments from long-term work accounts	– 309	– 531
Personnel expenses	75	164
Interest income/interest expense	63	– 403
Obligation as of 31.12. Before netting	**3,387**	**3,558**
Fair value of plan assets as of 1.1.	**5,495**	**6,526**
Income/loss on plan assets	505	– 1,031
Plan assets as of 31.12.	**6,000**	**5,495**

In EUR ’000s	2023	2022
Semi-retirement		
Obligation as of 1.1.	**0**	**103**
Payments from semi-retirement accounts	0	– 103
Personnel expenses	0	0
Obligation as of 31.12. Before netting	**0**	**0**
Fair value of plan assets as of 1.1.	**1,021**	**1,026**
Loss on plan assets	32	– 5
Plan assets as of 31.12.	**1,053**	**1,021**

As at 31 December 2023, no provision amount remains as of 31 December 2022.

31. Other financial obligations, contingent liabilities and credit enhancements

At the end of the financial year, there were non-cancellable maintenance, support and other obligations as well as order commitments in the following amounts:

In EUR '000s	31.12.2023	31.12.2022
Maintenance, support and other obligations		
Due within one year	44,771	41,327
Due within one and five years	127,624	127,471
Due after more than five years	31,199	62,734
	203,594	**231,532**
Order commitments		
Regarding intangible assets	366	892
Regarding property, plant and equipment	2,803	4,899
Regarding inventories, other supplies and services	123,905	114,958
	127,074	**120,749**
Total	**330,668**	**352,281**

As in 2022, the obligations from maintenance, support and other obligations mainly relate to contracts for the maintenance of IT hardware and databases, building technology, network infrastructure and the outsourcing of business processes in customer service.

At the end of the financial year, order commitments totalled EUR 127,074 thousand (previous year: EUR 120,749 thousand). Of this, EUR 3,169 thousand (previous year: EUR 5,791 thousand) is attributable to the procurement of fixed assets. There are further purchase obligations totalling EUR 123,905 thousand (previous year: EUR 114,958 thousand). These are primarily obligations from the purchase of electricity for production at the various rental locations as well as broadband connections as part of media networks (audio and video transmission).

Other contingent liabilities consist of letters of comfort and rental guarantees and totalled EUR 38,069 thousand as of the balance sheet date (previous year: EUR 40,578 thousand). The letters of comfort and rental guarantees are not expected to be utilised as it is expected that the corresponding invoices will be paid in accordance with the contract or that the corresponding rental payments will be made regularly.

32. Notes to the consolidated cash flow statement

In the consolidated statement of cash flows, the disclosures are made for the Group as a whole (continuing and discontinued operations).

Cash funds consist of cash at bank, cheques and cash in hand, short-term money market instruments that can be liquidated at any time and current financial liabilities, each with an original maturity of up to three months. As in the previous year, cash funds do not include cash and cash equivalents from discontinued operations.

Cash flows are broken down into operating, investing and financing activities. The indirect presentation method was chosen for the presentation of the cash flow from operating activities.

The item “Increase in net working capital not attributable to investing or financing activities” includes the change in the balance sheet items “Trade accounts receivable”, “Other receivables and other assets”, “Other financial assets”, “Inventories”, “Trade accounts payable”, “Other liabilities and deferrals”, “Other financial liabilities”, “Other provisions” and the change in other assets and liabilities not attributable to investing or financing activities.

The alternative performance indicator “free cash flow” shows the amount of cash and cash equivalents generated that can be used, among other things, for the distribution of dividends or the repayment of financial liabilities. Accordingly, “interest paid”, “interest received”, “cash inflows from the repayment of financial assets from leases” are included in the cash flow from operating activities and “cash outflows for the repayment of lease liabilities” (as part of the cash flow from financing activities) are included in the calculation of free cash flow.

32.1. Cash flow from operating activities

Compared to the same period of the previous year, the cash flow from operating activities increased by EUR 2.3 million to EUR 398.0 million in the 2023 financial year (previous year: EUR 395.7 million). The increase is mainly due to the EUR 21.5 million increase in EBITDA in this period, while the previous year’s effect in connection with the dividend received from the equity investment in CECONOMY (2023: EUR 0; 2022: EUR 5.5 million) was not repeated. The EUR 10.5 million year-on-year increase in networking capital (net working capital) including contract acquisition costs also reduced the cash flow from operating activities. This was also due to the complete reduction in factoring of trade accounts receivable in the 2023 financial year.

32.2. Cash flow from investing activities

The cash flow from investing activities totalled EUR -55.3 million in the 2023 financial year compared to EUR -71.9 million in the prior-year period. This development is mainly due to the payment of EUR 10.0 million made to the former shareholders of The Cloud Group in the prior-year period of 2022. Net cash investments (CapEx) decreased by EUR 7.3 million compared to the prior-year period (EUR 60.0 million) to EUR 52.7 million, mainly due to the payments made in the previous year for the modernisation of the headquarters in Büdelsdorf (EUR 8.6 million). The investments were financed entirely from own funds.

32.3. Cash flow from financing activities

The cash flow from financing activities totalled EUR -360.9 million in the 2023 financial year (previous year: EUR -432.1 million). Payments in the 2023 financial year were mainly attributable to the dividend distribution of EUR 199.7 million (previous year: EUR 186.6 million), repayments of two promissory note loan tranches with a nominal value of EUR 113.5 million (previous year: EUR 140.5 million) and repayments of lease liabilities totalling EUR 82.7 million (previous year: EUR 86.4 million). In contrast, the Group received funds totalling EUR 35.0 million in the 2023 financial year in connection with the issue of a promissory note loan (previous year: EUR 0, see Notes to the consolidated financial statements, Note 28).

Free cash flow of EUR 262.6 million was generated in the 2023 financial year, which corresponds to an increase of EUR 13.3 million or 5.3% compared to the prior-year period (EUR 249.2 million).

32.4. Calculation of the underlying figure for the consolidated cash flow statement

The starting point of the cash flow statement is the EBIT of the continuing and discontinued operations. The derivation of this result from the consolidated income statement is shown below.

In EUR '000s	2023	2022
Earnings before income taxes	219,670	113,978
Financial result	26,438	15,423
Earnings before interest and taxes (EBIT)	**246,108**	**129,401**

32.5. Reconciliation of liabilities from financing activities

The following reconciliation statement shows the liabilities from financing activities for the period from 1 January to 31 December 2023:

		Cash-effective changes				Non-cash changes			
In EUR '000s	1.1. 2023	Repayment of financial debt	Raising financial debt	Repayment of leasing liabilities	Repayment of other financial liabilities	Interest paid[1]	Interest expense	Other changes[2]	31.12. 2023
Non-current financial liabilities	393,437		34,972					– 178,300	250,109
Current financial liabilities	113,455	– 113,500						178,536	178,491
Current financial liabilities from interest accruals	2,668					– 13,592	13,159		2,235
Liabilities from finance leases	418,553			– 82,740		– 11,157	11,157	11,427	347,240
Non-current other financial liabilities	61,413				– 30,940		341		30,814
Total liabilities from financing activities	**989,526**	**– 113,500**	**34,972**	**– 82,740**	**– 30,940**	**– 24,749**	**24,657**	**11,663**	**808,888**

[1] Interest payments in connection with financial liabilities and leases amount to EUR 24,749 thousand. In addition, further interest payments for taxes, interest on arrears and the like totalling EUR 531 thousand are reported under "Interest paid" within cash flow from operating activities.
[2] This includes non-cash changes such as reclassifications, additions and disposals as well as other changes related to leases.

Liabilities from financing activities for the period from 1 January 2022 to 31 December 2022 are as follows (table adjusted)

		Cash-effective changes				Non-cash changes			
In EUR '000s	1.1. 2022	Repayment of financial debt	Admission of other financial Assoc.	Repayment of lease liabilities	Repayment of other financial liabilities	Interest paid[1]	Interest expense	Other changes[2]	31.12.2022
Non-current financial liabilities	505,786							– 112,349	393,437
Current financial liabilities	140,395	– 140,500						113,560	113,455
current financial liabilities from interest accruals	3,224					– 10,268	9,712		2,668
liabilities from finance leases	480,886			– 86,433		– 8,769	8,769	24,100	418,553
Non-current other financial liabilities	0		76,800		– 15,470		83		61,413
total liabilities from financing activities	**1,130,291**	**– 140,500**	**76,800**	**– 86,433**	**– 15,470**	**– 19,037**	**18,481**	**25,311**	**928,113**

[1] Interest payments in connection with financial liabilities and leases amount to EUR 19,037 thousand. In addition, further interest payments for taxes, interest on arrears and the like totalling EUR 735 thousand are reported under "Interest paid" within cash flow from operating activities.
[2] This includes non-cash changes such as reclassifications, additions and disposals as well as other changes related to leases.

33. Information on financial instruments

33.1. Disclosures pursuant to IFRS 7

This section provides an overview of the significance of financial instruments for the Group and provides additional information on balance sheet items that contain financial instruments.

We provide the following information on the financial instruments held by the Group as of 31 December 2023 and 31 December 2022:

Financial instruments by category as of 31 December 2023

In EUR '000s	Measurement category in accordance with IFRS 9	Carrying amount of balance sheet	Measurement			Fair value of financial instruments
		31.12.2023	Amortised acquisition costs	Fair value recognised in profit or loss	Fair value recognised through other comprehensive income	31.12.2023
Assets						
Cash/liquid assets	AC	159,815	159,815			—[1]
Trade accounts receivable		357,498				
At amortised cost	AC	236,519	236,519			—[1]
At fair value through profit or loss	FVTPL	120,979		120,979		—[1]
Other financial assets		197,414				
Lease receivables	n/a	37,429				
Non-derivative financial assets						
At amortised cost	AC	25,621	25,621			—[1]
Other financial assets						
At amortised cost	AC	8,571	8,571			—[1]
At fair value through profit or loss	FVTPL	37,973		37,973		
Other equity instruments						
At fair value through profit or loss	FVTPL	2,027		2,027		—[1]
At fair value through other comprehensive income	FVTOCI	85,793			85,793	85,793
Equity and liabilities						
Lease liabilities	n/a	347,240				
Trade accounts payable	AC	337,724	337,724			
Financial liabilities		430,835	430,835			
Financial liabilities from promissory notes	AC	428,600	428,600			419,039
Other financial liabilities	AC	2,235	2,235			
Other financial liabilities		95,095				
At amortised cost	AC	95,095	95,095			
At fair value through profit or loss	FVTPL	0		0		—[1]

[1] No fair value was determined for the items, but the carrying amounts represent a reasonable approximation of the fair value. As a result, the aggregated fair values for the AC and FVTPL measurement categories are significantly lower than their aggregated carrying amounts in the balance sheet.

In EUR '000s	Measurement category in accordance with IFRS 9	Carrying amount of balance sheet	Measurement			Fair value of financial instruments
		31.12.2023	Amortised acquisition costs	Fair value recognised in profit or loss	Fair value recognised through other comprehensive income	31.12.2023
Thereof aggregated by IFRS 9 measurement category						
Assets						
At amortised cost	AC	431,772	431,772			—[1]
At fair value through profit or loss	FVTPL	160,979		160,979		—[1]
At fair value through other comprehensive income	FVTOCI	85,793			85,793	85,793
Equity and liabilities						
At amortised cost	AC	865,091	865,091			419,039[1]
At fair value through profit or loss	FVTPL	0		0		—[1]

[1] No fair value was determined for the items, but the carrying amounts represent a reasonable approximation of the fair value. As a result, the aggregated fair values for the AC and FVTPL measurement categories are significantly lower than their aggregated carrying amounts in the balance sheet.

Financial instruments by category as of 31 December 2022

In EUR '000s	Measurement category in accordance with IFRS 9	Carrying amount of balance sheet	Measurement			Fair value of financial instruments
		31.12.2022	Amortised acquisition costs	Fair value recognised in profit or loss	Fair value recognised through other compre-hensive income	31.12.2022
Assets						
Cash/liquid assets	AC	178,022	178,022			—[1]
Trade accounts receivable		342,021				
At amortised cost	AC	227,950	227,950			—[1]
At fair value through profit or loss	FVTPL	114,071		114,071		—[1]
Other financial assets		169,295				
Lease receivables	n/a	44,708				
Non-derivative financial assets						
At amortised cost	AC	20,172	20,172			—[1]
Other financial assets						
At amortised cost	AC	9,536	9,536			—[1]
At fair value through profit or loss	FVTPL	24,501		24,501		
Other equity instruments						
At fair value through profit or loss	FVTPL	1,716		1,716		—[1]
At fair value through other comprehensive income	FVTOCI	68,662			68,662	68,662
Equity and liabilities						
Lease liabilities	n/a	418,553				
Trade accounts payable	AC	331,184	331,184			
Financial liabilities		509,560	509,560			
Financial liabilities from promissory notes	AC	506,892	506,892			492,908
Other financial liabilities	AC	2,668	2,668			
Other financial liabilities		132,822				
At amortised cost	AC	130,147	130,147			
At fair value through profit or loss	FVTPL	2,675		2,675		—[1]

[1] No fair value was determined for the items, but the carrying amounts represent a reasonable approximation of the fair value. As a result, the aggregated fair values for the AC and FVTPL measurement categories are significantly lower than their aggregated carrying amounts in the balance sheet.

