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

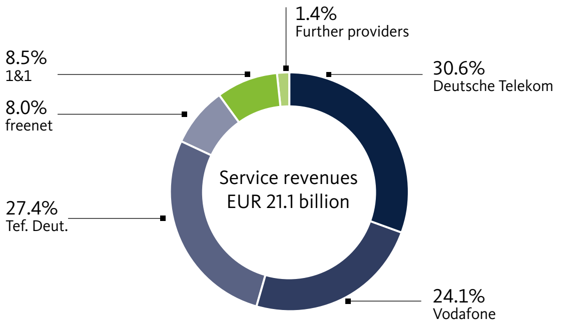
The mobile communications market in Germany continued to be characterised by technological progress in 2023. In 2022, the Federal Network Agency (BNetzA) finalised the allocation of 5G frequencies and set strict expansion requirements for network operators, such as the obligation to supply at least 98% 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.

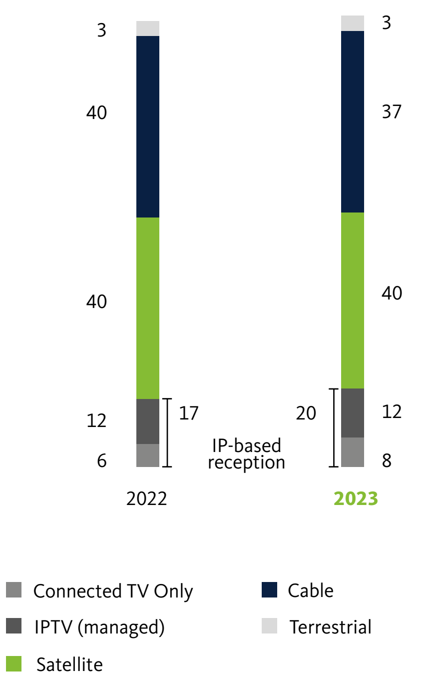
The average viewing time per day is 203 minutes, of which over two hours a day is spent watching linear television. There is a clear age gap here. The older the consumer, the more time they spend watching linear television. TV consumers via the internet spend the least time watching television. Linear 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	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	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).

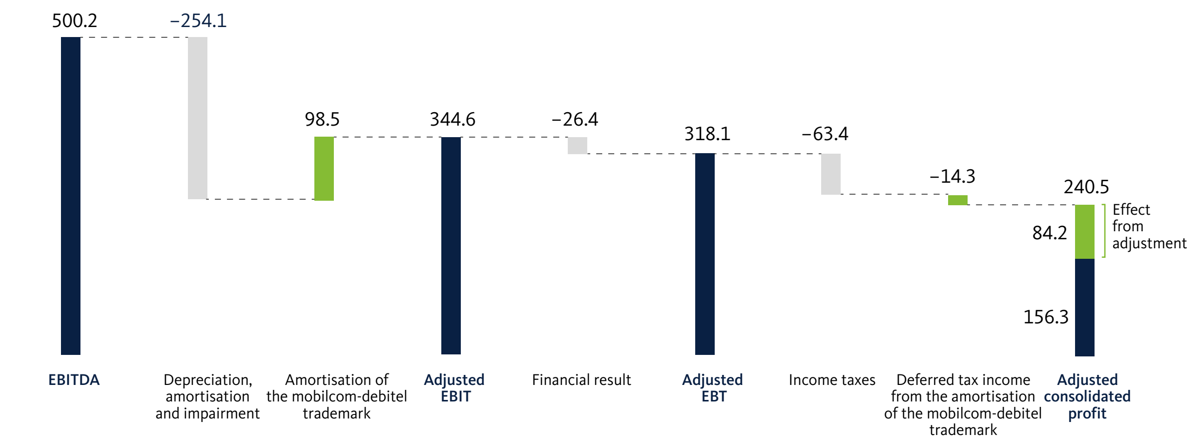
EBITDA increased by EUR 21.5 million or 4.5% to EUR 500.2 million compared to the prior-year period (previous year: EUR 478.7 million) due to the increase in gross profit and the comparatively smaller increase in the cost base. Both operating segments contributed to this (see Notes to the consolidated 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	Change 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	Change 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.

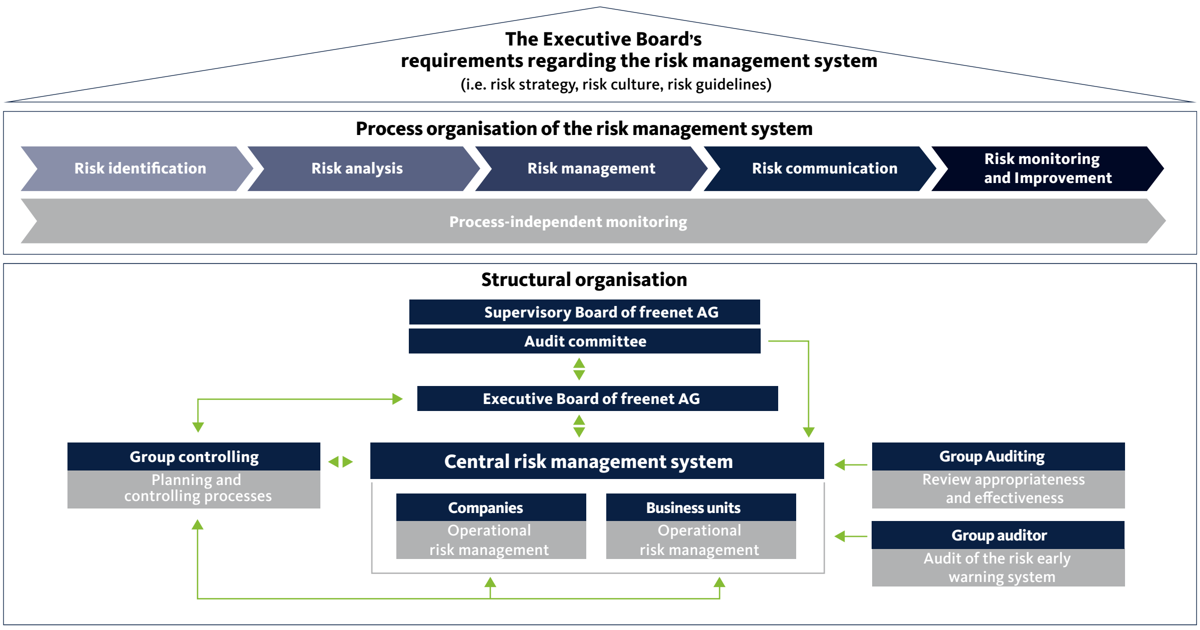
In addition to the risk management system, the Executive Board has established a comprehensive monthly reporting system to manage and monitor ongoing business, which includes both financial and non-financial performance indicators. At regular meetings with all relevant companies, divisions and Group 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

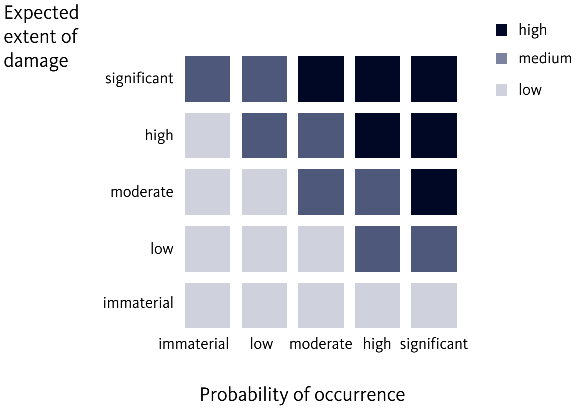


Risk identification and assessment

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].

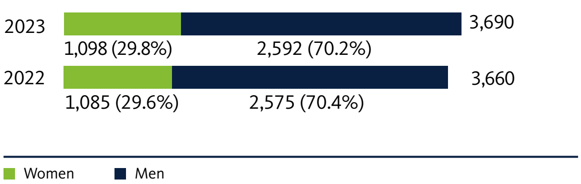
Actions: At freenet, diversity is already practised in the recruitment process and beyond on a daily basis in numerous measures, management tools and training courses. The measures in the area of diversity focus on the advancement of women. In 2023, the focus was on strengthening the internal networking 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