In EUR '000s	Measurement category in accordance with IFRS 9	Carrying amount of balance sheet		Measurement		Fair value of financial instruments
		31.12.2022	Amortised acquisition costs	Fair value recognised in profit or loss	Fair value recognised through other comprehensive income	31.12.2022
Thereof aggregated by IFRS 9 measurement category						
Assets						
At amortised cost	AC	435,680	435,680			—[1]
At fair value through profit or loss	FVTPL	140,288		140,288		—[1]
At fair value through other comprehensive income	FVTOCI	68,662			68,662	68,662
Equity and liabilities						
At amortised cost	AC	970,891	970,891			492,908[1]
At fair value through profit or loss	FVTPL	2,675		2,675		—[1]

[1] No fair value was determined for the items, but the carrying amounts represent a reasonable approximation of the fair value. As a result, the aggregated fair values for the AC and FVTPL measurement categories are significantly lower than their aggregated carrying amounts in the balance sheet.

The non-financial assets represent that part of the balance sheet item “Other receivables and other assets” that does not fall within the scope of IFRS 7.

The non-financial liabilities represent the balance sheet item “Other liabilities and accruals”, which does not fall within the scope of IFRS 7.

The fair value of cash and cash equivalents, trade accounts receivable, other current financial assets and other current financial liabilities corresponds approximately to the carrying amounts. This is due to the short remaining terms of these financial instruments.

The fair values of non-current trade accounts receivable and other financial assets with remaining terms of more than one year correspond to the present values of the payments associated with the assets, taking into account the respective interest parameters. The other equity instruments measured at fair value through profit or loss are not listed shares.

For other equity instruments, which are measured at fair value through other comprehensive income, the Group recognises the market value in an active market as the fair value. The other equity instruments relate to the equity investment in CECONOMY (carrying amount as of 31 December 2023: EUR 80.8 million) and MGI (carrying amount as of 31 December 2023: EUR 4.5 million) as well as securities to hedge pension obligations.

There are only insignificant differences between the carrying amounts of the financial instruments and the fair values due to the discounting carried out using the effective interest method and based on the current interest rate level. The fair value of current financial liabilities corresponds to the carrying amounts due to their maturity. The fair value of non-current financial liabilities exceeds the carrying amounts as of 31 December 2023 by EUR 9,561 thousand (previous year: EUR 13,984 thousand). This difference resulted from the measurement of the promissory note loans at fair value; this was determined on the basis of current estimates of the company's own credit risk and the interest rate level on the measurement date.

The fair value of the other equity instruments that are not traded on the stock exchange is determined by the Group using recognised actuarial methods (discounted cash flow method or option pricing models). Specifically, the expected future cash flows from the financial instruments are determined on the basis of the relevant yield and forward curves and then discounted as of the reporting date. The market value confirmations received from the external contractual partners are periodically compared with the internally determined market values. The Group had no derivative financial instruments as of 31 December 2023.

The following overview shows the main parameters on which the measurement of financial instruments recognised at fair value and the measurement of financial instruments recognised at fair value in accordance with IFRS 7 are based. The individual levels are defined as follows in accordance with IFRS 13:

- Level 1:

Unchanged adoption of prices from active markets (Deutsche Börse AG, Frankfurt Stock Exchange) for identical financial assets or financial liabilities.

- Level 2:

Use of inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3:

Use of input factors not based on observable market data for the measurement of the financial asset or financial liability (unobservable input factors). As in the previous year, there were no transfers between the individual levels in the 2023 financial year.

Fair value hierarchy as of 31 December 2023

In EUR '000s	Total	Level 1	Level 2	Level 3
Assets				
Trade accounts receivable, at fair value through profit or loss	120,979	0	0	120,979
Other financial assets, at fair value through profit or loss	37,973	0	0	37,973
Other equity instruments, at fair value through profit or loss	2,027	0	0	2,027
Other equity instruments, at fair value through other comprehensive income	85,793	85,793	0	0
Equity and liabilities				
Financial liabilities from promissory notes	419,039	0	0	419,039

Fair value hierarchy as of 31 December 2022

In EUR '000s	Total	Level 1	Level 2	Level 3
Assets				
Trade accounts receivable, at fair value through profit or loss	114,071	0	0	114,071
Other financial assets, at fair value through profit or loss	24,501	0	0	24,501
Other equity instruments, at fair value through profit or loss	1,716	0	0	1,716
Other equity instruments, at fair value through other comprehensive income	68,662	68,662	0	0
Equity and liabilities				
Financial liabilities from promissory notes	492,908	0	0	492,908
Other financial liabilities, at fair value through profit or loss	2,675	0	0	2,675

The following table shows the changes to level 3 instruments for the 2023 financial year:

In EUR '000s	1.1.2023	Additions	Disposals	31.12.2023
Assets				
Trade accounts receivable, at fair value through profit or loss	114,071	6,908 [1]		120,979
Other financial assets, at fair value through profit or loss	24,501	13,472 [1]		37,973
Other equity instruments, at fair value through profit or loss	1,715	312	0	2,027
Equity and liabilities				
Financial liabilities from promissory notes	492,908	37,728	111,597	419,039
Other financial liabilities, at fair value through profit or loss	2,675	0	2,675	0

[1] This is a cumulative change in the item.

There was no regrouping in level 3 in the 2023 financial year and there were no effects on Other comprehensive income.

The following net gains/losses were recognised for the individual categories of financial instruments in the 2023 financial year and in the previous year:

Net gains/losses by measurement category 2023

	From interest	From subsequent measurement		From disposals	Net result
In EUR '000s		At fair value through other comprehensive income	Value adjustment/ losses on receivables		
Assets measured at amortised cost (AC)	6,365	0	– 10,816		– 4,451
Assets measured at fair value through profit or loss (FVTPL)	– 357		– 3,509	1,556	– 2,310
Assets measured at fair value through other comprehensive income (FVTOCI)	0	16,869			16,869
Liabilities measured at amortised cost (AC)	– 13,430	0			– 13,430
Total	**– 7,422**	**16,869**	**– 14,325**	**1,556**	**– 3,322**

Net gains/losses by measurement category 2022

	From interest	From subsequent measurement		From disposals	Net result
In EUR '000s		At fair value through other comprehensive income	Value adjustment/ losses on receivables		
Assets measured at amortised cost (AC)	6,443	0	– 19,033		– 12,590
Assets measured at fair value through profit or loss (FVTPL)	– 516		– 4,398	2,307	– 2,607
Assets measured at fair value through other comprehensive income (FVTOCI)	0	– 73,226			– 73,226
Liabilities measured at amortised cost (AC)	– 10,990	0			– 10,990
Total	**– 5,063**	**– 73,226**	**– 23,431**	**2,307**	**– 99,413**

Net gains or losses from assets measured at amortised cost include changes in loss allowances, gains and losses from derecognition as well as cash inflows and reversals of impairment losses from receivables originally written off.

Net gains or losses from the category of financial liabilities measured at amortised cost mainly include interest expenses to banks.

Information on interest income and interest expenses for financial assets and financial liabilities not measured at fair value through profit or loss is based on the application of the effective interest method.

Offsetting of financial assets and liabilities 2023

In EUR '000s	Gross amount before offsetting	Offsetting amounts	Net amount in the balance sheet	Fair value of financial collateral	Total net amount
Financial assets					
Trade accounts receivable	472,545	115,047	357,498		357,498
Other financial assets	200,801	3,387	197,414		197,414
Total	**673,346**	**118,434**	**554,912**	**0**	**554,912**
Financial liabilities					
Trade accounts payable	452,771	115,047	337,724	4,018	333,706
Other provisions	86,120	3,387	82,733		82,733
Total	**538,891**	**118,434**	**420,457**	**4,018**	**416,439**

Offsetting of financial assets and liabilities 2022

In EUR ’000s	Gross amount before offsetting	Offsetting amounts	Net amount in the balance sheet	Fair value of financial collateral	Total net amount
Financial assets					
Trade accounts receivable	441,250	99,229	342,021		342,021
Other financial assets	172,852	3,557	169,295		169,295
Total	**614,102**	**102,786**	**511,316**	**0**	**511,316**
Financial liabilities					
Trade accounts payable	430,413	99,229	331,184	4,021	327,163
Other provisions	84,683	3,557	81,126		81,126
Total	**515,096**	**102,786**	**412,310**	**4,021**	**408,289**

In 2023, trade accounts receivable from network operator (e.g. from bonuses, commissions) are netted against trade accounts payable and other liabilities to the same network operator. As at 31 December 2023, the netting amounts to EUR 115,047 thousand (31 December 2022: EUR 99,229 thousand). The requirements for offsetting are met - as the various claims and obligations vis-à-vis two network operators were measured in the course of this process, with the result that, with insignificant exceptions, there is basically a single large, credit-side performance relationship with these network operators. Based on an agreement with a network operator to adjust payment terms, monthly advance payments are made for the mobile services provided by the network operator. These are netted on the balance sheet date and offset in the following month. In addition to the netting amounts totalling EUR 118,434 thousand, there is a long-term security deposit of EUR 4,018 thousand. The acquisition of the Media Broadcast Group in 2016 also resulted in the assumption of obligations for semi-retirement and long-term work accounts, among other things. These obligations are offset against the fair values of the corresponding plan assets at each balance sheet date. Please also refer to our provisions in Note 30, Other provisions.

33.2. Principles and objectives of financial risk management and capital risk management

With regard to its assets, liabilities and planned transactions, the freenet Group is subject in particular to market risks, liquidity risks and default risks.

The aim of financial risk management is to monitor these risks on an ongoing basis and to limit them through operational and finance-oriented activities.

The basic principles of the financial policy, the components of which are explained below, are determined by the Executive Board. In addition, certain financial transactions require the prior approval of the Executive Board.

The Group Treasury department provides services to the business divisions and coordinates additions to the financial markets. It also monitors and manages the market and liquidity risks associated with the Group’s business divisions by means of regular internal risk reporting, which analyses the degree and extent of risks. The top priority for the Group Treasury department is the principle of risk minimisation; another important goal is to optimise net interest income. Prudent liquidity management controlled by the Group Treasury department includes maintaining a sufficient reserve of liquid assets, the possibility of financing through an adequate amount of committed credit lines and the ability to close out open market positions. Liquidity risks are reduced by permanently monitoring the financial status and maintaining sufficient reserves in the form of credit lines.

The Group Treasury department is responsible for monitoring the default risks of major debtors (in particular distributors, dealers and other B2B partners) and for regular internal risk reporting on these risks. Receivables from end customers are monitored by the Receivables Management department. One of its main objectives is to minimise expenses from the default or loss allowances on receivables from end customers and sales partners.

The Group's capital risk management relates to the equity recognised in the consolidated balance sheet and the key figures derived from it.

The primary objective of the Group's capital risk management is to monitor the key figures (financial covenants) stipulated in the loan agreements, failure to meet which could result in the loans falling due immediately under certain circumstances. The freenet Group controls capital risk management using the equity ratio and the leverage. The equity ratio represents the ratio of equity to total assets and was above the target of 25.0% as of 31 December 2023 (31 December 2023: 42.0%; previous year: 40.5%). The leverage (31 December 2023: 1.2, previous year: 1.5) is derived from the ratio of net financial liabilites to EBITDA generated in the last twelve months. Net financial liabilites are defined as financial liabilities from the balance sheet, less liquid assets and plus net lease liabilities.

As at 31 December 2023, all key figures of the covenants have been met. All other restrictions agreed in the loan agreements (so-called "Undertakings" and "Covenants") were also complied with as of the balance sheet date. The main financial covenants are defined in relation to the Group's equity and debt.

In order to actively manage the capital structure, management can sell assets to reduce debt and take other measures such as issuing new shares.

The following disclosures on the individual risks are based on information as presented to the Executive Board.

33.3. Market risk

The activities of our Group are primarily exposed to financial risks from changes in interest rates and exchange rates.

33.3.1. Interest rate risk

The liabilities reported under financial liabilities result from five financial liabilities from promissory note loans (reported with a total balance of EUR 430.8 million as of 31 December 2023 (previous year: EUR 509.5 million) - of which EUR 222.4 million is attributable to the tranches with variable interest rates). In addition, the Group has a revolving credit line totalling EUR 300.0 million (previous year: EUR 300.0 million), which has a term of five years and was again undrawn at the end of the year.

As at 31 December 2023, the Group had interest-bearing financial liabilities of EUR 430.8 million (previous year: EUR 509.6 million), of which EUR 222.5 million were subject to variable interest rates as of the balance sheet date. The Group is exposed to interest rate risks in this regard. Interest rate risks are not explicitly hedged; however, the balance of cash and cash equivalents (which are mainly invested at variable interest rates) acts as a natural hedge and reduces the interest rate risk from the variable-interest financial liabilities accordingly.

Based on the daily liquidity planning available to it, the Group Treasury department continuously reviews the various investment options for cash and cash equivalents as well as the various disposition options with regard to financial liabilities. Changes in market interest rates could have effects on the net interest income from primary variable-interest financial instruments and are included in the calculation of earnings-related sensitivities.

The Group uses a sensitivity analysis to present market risks, which shows the effects of changes in interest rates on earnings and equity.

The periodic effects are determined by relating the hypothetical changes in the risk variables to the portfolio of financial instruments as of the reporting date.

Liabilities of EUR 430.8 million (previous year: EUR 509.6 million) are reported under current and non-current financial liabilities in the balance sheet as of 31 December 2023, of which EUR 222.5 million (previous year: EUR 186.0 million) are subject to variable interest rates. The variable-interest bank liabilities bore interest at 5.3% as of the reporting date. EUR 180.7 million of the current financial liabilities as of 31 December 2023 are reported under current liabilities. EUR 2.2 million thereof is accrued for expected payments of accrued interest, EUR 178.5 million of which is earmarked for repayment of financial liabilities in 2024. As at 31 December 2023, the variable portion of the loans bears interest in a corridor of 4.9% to 5.5%. Based on market estimates, we expect a corridor of between 4.5% and 5.5% for the variable portion in 2024. This would result in interest payments of EUR 9.1 million on the total financial liabilities in 2024. From the net position of variable-interest assets and liabilities measured at fair value, a parallel shift in the yield curve upwards by 50 basis points would have a pre-tax earnings effect of EUR −0.6 million (previous year: EUR −0.4 million), while a shift in the yield curve downwards by 50 basis points would have a pre-tax earnings effect of EUR +0.6 million (previous year: EUR +0.4 million).

Money market funds are subject to marginal interest rate fluctuations, which means that price losses can generally occur. There is no significant risk as the money is invested in funds on a very short-term basis. There are no contractually fixed maturity or interest rate adjustment dates; a return results from the change in market value and any distributions. From the financial investments in money market funds and bonds recognised in the balance sheet under other receivables and other assets as well as other financial assets, a 5% upward change in the price of the acquired shares would have an equity effect of EUR 26 thousand (previous year: EUR 26 thousand), while a 5% downward change in the price would have an equity effect of EUR −26 thousand (previous year: EUR −26 thousand).

The interest rate risk can be disregarded for the other interest-bearing assets and liabilities.

Changes in interest rates only affect fixed-interest financial instruments if they are recognised at fair value. The financial liabilities of freenet are therefore not exposed to interest rate risk because they are recognised at amortised cost.

33.3.2. Foreign currency risk

The Group conducts a small number of transactions in foreign currencies. Currency hedging is generally carried out by concluding forward exchange transactions or, if necessary, by maintaining cash holdings in foreign currency.

33.3.3. Price risk

There are only a few assets or equity investments in the Group that are exposed to price risk (such as interests in CECONOMY AG).

Overall, the Group considers the price risk to be negligible.

33.4. Liquidity risk

The Group's liquidity risk is that the company may not be able to fulfil its financial obligations, e.g. the repayment of financial liabilities, payment of purchase obligations and obligations from leases.

Extensive financial planning tools are used throughout the Group to monitor and manage liquidity. Various planning horizons extending up to one year are considered. Short-term liquidity planning and management is carried out on a daily basis for the next three months in advance. This planning is updated daily by the Group Treasury department in coordination with Accounting and Controlling on the basis of actual data.

The Group continues to manage liquidity risks by maintaining appropriate bank balances, credit lines with banks and by continuously monitoring forecast and actual cash flows. The maturity profiles of financial assets and liabilities are also reconciled. The Group utilises a wide range of different financing instruments to reduce liquidity risk.

On the basis of several existing intra-group cash pooling agreements in which the major companies of the freenet Group participate, the need for and investment of liquid funds in the Group are controlled centrally.

The Group expects to be able to fulfil its other obligations from operating cash flows and from the inflow of maturing financial assets.

As at the balance sheet date, the Group had not utilised the revolving credit line of EUR 300.0 million (previous year: EUR 300.0 million). The company is authorised to borrow outside the credit agreements within narrow limits, for example to finance future strategic investments.

Securities (money market funds and bonds held in the custody account) can be liquidated within a short period of time. There is no intention to sell the equity investments. In the event of a necessary sale of these equity investments, short-term liquidation may be more difficult as there is no organised capital market for these shares.

The Group's financial and operational room for manoeuvre is restricted by certain provisions of the loan agreements. These impose restrictions on the company, for example, in the event of changes to the Group's business activities, the implementation of structural measures within the Group under company law, the provision of collateral and with regard to any acquisitions and disposals of assets, in particular shareholdings. The following tables show the contractually agreed undiscounted interest and principal payments of the Group's primary financial liabilities at the end of the 2023 and 2022 financial years:

Financial liabilities 31.12.2023

In EUR '000s	Carrying amounts	Cash flows 2024			Cash flows 2025			Cash flows 2026 and later		
	31.12. 2023	Interest fixed	Interest variable	Repay- ment	Interest fixed	Interest variable	Repay- ment	Interest fixed	Interest variable	Repay- ment
Trade accounts payable	337,724			337,724						
Financial liabilities (liabilities to banks)	430,835	2,699	9,120	180,726	2,557	5,084	191,671	458	1,841	58,438
Other non-derivative financial liabilities	95,095			38,287			56,569			239
Lease liabilities	347,240	9,613		78,274	6,876		73,903	15,622		195,063
Other financial liabilities	0			0			0			0

Financial liabilities 31.12.2022

In EUR '000s	Carrying amounts	Cash flows 2023			Cash flows 2024			Cash flows 2025 and later		
	31.12. 2022	Interest fixed	Interest variable	Repay- ment	Interest fixed	Interest variable	Repay- ment	Interest fixed	Interest variable	Repay- ment
Trade accounts payable	331,184			331,184						
Financial liabilities (liabilities to banks)	509,560	4,592	7,521	116,123	3,306	5,011	178,482	3,015	2,591	214,955
Other non-derivative financial liabilities	132,822			46,164			55,574			31,084
Lease liabilities	418,553	8,496		82,008	6,794		76,378	14,587		260,167
Other financial liabilities	0			0			0			0

33.5. Default risk

The Group takes into account the probability of default at the time of initial recognition of assets and the existence of a significant increase in the default risk during the reporting periods. In order to assess whether the default risk has increased significantly, the default risk with regard to the asset on the reporting date is compared with the default risk at the time of initial recognition. Available, appropriate and reliable forward-looking information is taken into account. In this context, we refer to the explanations on the impairment model in accordance with IFRS 9 under Note 2.7.7, Impairment of financial assets, and Note 21, Receivables, other assets and other financial assets.

When analysing default risks, the freenet Group focuses on trade accounts receivable from end customers and lease receivables. We refer here to our comments on Note 21, Receivables, other assets and other financial assets. Particular attention is paid to the creditworthiness of customers and sales partners in our Group's bulk business. For significant contract customer areas, credit checks are carried out on customers before contracts are concluded.

In the ongoing contractual relationship, the implementation of a rapid and regular dunning and debt collection process with several debt collection companies in benchmarking and long-term debt collection monitoring as well as high-spender monitoring in our Group are key measures for minimising the default risk.

There is also an ongoing dunning and collection process for receivables from dealers and franchise partners as well as other business customers. Credit limits are also set and monitored. If necessary, reaching the limit leads to a delivery block.

In addition, significant credit default risks relating to major customers (dealers and distributors in the mobile communications sector) are covered by trade credit insurance. In order to minimise the credit default risk, the Group has insured a certain proportion of these revenues. Every month, the Group Treasury department reports the current revenues of the respective major customer to the insurance company. In connection with this report, the insurance company calculates the sales volume to be insured. The risks associated with uninsured customers are limited by an internal limit system – as a rule, customers with a poor credit rating must pay in advance or the business relationship will not materialise. Default risks vis-à-vis end customers are not covered.

When determining the recoverability of trade accounts receivable, every change in creditworthiness from the date on which the payment term was granted until the balance sheet date is taken into account. There is no significant concentration of credit default risk, as the customer base is broad and there are no correlations.

Appropriate loss allowances are recognised to take account of default risks. Receivables and other assets are derecognised if the Group considers the receivable to be uncollectible.

Securities and cash and cash equivalents are mainly invested with major German banks. The spread across various banks significantly limits the default risk. The investments are constantly monitored by the Group Treasury department with regard to their current and expected future returns.

33.6. Transfer of financial assets

For some time now, the freenet Group has been offering its end customers the opportunity to select higher-quality mobile phones for an additional monthly fee with the so-called mobile phone option. These mobile phone option contracts continue to be recognised as follows: freenet has an unconditional claim to payment from the mobile phone option after the mobile phone has been handed over to the customer. freenet recognises a receivable in the amount of the cash value of the additional monthly premiums to be paid by the customer over the term of the contract for the higher-value mobile phone upon conclusion of the contract and handover of the mobile phone. With the increasing willingness of customers to pay more for high-quality smartphones, the proportion of the postpaid customer base that has chosen such a mobile phone option has steadily increased in recent financial years. As a result, the accrued receivables from mobile phone options recognised in non-current and current trade accounts receivable have also risen steadily. For the freenet Group, this has meant an increasing capital commitment for years: Today's high-quality smartphones are more expensive to purchase than earlier mobile phones, and while the cash outflows for the procurement of these devices take place before or when the contract with the end customers is concluded, the incoming payments from the mobile phone option are spread over the 24 months of the contractual relationship with the end customers.

Against this backdrop, factoring agreements were concluded with two banks in 2014 and 2019. The factoring agreement from 2014 was terminated at the end of 2023, meaning that only one factoring agreement will be continued in future. These are framework agreements with an unlimited term. Mobile phone option receivables can be sold on a quarterly basis. The bank purchases the receivables with a fixed del credere discount and also charges freenet financing interest and fees. The relevant risks (such as essentially the bad debt risk) and opportunities are transferred to the bank so that the receivables sold are fully derecognised. The freenet Group continues to bear the late payment risk and is also responsible for the collection and administration of the receivables sold (so-called "servicing").

A total of EUR 0.4 million (previous year: EUR 1.2 million) was recognised as an expense from the quarterly sales made in the reporting year (nominal volume 2023: EUR 0 million previous year: EUR 47.7 million). Thereof, EUR 0 million (previous year: EUR 0.6 million) relates to the default risk assumed by the bank (del credere discount and fees) and EUR 0.4 million to interest expenses from the late payment risk (previous year: EUR 0.6 million). As at the balance sheet date, receivables totalling EUR 0 million (previous year: EUR 25.3 million) had been sold and derecognised but not yet paid. The expenses expected from the late payment risk and servicing in the amount of EUR 0 thousand (previous year: EUR 10 thousand) are realised over the remaining term of the receivables (six months). The maximum risk of loss for the Group is EUR 0 million (previous year: EUR 0.4 million).

The bank automatically assigns the newly defaulted receivables in the past financing period to freenet at a fixed price of one euro each month. The repurchase has no effects on the allocation of the bad debt risk or on the liquidity of the freenet Group.

In the financial year, the sale of receivables to collection agencies generated income totalling EUR 1.6 million (previous year: EUR 2.3 million). All significant opportunities and risks associated with the ownership of these receivables were transferred to the buyer.

34. Related party transactions

34.1. Overview

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

In EUR '000s	2023	2022
Revenue attributable to billing of services		
Joint ventures		
Antenne Deutschland GmbH & Co. KG, Garching	8,837	7,507
Associated companies		
Bayern Digital Radio GmbH, Munich	533	580
Non-consolidated companies		
Hessen Digital Radio GmbH, Frankfurt	1,120	1,249
Total	**10,490**	**9,336**

In EUR '000s	2023	2022
Expenses from the purchase of services		
Joint ventures		
Antenne Deutschland GmbH & Co. KG, Garching	8	147
Associated companies		
ad.audio GmbH, Hamburg	427	163
Bayern Digital Radio GmbH, Munich	561	676
Non-consolidated companies		
Hessen Digital Radio GmbH, Frankfurt	37	58
Total	**1,033**	**1,044**

As at 31 December 2023, there were the following significant receivables from and liabilities to related parties

In EUR '000s	31.12.2023	31.12.2022
Receivables from current service transactions		
Joint ventures		
Antenne Deutschland GmbH & Co. KG, Garching	11	59
Total	**11**	**59**

In EUR '000s	31.12.2023	31.12.2022
Liabilities from current service transactions		
Associated companies		
ad.audio GmbH, Hamburg	15	0
Total	**15**	**0**

In the 2023 financial year, the employee representatives on the Supervisory Board were granted total benefits from their employment contracts totalling EUR 445 thousand (previous year: EUR 432 thousand).