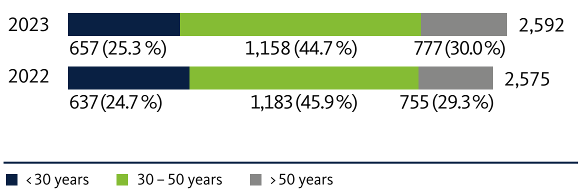
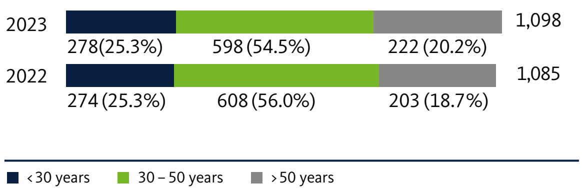


Figure 15: Female employees by age as of 31 December [GRI 405-1]

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].

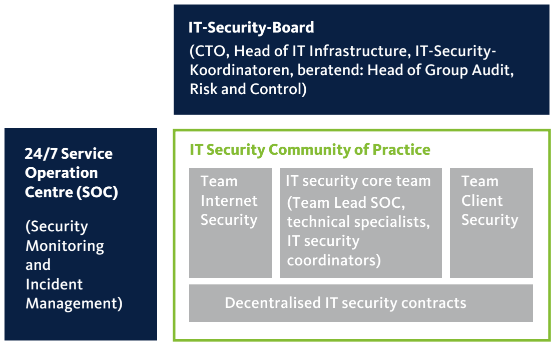
regular company medical examinations, participate in climbing/rescue exercises once a year and attend advanced seminars on fall protection and rescue measures every three years. Required legal and regulatory occupational health and safety training has been provided centrally at Media Broadcast as mandatory 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 NO_2.
[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

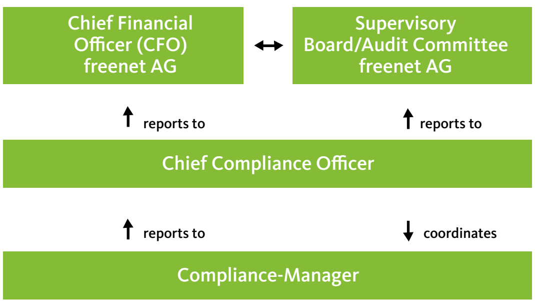
Management approach: freenet is committed to the applicable laws and standards and the underlying ethical principles. Integrity and legal compliance are the most important cornerstones for social and economic co-operation. To ensure the trust of all stakeholders, freenet therefore ensures compliance 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.

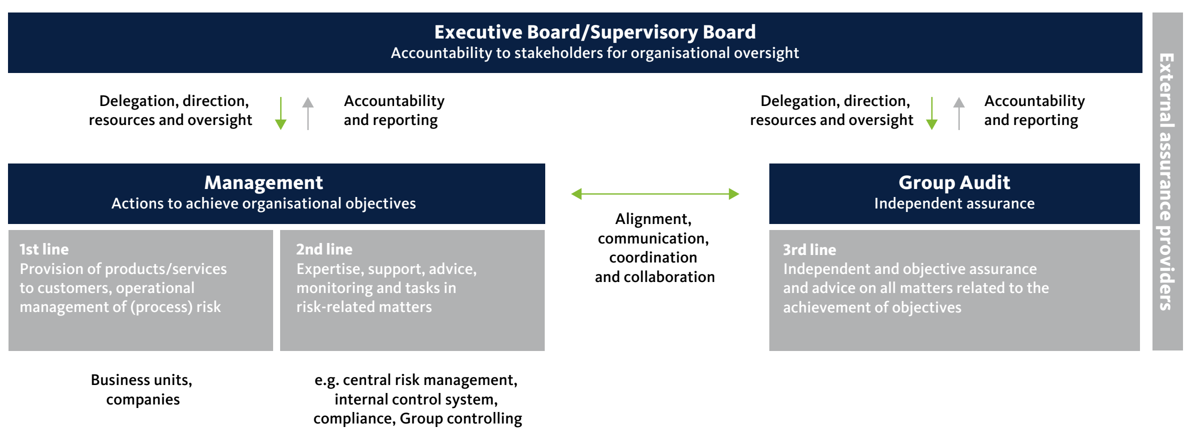
Control and monitoring systems

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)