All transactions were based on market prices. There is no collateral.

34.2. Executive Board remuneration

The remuneration of the members of the Executive Board consists of an annual fixed salary, annual variable benefits and long-term variable benefits (LTIP). There are also pension commitments. The annual variable remuneration results from an annual target agreement. The Supervisory Board determines the specific performance criteria relevant for this target agreement and, in the case of several strategic targets, their weighting before the start of the financial year for that financial year, taking into account the respective corporate planning. For each performance criterion, there is a target achievement corridor ranging from a quantitatively defined minimum to a quantitatively defined maximum. Between the minimum and maximum values, a quantified value is also defined as 100% target achievement. Target achievement is possible in the corridor between 0 and 150%. The achievement of the respective defined targets is determined by the Supervisory Board after approval of the consolidated financial statements for the past financial year. Taking into account the weighting of the individual performance criteria and the actual target achievement, the respective payout amount for the one-year variable benefits for the past financial year is calculated. The current Executive Board remuneration system, which was approved by the Annual General Meeting in 2022, provides for a weighting of 40% for the EBITDA target, 30% for the customer base target and a total of 30% for the strategic targets set at a number of one to three. The weighting of the strategic objectives can deviate from this and be between 20% and 50% – in this case, the weighting of the EBITDA and customer base performance criteria (while maintaining the ratio to each other) changes accordingly.

With regard to the long-term variable benefits (LTIP), please refer to our comments on the LTIP programmes in notes 25.3 (Programme 3), 25.4 (Programme 4) and 25.5 (Programme 5) of these notes. The remuneration of the members of the company's Executive Board was made up as follows in the reporting year and the previous year:

Executive Board benefits 2023 in accordance with IAS 24

In EUR '000s	Fixed benefits	One-year variable benefits	Subtotal	Long-term variable benefits (LTIP)[1]	Total benefits[2]
Christoph Vilanek	1,015	781	1,796	3,863	5,659
Ingo Arnold	636	407	1,043	1,657	2,700
Stephan Esch	516	325	841	837	1,678
Rickmann v. Platen	512	378	890	1,954	2,844
Antonius Fromme	508	378	886	1,949	2,835
Nicole Engenhardt-Gillé	303	186	489	304	793
Total	**3,490**	**2,455**	**5,945**	**10,564**	**16,509**

Executive Board benefits 2022 in accordance with IAS 24

In EUR '000s	Fixed benefits	One-year variable benefits	Subtotal	Long-term variable benefits (LTIP)[1]	Total benefits[2]
Christoph Vilanek	1,015	797	1,812	3,822	5,634
Ingo Arnold	634	415	1,049	1,860	2,909
Stephan Esch	518	332	850	1,161	2,011
Rickmann v. Platen	512	385	897	1,616	2,513
Antonius Fromme	508	385	893	1,616	2,509
Total	**3,187**	**2,314**	**5,501**	**10,075**	**15,576**

[1] This relates to variable remuneration under the LTIP programme, including non-cash benefits and payments measured in accordance with IFRS 2 in the financial year.
[2] The amount of total benefits in the table above does not include current and past service costs totalling EUR 359 thousand (previous year: EUR 300 thousand).

On the occasion of the extension of the service contract (with Mr Vilanek, granted in April 2018, and with Mr Esch, granted in March 2019) and the appointment to the Executive Board (for Mr von Platen and Mr Fromme in each case as of 1 June 2018, for Mr Arnold as of 1 January 2019), agreements were concluded with the aforementioned members of the Executive Board on the service contracts granting new LTIPs. Please refer to Note 25.3 of these Notes for information on this LTIP programme, also known as “Programme 3”.

On the occasion of the extension of the service contracts from 1 June 2021 (grant date December 2021), Mr von Platen and Mr Fromme were granted further LTIPs; please refer to note 25.4 of these notes for this “Programme 4”.

As part of the introduction of the new Executive Board remuneration system in the 2022 financial year, Programme 5 granted the Executive Board members Mr Arnold, Mr von Platen and Mr Fromme new long-term variable salary components with effect from 1 January 2022. For this reason, the Programme 4 granted to Mr von Platen and Mr Fromme in the previous year was limited exclusively to the target achievement period from 1 June 2021 to 31 December 2021. Ms Engenhardt-Gillé was granted long-term variable salary components under Programme 5 on the occasion of her first appointment to the Executive Board from 1 January 2023. Please refer to Note 25.5 of these Notes for information on Programme 5.

In the 2023 financial year, cash payments of EUR 291 thousand were made to Mr Fromme from Programme 3 due to exercises. There were no cash payments from the LTIP programmes in the previous year 2022.

As at 31 December 2023, the provisions for the LTIP programmes for Mr Vilanek amounted to EUR 11,257 thousand (previous year: EUR 7,394 thousand), for Mr Arnold EUR 4,706 thousand (previous year: EUR 3,049 thousand), for Mr Esch EUR 3,010 thousand (previous year: EUR 2,173 thousand), for Mr von Platen EUR 4,992 thousand (previous year: EUR 3,038 thousand), for Mr Fromme EUR 4,696 thousand (previous year: EUR 3,038 thousand) and for Ms Engenhardt-Gillé EUR 304 thousand (previous year: EUR 0).

In 2023, Executive Board benefits within the meaning of section 285 no. 9 HGB totalled EUR 7,853 thousand (previous year: EUR 7,000 thousand). This includes remuneration with a long-term incentive effect for the 2023 financial year from the granting of the 2023/2026 tranche of Programme 5 in the amount of EUR 1,908 thousand (EUR 576 thousand for Mr Arnold, EUR 534 thousand for Mr von Platen, EUR 534 thousand for Mr Fromme and EUR 264 thousand for Ms Engenhardt-Gillé and for the previous year 2022 remuneration with a long-term incentive effect from the granting of the 2022/2025 tranche of Programme 5 in the amount of EUR 1,499 thousand (EUR 525 thousand for Mr Arnold, EUR 487 thousand for Mr von Platen and EUR 487 thousand for Mr Fromme).

In November 2004, Mr Esch was granted an indirect pension commitment. In fiscal year 2009, Mr Vilanek was granted an indirect pension commitment on the occasion of his appointment as Chairman of the Executive Board as of 1 May 2009. freenet AG took over the pension commitment granted to Mr Preisig from the former debitel AG on 1 September 2008. In February 2014, adjustments were made to the pension commitments of Mr Vilanek, Mr Preisig and Mr Esch. Mr von Platen, Mr Fromme, Mr Arnold and Ms Engenhardt-Gillé were granted defined contribution benefit commitments on the occasion of their appointment to the Executive Board (for Mr von Platen and Mr Fromme as of 1 June 2018, for Mr Arnold as of 1 January 2019 and for Ms Engenhardt-Gillé as of 1 January 2023), whereby the pension benefits are reinsured by a life insurance policy.

As at 31 December 2023, the defined benefit obligation (DBO) for Mr Vilanek amounted to EUR 5,246 thousand (previous year: EUR 4,427 thousand) and for Mr Esch to EUR 4,567 thousand (previous year: EUR 3,829 thousand). The DBO for Mr Preisig, Mr Spoerr, Mr Krieger and Mr Berger as former members of the Executive Board totalled EUR 12,832 thousand as of 31 December 2023 (previous year: EUR 11,103 thousand). Due to the type of commitment selected, there are no defined benefit obligations for Mr von Platen, Mr Fromme, Mr Arnold and Ms Engenhardt-Gillé.

Total current service costs of EUR 359 thousand (previous year: EUR 300 thousand) were recognised under personnel expenses for the Executive Board members from the pension commitments. For 2023, EUR 100 thousand (previous year: EUR 100 thousand) of this was attributable to Mr Arnold, EUR 100 thousand (previous year: EUR 100 thousand) to Mr von Platen, EUR 100 thousand (previous year: EUR 100 thousand) to Mr Fromme and EUR 59 thousand (previous year: EUR 0) to Ms Engenhardt-Gillé. The expenses for Mr von Platen, Mr Fromme, Mr Arnold and Ms Engenhardt-Gillé relate to amounts paid into a provident fund for the defined contribution benefit commitments granted. This remuneration is not included in the “Executive Board benefits 2023” and “Executive Board benefits 2022” tables above.

In 2023, as in the previous year, no past service costs were recognised from the pension commitments for the members of the Executive Board.

No loans were granted to any of the Executive Board members and no guarantees or other warranties were assumed for any of the Executive Board members.

34.3. Supervisory Board remuneration

The remuneration of the Supervisory Board, which is regulated in the Articles of Association and will apply from 1 January 2021, is made up of three components:

- a base remuneration,
- attendance fees and
- remuneration depending on membership and chairmanship of Supervisory Board committees.

The members of the Supervisory Board receive a fixed base remuneration of EUR 50,000 from the company for each full financial year of their membership of this body.

The Chairman of the Supervisory Board receives double and the Deputy Chairman one and a half times the base remuneration.

In addition, each member of the Supervisory Board receives an attendance fee of EUR 1,000 for each meeting of the Supervisory Board or its committees that they have attended. Several meetings on one day are remunerated only once.

Members of the Audit Committee receive additional annual remuneration of EUR 15,000 each for their membership of this committee. Members of other committees - with the exception of the Mediation Committee - receive an additional annual remuneration of EUR 10,000 per committee for their membership of the committee. The committee chairperson receives twice this amount. Remuneration for chairmanship and membership of committees is only payable if the committees meet at least once in the relevant financial year to fulfil their duties.

Members of the Supervisory Board are also reimbursed for their necessary expenses.

The remuneration regulations applicable from 1 January 2021 stipulate that the total remuneration of a Supervisory Board member may not exceed EUR 160 thousand per year (maximum remuneration).

34.3.1. Remuneration for the 2023 and 202 financial years 2

No loans were granted to any of the Supervisory Board members and no guarantees or other warranties were assumed for any of the Supervisory Board members.

Individualised figures for the last two financial years are shown in the following tables. It should be noted that the format of the figures may result in arithmetical rounding differences in the subtotals and final totals, as the figures have been rounded to one decimal place.

Remuneration for the 2023 financial year

In EUR '000s	Base remuneration	Attendance fees	Committee remuneration	Total
Active members				
Knut Mackeprang [1]	75.0	10.0	20.0	105.0
Claudia Anderleit [1]	50.0	8.0	10.0	68.0
Marc Tüngler	100.0	11.0	40.0	151.0
Robert Weidinger	50.0	10.0	30.0	90.0
Sabine Christiansen	50.0	9.0	10.0	69.0
Theo-Benneke Bretsch [1]	50.0	7.0	10.0	67.0
Prof Dr Kerstin Lapotta	50.0	10.0	15.0	75.0
Thomas Karlovits	50.0	7.0	10.0	67.0
Miriam Wohlfarth	50.0	5.0	0.0	55.0
Frank Suwald [1]	31.2	6.0	9.3	46.5
Petra Winter [1]	31.2	6.0	9.3	46.5
Tobias Marx [1]	31.2	4.0	0.0	35.2
	618.6	**93.0**	**163.6**	**875.2**
Former members				
Thomas Reimann [1]	19.0	4.0	5.7	28.7
Bente Brandt [1]	19.0	4.0	5.7	28.7
Gerhard Huck [1]	19.0	2.0	0.0	21.0
	57.0	**10.0**	**11.4**	**78.4**
Total	**675.6**	**103.0**	**175.0**	**953.6**

[1] Employee representatives in accordance with section 7 (1) clause 1 no. 1 MitbestG of 4. May 1976.

Remuneration for the 2022 financial year

In EUR ’000s	Base remuneration	Attendance fees	Committee remuneration	Total
Active members				
Knut Mackeprang[1]	75.0	13.0	20.0	108.0
Claudia Anderleit[1]	50.0	11.0	10.0	71.0
Marc Tüngler	83.0	13.0	31.5	127.5
Robert Weidinger	50.0	12.0	30.0	92.0
Sabine Christiansen	50.0	11.0	10.0	71.0
Thomas Reimann[1]	50.0	10.0	15.0	75.0
Theo-Benneke Bretsch[1]	50.0	6.0	0.0	56.0
Bente Brandt[1]	50.0	9.0	15.0	74.0
Gerhard Huck[1]	50.0	8.0	10.0	68.0
Prof Dr Kerstin Lapotta	32.8	8.0	9.8	50.6
Thomas Karlovits	32.8	7.0	6.6	46.4
Miriam Wohlfarth	32.8	4.0	0.0	36.8
	606.4	**112.0**	**157.9**	**876.3**
Former members				
Thorsten Kraemer	17.3	1.0	0.0	18.3
Prof Dr Helmut Thoma	34.6	2.0	6.9	43.5
Fränzi Kühne	17.3	1.0	0.0	18.3
	69.2	**4.0**	**6.9**	**80.1**
Total	**675.6**	**116.0**	**164.8**	**956.4**

[1] Employee representatives in accordance with section 7 (1) clause 1 no. 1 MitbestG of 4. May 1976.

35. Company acquisitions

On 21 November 2023, the Group concluded a purchase agreement for the acquisition of all shares and voting rights in Super Nova GmbH & Co. KG, Cologne (hereinafter: Super Nova). The acquisition was completed on 4 January 2024, giving the Group control over this subsidiary. The initial consolidation in the freenet Group was carried out from 1 January 2024 for reasons of simplification.

Super Nova’s business activities essentially consist of advising wholesalers and retailers in the telecommunications industry, representing their interests vis-à-vis manufacturers and network operators and advising on and implementing marketing measures in the telecommunications sector.

A fixed cash purchase price of EUR 6,500 thousand was agreed.

Since the date of the acquisition of Super Nova is prior to the preparation of these consolidated financial statements, but the initial accounting of the business combination is not complete at the time of preparation of the consolidated financial statements, the freenet Group makes use of the simplification provision of IFRS 3.B66. In particular, the disclosures on acquired receivables, the amounts recognised at the time of acquisition for each main group of acquired assets and assumed liabilities, contingent liabilities, the total amount of goodwill and transactions that are to be reported separately from the acquisition of assets and the assumption of liabilities cannot be made due to a lack of valid data at the time of acquisition.

We expect goodwill, which is essentially attributable to future earnings opportunities in the sale of wireless services contracts of the freenet Group. The expected goodwill will be allocated to the mobile communications cash-generating unit. In our segment reporting, Super Nova will be allocated to the mobile communications segment.

The most recent Super Nova balance sheet available to the Group is dated 31 March 2023, prepared at carrying amounts in accordance with the German Commercial Code (HGB). This is presented as follows:

Assets		Equity and liabilities	
In EUR '000s	31.3.2023	In EUR '000s	31.3.2023
Non-current assets		**Equity**	**298**
Intangible assets	13		
Property, plant and equipment	214		
	227		
Current assets		**Current liabilities**	
Inventories	306	Trade accounts payable	17
Trade accounts receivable	81	Other liabilities and accruals and other financial liabilities	364
Other receivables, other assets and other financial assets	762	Current income tax liabilities	1,313
Cash and cash equivalents	690	Financial liabilities	74
	1,839		**1,768**
Total	**2,066**	**Total**	**2,066**

36. Disclosures pursuant to section 315e HGB

The average number of employees in the Group (section 314 (1) no. 4 HGB) was stated in Note 8 to the consolidated financial statements.

With regard to the disclosures on the remuneration of the executive bodies (section 314 (1) no. 6 HGB), please refer to Note 34. Pursuant to section 314 (1) no. 8 HGB, we declare that the declaration of conformity pursuant to section 161 AktG was issued by the Executive Board and Supervisory Board of the company on 6 December 2023. It was made available to shareholders on the company's website at https://www.freenet.ag/binaries/_ts_1702285322448/content/assets/freenetgroup/pdf/ir-englisch/entsprechenserklarung/2023/declaration_of_conformity_dec_2023.pdf made permanently accessible.

For the auditor PwC Germany and the entire PwC network, a total fee within the meaning of section 314 (1) no. 9 HGB of EUR 1,400 thousand has been calculated for the 2023 financial year. Thereof, EUR 1,324 thousand relates to auditing services (of which EUR 1,306 thousand relates to the ongoing audit for 2023) and EUR 76 thousand to other assurance services (such as the audit of the remuneration report, plausibility assessments regarding the covenants for the loan agreements and the achievement of Executive Board targets for the past financial year).

In accordance with section 313 (2) to (3) HGB, we provide the following overview of the companies included in the consolidated financial statements:

	Share in capital in %
Fully-consolidated companies	
freenet Cityline GmbH, Hamburg	100.00
freenet.de GmbH, Hamburg	100.00
01019 Telefondienste GmbH, Hamburg	100.00
01024 Telefondienste GmbH, Hamburg	100.00
01050.com GmbH, Hamburg	100.00
freenet Datenkommunikations GmbH, Hamburg	100.00
freenet DLS GmbH, Büdelsdorf	100.00
freenet Logistik GmbH, Schleswig	100.00
MobilCom Multimedia GmbH, Schleswig	100.00
klarmobil GmbH, Hamburg	100.00
vitrado GmbH, Hamburg	100.00
freenet Direkt GmbH, Hamburg	100.00
freenet Energy GmbH, Berlin	100.00
SuperNova Holding GmbH, Oberkrämer (formerly: Stanniol GmbH für IT & PR)	100.00
freenet Shop GmbH, Oberkrämer	100.00
freenet Shopping GmbH, Hamburg	100.00
The Cloud Networks Germany GmbH, Munich	100.00
The Cloud Networks Nordic AB, Stockholm (Sweden)	100.00
Gravis-Computervertriebsgesellschaft mbH, Berlin	100.00
freenet digital Holdings Inc., Wilmington (USA)	100.00
freenet digital LLC, Wilmington (USA)	100.00
freenet digital North America Inc., Wilmington (USA)	100.00
EXARING AG, Munich	74.62
Synergy Networks GmbH, Munich	74.62
Taunus Beteiligungs GmbH, Cologne	100.00
Media Broadcast GmbH, Cologne	100.00
Field Service Deutschland FSD GmbH, Cologne	100.00
Media Broadcast TV Services GmbH, Cologne	100.00
audio.digital NRW GmbH, Cologne	100.00
Companies accounted for using the equity method	
Antenne Deutschland GmbH & Co. KG, Garching (Joint venture)	50.00
Antenne Deutschland Verwaltungs GmbH, Garching (Joint venture)	50.00
ad.audio GmbH, Hamburg (associate)	40.00
Bayern Digital Radio GmbH, Munich (associate)	45.00

37. Events of material importance after the balance sheet date

With regard to the acquisition of Super Nova, please refer to Note 35. There were no further events of material importance after the balance sheet date for the freenet Group.

38. Development of intangible assets, goodwill and property, plant and equipment

Development of intangible assets, goodwill and property, plant and equipment as of 31 December 2023

In EUR '000s	Cost of purchased/manufactured goods					
	1.1.2023	Additions	Reclassi-fications	Disposals	Foreign currency	31.12.2023
Intangible assets						
Internally generated software	186,152	23,308	0	3,747	0	205,713
Software, licenses and rights of use	93,317	1,658	0	4,799	0	90,176
Trademarks	341,368	0	0	0	0	341,368
Customer relationships	106,480	0	0	0	0	106,480
	727,317	**24,966**	**0**	**8,546**	**0**	**743,737**
Goodwill						
Goodwill	1,382,394	0	0	0	0	1,382,394
	1,382,394	**0**	**0**	**0**	**0**	**1,382,394**
Property, plant and equipment						
Land, property fixtures and buildings	45,316	242	0	71	0	45,487
Switches and networks	204	0	0	5	0	199
Technical equipment and machinery	221,032	10,746	2,449	5,846	21	228,402
Other operating and office equipment	42,940	12,630	622	10,145	3	46,050
Prepayments made and assets under construction	4,454	6,525	– 3,071	768	0	7,140
	313,946	**30,143**	**0**	**16,835**	**24**	**327,278**
Total	**2,423,657**	**55,109**	**0**	**25,381**	**24**	**2,453,409**

Development of intangible assets, goodwill and property, plant and equipment as of 31 December 2022

In EUR '000s	Cost of purchased/manufactured goods					
	1.1.2022	Additions	Reclassi-fications	Disposals	Foreign currency	31.12.2022
Intangible assets						
Internally generated software	171,178	22,208	0	7,234	0	186,152
Software, licenses and rights of use	34,776	78,706	961	21,126	0	93,317
Trademarks	341,368	0	0	0	0	341,368
Customer relationships	106,480	0	0	0	0	106,480
	653,802	**100,914**	**961**	**28,360**	**0**	**727,317**
Goodwill						
Goodwill	1,382,394	0	0	0	0	1,382,394
	1,382,394	**0**	**0**	**0**	**0**	**1,382,394**
Property, plant and equipment						
Land, property fixtures and buildings	28,282	13,893	3,141	0	0	45,316
Switches and networks	237	0	0	33	0	204
Technical equipment and machinery	213,574	10,579	266	2,962	– 425	221,032
Other operating and office equipment	36,725	14,774	389	8,940	– 8	42,940
Prepayments made and assets under construction	4,945	4,753	– 4,757	487	0	4,454
	283,763	**43,999**	**– 961**	**12,422**	**– 433**	**313,946**
Total	**2,319,959**	**144,913**	**0**	**40,782**	**– 433**	**2,423,657**

Depreciation, amortisation and impairment						Carrying amounts	
1.1.2023	Additions	Impairment losses	Disposals	Foreign currency	31.12.2023	31.12.2023	1.1.2023
124,227	15,126	0	3,443	0	135,910	69,803	61,925
16,050	30,100	423	4,799	0	41,774	48,402	77,267
237,374	99,138	0	0	0	336,512	4,856	103,994
33,706	5,018	0	0	0	38,724	67,756	72,774
411,357	**149,382**	**423**	**8,242**	**0**	**552,920**	**190,817**	**315,960**
0	0	2,636	0	0	2,636	1,379,758	1,382,394
0	**0**	**2,636**	**0**	**0**	**2,636**	**1,379,758**	**1,382,394**
18,740	1,147	0	59	0	19,828	25,659	26,576
204	0	0	5	0	199	0	0
147,707	19,123	741	5,740	96	161,927	66,476	73,325
13,090	12,819	41	10,016	3	15,937	30,112	29,850
6	0	0	0	0	6	7,134	4,448
179,747	**33,089**	**782**	**15,820**	**99**	**197,897**	**129,381**	**134,199**
591,104	**182,471**	**3,841**	**24,062**	**99**	**753,453**	**1,699,956**	**1,832,553**

Depreciation, amortisation and impairment							Carrying amounts	
1.1.2022	Additions	Impairment losses	Reclassi-fications	Disposals	Foreign currency	31.12.2022	31.12.2022	1.1.2022
116,963	14,484	0	0	7,220	0	124,227	61,925	54,215
7,280	29,391	0	505	21,126	0	16,050	77,267	27,496
41,960	195,414	0	0	0	0	237,374	103,994	299,408
28,688	5,018	0	0	0	0	33,706	72,774	77,792
194,891	**244,307**	**0**	**505**	**28,346**	**0**	**411,357**	**315,960**	**458,911**
0	0	0	0	0	0	0	1,382,394	1,382,394
0	**0**	**0**	**0**	**0**	**0**	**0**	**1,382,394**	**1,382,394**
16,985	649	1,106	0	0	0	18,740	26,576	11,297
237	0	0	0	33	0	204	0	0
133,169	18,224	0	– 505	2,843	– 338	147,707	73,325	80,405
9,017	12,825	0	0	8,744	– 8	13,090	29,850	27,708
6	0	0	0	0	0	6	4,448	4,939
159,414	**31,698**	**1,106**	**– 505**	**11,620**	**– 346**	**179,747**	**134,199**	**124,349**
354,305	**276,005**	**1,106**	**0**	**39,966**	**– 346**	**591,104**	**1,832,553**	**1,965,654**

Day of the installation

The Executive Board of freenet AG prepared the consolidated financial statements on 22 February 2024 and released them for submission to the Supervisory Board. The Supervisory Board has the task of examining the consolidated financial statements and declaring whether it approves the consolidated financial statements.

Büdelsdorf, 22 February 2024

freenet AG
The Executive Board

Christoph Vilanek (CEO)	Ingo Arnold (CFO)	Nicole Engenhardt-Gillé (CHRO)	Stephan Esch (CTO)	Antonius Fromme (CCE)	Rickmann v. Platen (CCO)

Responsibility statement and auditor’s reports

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Büdelsdorf, 22 February 2024

freenet AG
The Executive Board

Christoph Vilanek	Ingo Arnold	Nicole Engenhardt-Gillé	Stephan Esch	Antonius Fromme	Rickmann v. Platen
(CEO)	(CFO)	(CHRO)	(CTO)	(CCE)	(CCO)

Auditor's reports

The auditor's report reproduced below also includes a "Report on the audit of the electronic reproduction of the financial statements and the management report prepared for publication purposes in accordance with Section 317 (3b) HGB" ("ESEF Report"). The subject matter underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed or retrieved from the Federal Gazette.

"Independent auditor's report

To freenet AG, Büdelsdorf

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of freenet AG, Büdelsdorf, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of freenet AG for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Revenue recognition

2. Recoverability of goodwill

3. Recoverability of deferred tax assets on tax losses carried forward

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue

2. Audit approach and findings

3. Reference to further information

Hereinafter we present the key audit matters:

1. Revenue recognition

1. Revenue totaling EUR 2.6 billion is reported in the consolidated income statement in freenet AG's consolidated financial statements. In the case of mobile communications contracts with terminal equipment sold in the postpaid segment, the transaction price agreed over the entire contract term is allocated to the hardware delivery and mobile communications service obligations on the basis of the relative individual sales prices and recognized as revenue in accordance with the satisfaction of the respective service obligation. Contract acquisition costs are capitalized and amortized over the underlying contract term. The majority of network operator commissions and bonuses received are reported as a reduction in the cost of materials and thus do not represent revenue. To the extent that these relate to the term of the contract, they are deferred and recognized as expenses on a straight-line basis over the term of the contract. If sales partners in indirect sales provide hardware or other services to end customers in order to acquire customers, this does not constitute sales revenue for the freenet Group if the freenet Group does not have a principal position due to the lack of actual control over the hardware or other services provided. Any hardware or other customer acquisition services provided to end customers by the sales partner in indirect sales are subject to capitalization as other assets and are amortized on a straight-line basis over the term of the contract to reduce sales. In order to correctly apply the accounting standard on revenue recognition (IFRS 15), the Group has implemented respective systems and processes, primarily for the mobile communications business.

   The accounting treatment of revenue is material in terms of the amount and subject to considerable risk due to the complexity of the systems necessary for properly recording and identifying revenue and the impact of ever-changing business, price and tariff models (including tariff structures, customer discounts, incentives). In addition, revenue recognition is based to a large extent on estimates and assumptions made by the executive directors. Against this background and taking into consideration the associated considerable uncertainties, revenue recognition was of particular significance during our audit.

2. In light of the knowledge that the complexity and the estimates and assumptions that have to be made give rise to an increased risk of accounting misstatements, our audit included assessing the freenet Group's processes and controls for recognizing and deferring revenue. We also assessed the IT system environment for invoicing and measurement and other relevant systems supporting the accounting treatment of revenue, including the implemented controls, as well as the invoicing and measurement systems up to entries in the general ledger. We also assessed the identification of performance obligations with respect to customer contracts, and evaluated whether these performance obligations are satisfied over time or at a point in time. As part of this process, we assessed whether revenue had been recognized fully and accurately and verified whether it had been allocated to the correct periods or correctly deferred. We also examined customer invoices and the associated customer contracts and receipts of payment on a test basis and obtained balance confirmations from business customers. We applied consistent audit procedures for the audit of the subsidiaries included in the consolidated financial statements to ensure that we responded appropriately to the inherent audit risk in this audit area.

We were able to satisfy ourselves that the systems, processes and controls in place are appropriate and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure that revenue is appropriately accounted for.

3. The Company's disclosures on revenue are contained in note 2.1 and 4 of the notes to the consolidated financial statements of freenet AG.

2. Recoverability of goodwill

1. Goodwill of EUR 1,379.8 million (40.4% of consolidated total assets and 96.0% of Group equity) is reported under the "Goodwill" balance sheet item in the Company's consolidated financial statements. The Company allocates goodwill to the cash-generating units within the freenet AG Group. Goodwill is tested for impairment annually or if there are indications of impairment. The impairment tests are carried out by comparing the carrying amounts of the cash-generating units with their respective recoverable amounts. The recoverable amount is calculated on the basis of fair value less costs to sell. This is based on the present value of future cash flows since market values are not generally available for the individual cash-generating units. The discounted cash flow models are based on planning prepared by the executive directors for the period up to 2027, which is extrapolated on the basis of assumptions about long-term growth rates. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit.

   The result of this measurement depends to a large extent on the executive director's assessment of future cash inflows of the respective cash-generating unit and the discount rate used, and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the valuation model, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology employed for the purposes of performing the impairment tests, among other things. We evaluated the appropriateness of the future cash inflows used in the measurement, among other things by comparing this data with the current budgets in the plan prepared by the executive directors, and reconciling it against general and sector-specific market expectations. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the recoverable amounts calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we assessed the additional sensitivity analysis for the cash-generating units and, taking into account the information available, determined that the respective goodwill was adequately covered by the discounted future cash flows.

   Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill are contained in notes 2.15, 15 and 16 to the consolidated financial statements.

3. Recoverability of deferred tax assets on tax losses carried forward

1. freenet AG's consolidated financial statements include deferred tax assets on tax losses carried forward amounting to EUR 211.3 million, which the Company's executive directors believe can likely be utilized in the future. The projected results in accordance with IFRSs, which serve as the starting point for tax planning, are derived from the planning prepared by the executive directors for the period up to 2027.

   From our point of view, this matter is of particular significance, as the multi-year projections serving as the basis for the recoverability of deferred tax assets on tax losses carried forward are highly dependent on the estimates and assumptions of the executive directors and are subject to a high level of uncertainty.

2. As part of our audit of the recoverability of deferred tax assets, we included specialists from our Tax department in our audit team. With their support we assessed, among other things, the methodological process to carry out impairment testing on tax assets recognized in relation to tax losses carried forward. We also assessed the recoverability of the deferred tax assets on tax losses carried forward, as described above, on the basis of the projections prepared by the executive directors with respect freenet AG's future taxable income and that of its consolidated income tax group subsidiaries, and we assessed the appropriateness of the planning premises used. Our assessment also covered the correctness of the reconciliation of the projected results to the tax result, the compliance of the method used to calculate deferred taxes in accordance with IAS 12 and the mathematical accuracy of the calculations.

   We were able to verify the assumptions made by the executive director's and the method applied.

3. The Company's disclosures pertaining to deferred tax assets on tax losses carried forward are contained in notes 2.14 and 18 to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "1.9.1. Corporate governance statement in accordance with Sections 289f, 315d HGB (incl. GCGC / diversity concept)" of the group management report
- the non-financial group statement to comply with §§ 315b to 315c HGB included in section "1.8 Non-financial group statement" of the group management report
- the sections "1.9.2.1.1. Structure of internal control and monitoring systems" and "1.9.2.1.2. Summarising the assessment of appropriateness and effectiveness" of the group management report

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file freenet_AG_KA+KLB_ESEF-2023-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 17 May 2023. We were engaged by the supervisory board on 19 September 2023. We have been the group auditor of the freenet AG, Büdelsdorf, without interruption since the financial year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter– use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thorsten Dzulko.

Hamburg, 5 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Thorsten Dzulko Wirtschaftsprüfer (German Public Auditor)	sgd. Harald van Voorst Wirtschaftsprüfer (German Public Auditor)“

Assurance practitioner's report on Non-financial group statement

"Independent assurance practitioner's report on a limited assurance engagement on the non-financial reporting of a group of companies for the financial year ended 31 December 2023[1]

To freenet AG, Büdelsdorf

We have performed a limited assurance engagement on the non-financial reporting of a group of companies of freenet AG, Büdelsdorf, (the "parent company") for the period from 1 January 2023 to 31 December 2023 (the "consolidated non-financial statement"). The external sources of documentation or expert opinions mentioned in the consolidated non-financial statement are not subject to our assurance engagement.

Responsibility of the Executive Directors

The executive directors of the parent company are responsible for the preparation of the consolidated non-financial statement in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy Report" of the consolidated non-financial statement.

This responsibility of the executive directors includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a consolidated non-financial statement that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy Report" of the consolidated non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

The supervisory board of the parent company is responsible for monitoring the process of preparing the consolidated non-financial statement.

Independence and Quality Assurance of the Assurance Practitioner's Firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the By-laws Regulating the Rights and Duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their Profession and the IDW Quality Assurance Standard issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1). and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

[1] This document is a convenience translation of the German original.
The original German language document is the authoritative version. The independent assurance practitioner's report refers to the German version of the non-financial reporting of a group of companies of freenet AG, Büdelsdorf.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the consolidated non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB.

This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the group's consolidated non-financial financial statement, other than the external sources of documentation or expert opinions mentioned in the consolidated non-financial financial statement, are not prepared, in all material respects, in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy Report" of the consolidated non-financial statement by the executive directors.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation
- Inquiries of relevant employees involved in the preparation of the consolidated non-financial statement about the preparation process, and about disclosures in the consolidated non-financial statement
- Assessment of the processes for identifying, processing and monitoring the information, including the consolidation of data
- Identification of likely risks of material misstatement in the consolidated non-financial statement
- Analytical procedures on selected disclosures in the consolidated non-financial statement
- Inspection and examination of selected documents (audit evidence) supporting the disclosures in the non-financial consolidated statement
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the consolidated non-financial statement
- Evaluation of the process to identify the Taxonomy eligible and Taxonomy aligned activities and the corresponding disclosures in the consolidated non-financial statement

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement of the group for the period from 1 January 2023 to 31 December 2023 is not prepared, in all material respects, in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors as disclosed in section "EU Taxonomy Report" of the consolidated non-financial statement by the executive directors.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the consolidated non-financial statement.

Restriction of Use / General Engagement Terms / Liability / Exclusion of Liability in Relation to Third Parties

We draw attention to the fact that the assurance engagement was conducted for the parent company's purposes and that the report is intended solely to inform the parent company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the parent company alone.

We issue this report based on the engagement concluded with the parent company, which, also with effect towards third parties, is based on the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017.

In accordance with section 9 para. 2 of these General Engagement Terms, our liability for an individual case of damages caused by negligence, with the exception of damages resulting from injury to life, body or health, as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG ["Produkthaftungsgesetz": German Product Liability Act] is limited to EUR 4 million. The limitation of liability applies to all addressees or third parties (the "recipients") who receive our report as intended. These recipients are joint creditors in the sense of § 428 BGB ["Bürgerliches Gesetzbuch": German Civil Code] and the maximum liability amount of EUR 4 million per claim is only available once to all recipients together.

We do not assume any liability, responsibility or other obligations towards other third parties.

Düsseldorf, 5 March 2024

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Cornelia von Oertzen Wirtschaftsprüfer [German Public Auditor]	Dr. Claudia Schrimpf-Dörges Wirtschaftsprüferin [German Public Auditor]"

Further information

GRI content index and membership of associations

GRI content index

Statement of Use: freenet AG has reported the information cited in this GRI content index for the period 1.1.2023 – 31.12.2023 with reference to the GRI Standards.
GRI 1 used: GRI 1: Foundation 2021

GRI standard	Statement	Page/s	References and commentary
General Disclosures			
GRI 2: General Disclosures 2021	2-1 Organisational details	14 et seq. 49 et seq. 9 206 118 et seq.	Consolidated management report (Business model and organisational structure), Non-financial group statement (About this non-financial group statement), freenet share (shareholder structure at the end of the year), Company website: fn.de/shareholders, Further information (Legal Disclosure and contact), Notes to the consolidated financial statements (Note 3, Segment reporting)
	2-2 Entities included in the organisation's sustainability reporting	50 f. 176 f.	Non-financial group statement (Materiality analysis as the basis for determining material topics), Notes to the consolidated financial statements (Note 36, Disclosures pursuant to section 315e HGB)
	2-3 Reporting period, frequency and contact point	49 et seq. 206	Non-financial group statement (About this non-financial group statement), Further information (Financial calendar, Legal Disclosure and contact), Reporting cycle: 12 months (annually), Publication date: 26 March 2024
	2-4 Restatements of information	 55 68	Corrections and restatements are indicated at the relevant points. Non-financial group statement: Employees (Restatement: Formal learning hours in Table 24: Key figures on upgrading skills), The definition of the key figure "Formal learning hours" was redefined as part of the integration of the key figure into the Executive Board's remuneration system (STIP 2023) in order to increase the informative value of the key figure in relation to formal learning. The previous year's figure was adjusted in line with the new definition. Non-financial group statement: Corporate environmental protection (New presentation: Determination of the electricity consumption of the shop chain and recording of group-wide heating consumption)
	2-5 External assurance	49 et seq. 190 et seq. 8	Non-financial group statement (About this non-financial group statement), Further information (Assurance practitioner's report on non-financial Group statement), Report of the Supervisory Board (Audit of the non-financial group statement for the 2023 financial year)
	2-6 Activities, value chain and other business relationships	14 et seq. 72 et seq. 118 et seq.	Consolidated management report (Business model and organisational structure), Non-financial group statement (Supply chain and human rights due diligence), Notes to the consolidated financial statements (Note 3, Segment reporting)
	2-7 Employees	56 f.	Non-financial group statement (Employees, Diversity) Further information on employment: Part-time (as at 31 Dec.): 27.7 % of women (2022: 27.2 %) / 8.4 % of men (2022: 7.5 %), Fixed-term employment contract (as at 31 December): 13.9 % of women (2022: 13.6 %) / 15.9 % of men (2022: 15.9 %) As freenet AG only operates in Germany, there is no breakdown of the number of employees by region.
	2-9 Governance structure and composition	4 et seq.	Report of the Supervisory Board, Company website: Declaration on Corporate Governance at fn.de/cgstatement

GRI standard	Statement	Page/s	References and commentary
GRI 2: General Disclosures 2021	2-10 Nomination and selection of the highest governance body	4 et seq.	Report of the Supervisory Board, Company website: Declaration on Corporate Governance at fn.de/cgstatement
	2-14 Role of the highest governance body in sustainability reporting	4 f.	Report of the Supervisory Board (Meeting contents in detail), Company website: Corporate governance declaration (Working methods of the Executive Board and Supervisory Board) at fn.de/cgstatement
	2-15 Conflicts of interest	5 et seq.	Report of the Supervisory Board (Work in the committees of the Supervisory Board), Company website: Corporate Governance Statement (Work in the committees of the Supervisory Board) at fn.de/cgstatement, Company website: Information on memberships in committees/controlling bodies at fn.de/supervisoryboard, Company website: Information on the shareholder structure at fn.de/shareholders
	2-18 Evaluation of the performance of the highest governance body	—	Company website: Declaration on Corporate Governance (Supervisory Board's self-assessment of it's activities) at fn.de/cgstatement
	2-19 Remuneration policies	—	Company website: Remuneration report and remuneration system at fn.de/remuneration
	2-22 Statement on sustainable development strategy	49 17 et seq.	Non-financial group statement (About this non-financial group statement, ESG strategy) Consolidated management report (Corporate Strategy and goals, ESG strategy)
	2-23 Policy commitments	38 et seq. 49 et seq. 70 et seq., 56 et seq.	Consolidated management report (Report on opportunities and risks, risk management system), Non-financial group statement (About this non-financial group statement), Non-financial group statement (Compliance and integrity, Employees, Diversity), Company website: Corporate governance statement at fn.de/cgstatement Disclosure 2-23 c.: Company website with link to the declaration of principles for the protection of human rights: fn.de/responsibility
	2-25 Processes to remediate negative impacts	70 et seq.	Non-financial group statement (compliance and integrity), Company website: Whistleblower at fn.de/whistleblower
	2-28 Membership associations	199	Further information (GRI content index and membership of associations)
	2-29 Approach to stakeholder engagement	49 et seq.	Non-financial group statement (About this non-financial group statement)
	2-30 Collective bargaining agreements	—	As at 31 December 2023, 16.1% (31 December 2022: 15.1%) of employees were paid in accordance with collective bargaining agreements.These are exclusively employees of Media Broadcast GmbH.
Material topics			
GRI 3: Material topics 2021	3-1 Process to determine material topics	50 f.	Non-financial Group statement (Materiality analysis as the basis for determining material topics)
	3-2 List of material topics	50 f.	Non-financial Group statement (Materiality analysis as the basis for determining material topics, Table 20: List of material topics [GRI 3-2], assigned to CSR-RUG aspects and GRI Standards)
	3-3 Management of material topics	38 et seq. 51 et seq.	Consolidated management report (Report on opportunities and risks, risk management system), Non-financial group statement (Material topics)

GRI standard	Statement	Page/s	References and commentary
Economic Performance			
GRI 3: Material topics 2021	3-3 Management of material topics	19 et seq.	Consolidated management report (Corporate management)
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	—	Figures in EUR million Revenues: 2,627.3 (2022: 2,556.7), Investments: 52.7 (2022: 60.0), Personnel expenses: 239.1 (2022: 229.6), Taxes paid: 30.2 (2022: 29.1), Interest payments: 25.3 (2022: 19.8), Distributions to shareholders: 199.7 (2022: 186.6)
	201-3 Defined benefit plan obligations and other retirement plans	149 et seq.	Notes to the consolidated financial statements, Note 29 (Pension provisions and similar obligations)
Anti-corruption			
GRI 3: Material topics 2021	3-3 Management of material topics	70 et seq.	Non-financial group statement (Compliance and integrity)
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	70 et seq.	Non-financial group statement (Compliance and integrity)
Energy consumption			
GRI 3: Material topics 2021	3-3 Management of material topics	66 et seq.	Non-financial group statement (Corporate environmental protection)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	68	Non-financial group statement (Corporate environmental protection, Table 26: Energy consumption and carbon emissions)
Carbon emissions			
GRI 3: Material topics 2021	3-3 Management of material topics	66 et seq.	Non-financial group statement (Corporate environmental protection)
GRI 305: Emissions 2016	305-1 Direct GHG emissions (Scope 1)	68	Non-financial group statement (Corporate environmental protection, Table 26: Energy consumption and carbon emissions)
	305-2 Indirect energy-related GHG emissions (Scope 2)	68	Non-financial group statement (Corporate environmental protection, Table 26: Energy consumption and carbon emissions)
	305-3 Other indirect GHG emissions (Scope 3)	68	Non-financial group statement (Corporate environmental protection, Table 26: Energy consumption and carbon emissions)
	305-4 GHG emissions intensity	68	Non-financial group statement (Corporate environmental protection, Table 26: Energy consumption and carbon emissions)
	305-5 Reduction of GHG emissions	68	Non-financial group statement (Corporate environmental protection, Table 26: Energy consumption and carbon emissions)
Employment			
GRI 3: Material topics 2021	3-3 Management of material topics	51 et seq.	Non-financial group statement (Employees)
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	52	Non-financial group statement (Employees, Table 22: New hires and employee turnover [GRI 401-1]), Germany is defined as the region.
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	54	Non-financial group statement (Employees, Employer attractiveness), The following basic benefits are generally not offered: Life insurance and equity investments
	401-3 Parental leave	54	Information incomplete: Data on the take-up of parental leave and the return rate after parental leave are not analysed.
GRI 3: Material topics 2021	3-3 Management of material topics	51 et seq.	Non-financial group statement (Employees)
n.a.	freenet-specific information: Results of surveys to measure employee satisfaction	53	Non-financial group statement (Employees, employer attractiveness, Table 23: Employee satisfaction)

GRI standard	Statement	Page/s	References and commentary
Occupational health and safety			
GRI 3: Material topics 2021	3-3 Management of material topics	51 et seq.	Non-financial group statement (employees)
GRI 403: Occupational health and safety 2018	403-1 Management system for occupational health and safety	57 f.	Non-financial group statement (Employees, Occupational health and safety)
	403-3 Occupational health services	57 f.	Non-financial group statement (Employees, Occupational health and safety)
	403-4 Employee participation, consultation and communication on occupational health and safety	57 f.	Non-financial group statement (Employees, Occupational health and safety)
	403-5 Employee training on occupational health and safety	57 f.	Non-financial group statement (Employees, Occupational health and safety)
	403-9 Work-related injuries	58	Non-financial group statement (Employees, Occupational health and safety, Table 25: Industrial accidents and commuting accidents), Information incomplete: The number of hours worked is not analysed.
Training and education			
GRI 3: Material topics 2021	3-3 Management of material topics	51 et seq.	Non-financial group statement (Employees)
GRI 404: Training and education 2016	404-1 Average number of hours of training and further education per year and employee	55	Non-financial group statement (Employees, upgrading skills, Table 24: Key figures on upgrading skills), Information incomplete: The data required for a breakdown by gender and employee category is not recorded.
	404-2 Programmes to improve the skills of employees and provide transitional assistance	54 f.	Non-financial group statement (Employees, upgrading skills), Information incomplete: Programmes for transitional assistance at the end of employment due to age are not offered.
	404-3 Percentage of employees receiving regular performance and career development reviews	54 f.	Non-financial group statement (Employees, upgrading skills), Information incomplete: The data required for a breakdown by gender and employee category is not analysed due to the high general implementation rate.
Diversity and equal opportunity			
GRI 3: Material topics 2021	3-3 Management of material topics	51 et seq.	Non-financial group statement (Employees), Company website: Corporate governance declaration at fn.de/cgstatement
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	56 f.	Non-financial group statement (employees, diversity) Company website: Corporate governance declaration at fn.de/cgstatement (targets for the proportion of women in the first two management levels below the Executive Board) Information incomplete: the data required for a breakdown of employee categories by age is not analysed.

GRI standard	Statement	Page/s	References and commentary
Non-discrimination			
GRI 3: Material topics 2021	3-3 Management of material topics	51 et seq.	Non-financial group statement (Employees)
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	56	Non-financial group statement (Employees, Diversity)
Supplier social assessment			
GRI 3: Material topics 2021	3-3 Management of material topics	71 et seq.	Non-financial group statement (Supply chain and human rights due diligence)
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	—	Information not available: Data is not collected as no systematic assessment of suppliers based on social criteria has been carried out to date.
Marketing and labeling			
GRI 3: Material topics 2021	3-3 Management of material topics	62 et seq.	Non-financial group statement (customer matters)
GRI 417: Marketing and labeling 2016	417-1 Requirements for product and service information and labeling	61	Non-financial group statement (Customer matters, Overarching approach and management), Information incomplete: The percentage of significant product or service categories covered by such procedures is not collected.
GRI 3: Material topics 2021	3-3 Management of material topics	61 et seq.	Non-financial group statement (Customer matters)
n.a.	freenet specific information: Results of surveys to measure customer satisfaction	62	Non-financial group statement (Customer matters, Service quality)
Data protection			
GRI 3: Material topics 2021	3-3 Management of material topics	59 et seq.	Non-financial group statement (Digital responsibility)
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	60	Non-financial group statement (Digital responsibility)

Membership of associations and advocacy organisations

Memberships are intended to support freenet's business activities and provide a framework for dialogue on economic and industry-specific topics. The following is an excerpt of the freenet Group's national and international memberships of associations and advocacy organisations in the 2023 financial year.

National and regional memberships

- 5G Media Initiative
- Alliance for cyber security
- BMVI and BNetzA working groups
- German Association for Information Technology, Telecommunications and New Media (Bitkom)
- German Association of Materials Management, Purchasing and Logistics (BME)
- German Electrotechnical Commission within DIN and VDE (DKE)
- German TV Platform e.V.
- German Investor Relations Association (DIRK)
- Digital Radio Deutschland e.V.
- Digital Radio Plattform e.V.
- Digital radio board
- Digitalradio Mitteldeutschland e.V.
- eco - Association of the Internet Industry
- Fernseh- und Kinotechnische Gesellschaft e.V. (FKTG) German Council of Shopping Places e.V.
- Society for Data Protection and Data Security (GDD)
- Initiative of the Federal Office of Civil Protection and Disaster Assistance (BBK) and the Federal Office for Information Security (BSI) on the topic of "Critical Infrastructure Protection" (KRITIS)
- JusProg e. V.
- trusted dialogue
- Association of Telecommunications and Value-Added Service Providers (VATM)
- Association of Private Media (VAUNET)
- Association of Private Broadcasting and Telemedia (VPRT)
- Association of Technical Companies for Film & Television e.V. (VTFF)
- Federation of Business Associations in Hamburg and Schleswig-Holstein e. V. (UV Nord)

International memberships

- 5G Media Action Group (5G MAG)
- 5G Records
- Broadcast Networks Europe
- DVB-Project
- European Broadcasting Union (EBU)
- HbbTV Association
- High Frequency Coordination Conference (HFCC)
- International Telecommunication Union - Radiocommunications Sector (ITU-R)
- ITU Radio Sector (ITU-R)
- Conference of European Postal and Telecommunications Administrations (CEPT)
- MVNO Europe
- WorldDAB Forum

Multi-year and quarterly overview

Multi-year overview of key figures

In EUR million / as indicated	2023[1]	2022	2021
Operational development			
Revenues	2,627.3	2,556.7	2,556.3
Gross profit	951.2	886.7	853.4
EBITDA	500.2	478.7	447.3
EBITDA CAGR (reference year 2020)	4.5 %	6.0 %	5.0 %
(Adjusted) EBIT	344.6	324.1	250.0
(Adjusted) EBT	318.1	308.7	218.1
(Adjusted) consolidated profit	240.5	248.4	191.2
(Adjusted) earnings per share (in EUR)[2]	2.01	2.07	1.62
Dividend per share (in EUR)	1.77[3]	1.68	1.57
Balance sheet			
Balance sheet total	3,414.9	3,628.7	3,952.4
Equity	1,436.9	1,469.2	1,638.9
Equity ratio	42.1 %	40.5 %	41.5 %
Finances and investments			
Free cash flow	262.6	249.2	234.4
Net investments (CapEx)	– 52.7	– 60.0	– 45.1
Net financial liabilities	580.9	705.3	788.4
Adjusted net financial liabilities	500.1	637.1	645.9
Leverage	1.2	1.5	1.8
Adjusted leverage	1.0	1.3	1.4
Customer-related key figures			
Postpaid ARPU (in EUR)	18.0	17.9	18.1
Postpaid customers (in '000s)	7,418.3	7,273.3	7,178.0
freenet TV subscribers (RGU) (in '000s)	583.8	685.6	796.6
waipu.tv subscribers (in '000s)	1,369.3	970.0	722.5

[1] Earnings figures (EBIT, EBT, consolidated profit) adjusted for effects from the amortisation of the mobilcom-debitel trademark.
[2] Basic and diluted.
[3] Subject to the approval of the 2024 Annual General Meeting.

Quarterly overview of the income statement 2023

In EUR million / as indicated	Q1/2023	Q2/2023	Q3/2023	Q4/2023
Revenues	**637.8**	**632.1**	**668.8**	**688.6**
Other operating income	11.3	12.9	14.7	7.3
Other own work capitalized	6.1	5.7	5.6	7.0
Cost of materials	– 409.1	– 400.9	– 437.3	– 429.0
Personnel expenses	– 54.5	– 56.7	– 57.4	– 70.5
Other operating expenses	– 63.6	– 66.7	– 72.8	– 79.3
thereof loss allowances on financial assets and contract assets	– 2.1	– 5.6	– 5.3	0.3
thereof without loss allowances on financial assets and contract assets	– 61.5	– 61.1	– 67.5	– 79.6
EBITDA [1]	**128.1**	**126.5**	**121.5**	**124.2**
Depreciation, amortisation and impairment	– 88.0	– 87.1	– 38.3	– 40.8
EBIT [2]	**40.1**	**39.4**	**83.3**	**83.4**
Result of equity-accounted investments	– 0.4	– 1.2	– 0.3	– 0.7
Interest and similar income	1.1	1.1	2.2	2.0
Interest and similar expenses	– 6.7	– 7.5	– 7.7	– 8.8
Other financial result	0.0	0.2	0.0	0.4
Financial result	**– 6.0**	**– 7.4**	**– 5.9**	**– 7.1**
EBT	**34.1**	**32.0**	**77.4**	**76.3**
Income taxes	– 15.9	– 6.0	– 14.2	– 27.4
Consolidated profit	**18.2**	**26.0**	**63.2**	**48.9**
Consolidated profit attributable to shareholders of freenet AG	18.0	24.9	62.9	48.8
Consolidated profit attributable to non-controlling interests	0.2	1.2	0.3	0.0
Earnings per share (EPS) basic and diluted (in EUR)	**0.15**	**0.21**	**0.53**	**0.41**

[1] EBITDA is defined as earnings before interest and taxes (EBIT) plus depreciation and impairments.
[2] EBIT is defined as earnings before interest and taxes (EBIT).

Quarterly overview of free cash flow 2023

In EUR million	Q1/2023	Q2/2023	Q3/2023	Q4/2023
Cash flow from operating activities	99.6	99.4	100.0	99.0
Cash outflows for investments in property and intangible assets	– 14.9	– 11.8	– 12.9	– 15.9
Cash inflows from the disposal of intangible assets and property	0.5	1.1	0.8	0.4
Cash outflows for the repayment of lease liabilities	– 20.6	– 21.8	– 20.3	– 20.1
Free cash flow	**64.6**	**66.8**	**67.7**	**63.4**

Quarterly overview of the income statement 2022

In EUR million / as indicated	Q1/2022	Q2/2022	Q3/2022	Q4/2022
Revenues	**616.8**	**620.1**	**652.1**	**667.7**
Other operating income	10.7	12.6	11.0	15.2
Other own work capitalized	5.3	5.9	6.5	7.3
Cost of materials	– 398.6	– 401.5	– 431.4	– 438.4
Personnel expenses	– 53.0	– 53.2	– 54.9	– 68.5
Other operating expenses	– 63.1	– 61.0	– 62.0	– 66.9
thereof loss allowances on financial assets and contract assets	– 6.3	– 5.5	– 4.3	– 5.1
thereof without loss allowances on financial assets and contract assets	– 56.8	– 55.5	– 57.7	– 61.8
EBITDA	**118.0**	**122.9**	**121.4**	**116.4**
Depreciation, amortisation and impairment	– 84.9	– 88.0	– 87.8	– 88.6
EBIT	**33.1**	**34.9**	**33.6**	**27.8**
Result of equity-accounted investments	0.1	– 0.7	– 0.5	– 0.8
Interest and similar income	1.0	2.8	1.1	1.6
Interest and similar expenses	– 5.6	– 5.7	– 6.1	– 6.3
Other financial result	4.9	– 0.8	– 0.3	0.0
Financial result	**0.4**	**– 4.4**	**– 5.9**	**– 5.6**
EBT	**33.5**	**30.5**	**27.7**	**22.2**
Income taxes	– 11.0	4.2	– 3.8	– 21.6
Consolidated profit	**22.5**	**34.7**	**23.9**	**0.7**
Consolidated profit attributable to shareholders of freenet AG	22.3	34.1	23.4	– 0.6
Consolidated profit attributable to non-controlling interests	0.2	0.6	0.5	1.2
Earnings per share (EPS) basic and diluted (in EUR)	**0.19**	**0.28**	**0.20**	**0.00**

Quarterly overview of free cash flow 2022

In EUR million	Q1/2022	Q2/2022	Q3/2022	Q4/2022
Cash flow from operating activities	97.3	97.6	97.3	103.5
Cash outflows for investments in property and intangible assets	– 13.4	– 15.1	– 14.1	– 20.4
Cash inflows from the disposal of intangible assets and property	0.6	1.2	1.0	0.1
Cash outflows for the repayment of lease liabilities	– 21.8	– 21.9	– 21.6	– 21.2
Free cash flow	**62.7**	**61.9**	**62.6**	**62.0**

Glossary

Adjusted EBITDA EBITDA ("cf. EBITDA") adjusted for special effects.

Adjusted leverage ratio Ratio of adjusted net financial liabilities (see "adjusted net financial liabilities") to the EBITDA generated in the last twelve months (see "EBITDA").

Adjusted net financial liabilities Net financial liabilities (see "Net financial liabilites") less equity investments (see "Equity investments").

ARPU Abbreviation for average revenue per user, i.e. the monthly average revenue (before VAT) per customer, i.e. the customer group-specific usage fee (e.g. postpaid service revenues) divided by the respective average customer base on the reporting date.

Broadcast German: Rundfunk. Broadcasting refers to the real-time reception by an indefinite number of receivers of certain organised offerings in moving images and/or sound according to a broadcast schedule by means of telecommunications. Broadcasting includes, in particular, radio and television.

Bundle German: bundle or package. In the context of mobile phone contracts, the term bundle is used when the contract is concluded together with (subsidised) hardware or another service component.

CAGR Abbreviation for compound annual growth rate. The key figures represent the average annual growth rate of a variable under consideration (e.g. EBITDA).

CDP Abbreviation for Carbon Disclosure Project. Initiative of institutional investors that aims to promote dialogue between investors and companies on climate change issues. Companies provide information on their greenhouse gas emissions and climate protection strategies. The data is compiled and published annually.

CGU Abbreviation for Cash Generating Unit. According to International Financial Reporting Standards (IFRS), a cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Churn rate German: churn rate. The churn rate defines the number of customers recorded over a certain period of time who are no longer in a contractual relationship with freenet. This number is shown in relation to the corresponding customer base.

CLTV Abbreviation for Customer Lifetime Value; key figures describe the value contribution of a customer relationship. The CLTV is made up of the historical customer value and the future, potential customer value. The value of a customer or customer group can be measured on the basis of quantitative and qualitative value components. Not only direct monetary factors (such as revenues), but also non-monetary factors (e.g. recommendations or loyalty) must be taken into account.

CO_2-equivalent Greenhouse gases have different global warming potentials (GWP). The climate impact of carbon dioxide (GWP of $CO_2 = 1$) serves as a benchmark, i.e. the global warming potentials of other substances are measured relative to CO_2 . The GWP value/CO_2 equivalent indicates the global warming potential of a substance and thus its contribution to warming the air layer near the ground.

Compliance German: adherence. In the context of companies, this term stands for compliance with legal regulations, official requirements and internal company guidelines and should be seen as an essential component of management and corporate culture.

Digital lifestyle English term for the simplification of everyday life through technical aids based on the Internet and/or smartphones.

EBIT earnings before interest and taxes (EBIT).

EBITDA EBIT (see "EBIT") plus depreciation, amortisation and impairments.

EBT Earnings before income taxes.

Equity investments Market value of CECONOMY AG and MGI SE on the reporting date. The market value is calculated by multiplying the closing prices (Xetra) by the shares held by freenet AG in the companies on the respective reporting date.

Equity ratio Ratio of equity to total assets.

Fair value Fair value is a value concept for measuring assets or liabilities and is defined in accordance with IFRS as the price that would be paid in an orderly transaction between market participants on the measurement date for the sale of an asset or would be payable on the transfer of a liability.

Free cash flow Cash flow from operating activities (excluding payments for transaction costs from the sale/acquisition of companies) less CapEx (see "Net investments (CapEx)") and cash outflows for the repayment of lease liabilities.

Goodwill If a company pays a purchase price for another company that is higher than the value of the company's tangible assets (property, land, machinery, inventories, etc.), this difference is recognised on the assets side of the paying company's balance sheet through the introduction of the intangible asset item goodwill.

Gross profit Balance of revenues and cost of materials.

Gross profit margin Ratio of gross profit to revenues.

IFRIC Abbreviation for International Financial Reporting Interpretations Committee. The IFRIC is a group within the International Accounting Standards Committee Foundation. The IFRIC's task is to publish interpretations of IFRS and IAS in cases where it becomes apparent that the standard can be interpreted differently or incorrectly or that new issues have not been sufficiently recognised in the previous standards.

IPTV Abbreviation for Internet Protocol Television, transmission of television programmes and films using the Internet protocol. In contrast to this are the transmission channels cable television, DVB-T2 or satellite.

Leverage Ratio of net financial liabilites (see "Net financial liabilites") to the EBITDA generated in the last twelve months (see "EBITDA").

LTIP Abbreviation for Long Term Incentive Programme. Remuneration component with non-current incentive effects for the Executive Board.

Mobile communications service provider Provider of mobile telephony services without its own mobile telephony network, but which sells mobile telephony tariffs in its own name and for its own account.

Net financial liabilites Non-current and current financial liabilities from the balance sheet, less liquid assets and plus net lease liabilities (see "Net lease liabilities").

Net interest income Balance of "interest and similar expenses" and "interest and similar income".

Net investments (CapEx) Investments in property, plant and equipment and intangible assets, less cash inflows from the disposal of intangible assets and property, plant and equipment.

Net lease liabilities Non-current and current lease liabilities from the balance sheet less non-current and current lease receivables.

No-frills No-frills tariffs are deliberately simple in structure and generally do not include a subsidised end device. They are traditionally sold via direct sales (e.g. online) and not via specialised branches.

OTT Abbreviation for over-the-top content. Transmission of video and audio content via Internet access. This can involve free and paid services.

Overheads Overheads include other operating income, other own work capitalised, personnel expenses and other operating expenses.

Postpaid English term for mobile services billed at the end of the month (usually 24-month contracts).

Prepaid English term for mobile phone services billed in advance.

RGU Abbreviation for Revenue Generating Unit; at freenet, refers to paying freenet TV subscribers.

Roaming Refers to the ability of a mobile phone customer to receive or make calls, send and receive data or access other mobile phone network services in a network other than their home network. Roaming can extend across similar networks of different network operators (national roaming) or across national borders (international roaming).

SIM Abbreviation for Subscriber Identity Module. Chip card with processor and memory for mobile devices on which, among other things, the subscriber number assigned by the network operator is stored and which identifies the subscriber in the mobile network.

TV customer base (B2C customers) Customers of the freenet Group in the TV and media segment who are freenet TV subscribers (RGU) (cf. “freenet TV subscribers (RGU)”) or waipu.tv subscribers (cf. “waipu.tv subscribers”).

Unicast In telecommunications, unicast is the addressing of a message to a single receiving device. The term unicast is particularly analogous to the term broadcast, which refers to real-time reception by an indefinite number of receiving devices.

VoD Abbreviation for video-on-demand, the option of downloading digital videos on demand from an online service or watching them directly via streaming.

WACC Abbreviation for weighted average cost of capital.

waipu.tv subscribers Customers who have taken out one of waipu.tv's fee-based tariffs.

Financial calendar [1]

Date	Event
29 February 2024	Conference call on the 2023 financial year – preliminary results The preliminary results for the 2023 financial year were published on 28 February 2024 after close of trading (Xetra).
26 March 2024	Publication of consolidated financial statements FY 2023 2023 Annual report
8 May 2024	Ordinary Annual General Meeting Hamburg | Germany
16 May 2024	Conference Call – Q1 2024 The quarterly Statement of 2024 is expected to be published on 15 May 2024 after close of trading (Xetra).
8 August 2024	Conference Call – Q2 2024 The half-year report of 2024 is expected to be published on 7 August 2024 after close of trading (Xetra).
8 November 2024	Conference Call – Q3 2024 The 2024 nine months statement is expected to be published on 7 November 2024 after close of trading (XETRA).

[1] Subject to change without notice.

All publications can be found at fn.de/releases

The annual report is also available in English. In case of doubt, the German version shall prevail.

Current information on freenet and the share is available at fn.de/share

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For more information on 2023 financial year including statements from our Executive Board members, go to fn.de/23fy

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