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 telecommunications, Internet, TV entertainment, mobile devices as well as all services, applications and equipment associated with mobile devices or that can be controlled or used via an intelligent device. With around 9 million subscribers, freenet is one of the leading players in this sector in the German market.

As part of its commercial vision of “Always the Right Choice”, freenet’s business model and value creation activities are consistently focused on its customers. The activities within the value chain that generate value are situated in packaging of precursors, omni-channel distribution and customer management. In addition to using our own infrastructure in the area of TV and Media, major partners such as network operators, hardware and application manufacturers, and producers of TV and radio programmes supply the relevant precursors for this.

With the help of tailor-made tariffs and branding, products and services are marketed across an omni-channel distribution network in Germany. The focus here is on customer relationships as well as directly managed, captive sales channels, which include over 500 freenet shops and around 40 GRAVIS stores as well as numerous (online) marketing platforms. These channels in particular provide freenet with direct customer access with upselling and cross-selling potential as well as strong customer retention. freenet also holds exclusive marketing rights for mobile communication services on the Deutsche Telekom and Vodafone networks in around 400 electronics stores operated by Media-Saturn Deutschland GmbH.

For more than 25 years now, creating positive customer experiences (customer experience management) has been one of the freenet's most important core strengths. Long-term customer contracts and loyalty that make recurring value contributions form the basis for our business and the starting point for growth via continuous optimisation and expansion of the digital lifestyle portfolio in the mobile communications, Internet and TV entertainment product areas. The emphasis here is on consistently harnessing the Group’s established sales strength and expertise as well as maximising customer lifetime value (CLTV) while ensuring high levels of customer satisfaction. Customer management, which encompasses everything from billing to customer support, development and retention, thus completes freenet's almost entirely integrated value chain.

Figure 7: 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

Overview of the organisational structure

freenet's operating activities are limited mainly to private customers in Germany. freenet AG, the parent company of freenet, is a listed German public limited company (Aktiengesellschaft – AG) with its registered office in Büdelsdorf and administrative headquarters in Hamburg. The company's financial year is the calendar year (1 January to 31 December).

As of 31 December 2022, the Executive Board comprised five departments: As of 1 January 2023, Nicole Engenhardt-Gillé has been responsible for the newly created "Human Resources and ESG" (CHRO) department.

Table 2: Composition of the Executive Board as of 31 December 2022

Department	Executive Board member
Chief Executive Officer (CEO)	Christoph Vilanek
Chief Financial Officer, vice chairman of the Executive Board (CFO)	Ingo Arnold
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, freenet distinguishes between two segments: (1) Mobile Communications and (2) TV and Media. An additional segment (Other/Holding) comprises holding functions and activities as well as Group units that cannot be directly allocated to one of the above segments. The segments are divided by products and not by customer segments or geographical areas in line with the structure of the internal management system. There were no significant changes in the composition of the segments (e.g. due to company acquisitions or sales or changes in the management structure) in the past financial year.

Mobile Communications segment

Mobile communications is freenet's core business. Its products and services include mobile telecommunications and Internet products, services and hardware. This is complemented by a variety of digital lifestyle products and services, Including mobile phone accessories, home entertainment, smart home applications and WiFi services.

In providing mobile communications services, freenet follows a business model that is both unique and supported by the regulatory environment in Germany. Instead, freenet mainly applies a reselling model in which the customer relationship is not transferred to the network operator, but instead remains with freenet (service provider model). Unlike mobile network operators (MNOs), the company is able to do business without operating an expensive and capital-intensive mobile network. Compared to other competitors, freenet does not acquire any (network) capacity (mobile virtual network operator or MVNO model) from a network operator, thus avoiding resale risk.

This creates a direct relationship with customers, enabling freenet to also provide all downstream customer services (e.g. customer service, billing, marketing, etc.). As a result, freenet benefits from the advantages of a direct customer relationship while having to incur only little capital expenditure in infrastructure (asset-light model). Another unique selling proposition of freenet on the German market is the fact that its tariff portfolio includes the original tariffs of all German network operators – Deutsche Telekom, Vodafone and Telefónica Deutschland – while own tariffs of Group brands such as freenet Mobilfunk or klarmobil can be developed and offered within the respective networks as well. This allows freenet to have a high degree of flexibility in addressing different customer segments and designing innovative mobile communications products, such as the app-based freenet FUNK and freenet FLEX tariffs.

Over the past 20 years, this approach enabled freenet to evolve into the largest – and currently only – network-independent mobile communications provider 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 market via its acquisition of a 100 percent interest in the Media Broadcast Group and a controlling interest (as of 31 December 2022: 74.6 percent) in EXARING AG since 2016 and has gradually expanded this segment into another key pillar of its business.

Media Broadcast is a major, nationwide network operator for the broadcasting and media industry in Germany and its partner for digital transformation. The company designs, sets up and operates multimedia broadcast 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 provider of digital antenna TV (DVB-T2 HD) in the German market. Using the freenet TV product name, TV content from public and private broadcasters is distributed to private end customers. The reception of TV content from private broadcasters is subject to a fee. The company also networks broadcasters with a high-availability fibre optic network and handles productions and broadcasts of live events for TV stations and companies.

EXARING AG operates the first fully integrated platform for IP entertainment services in Germany. Its business model is based on the unicast transmission of TV content from public and private broadcasters. The company broadcasts and sells video content via Internet-based technology (OTT IPTV) with an innovative app and using a dedicated fibre optic network to operate the TV platform. The IPTV product is sold to private users in a subscription model via freenet's distribution channels, among others. Business with private customers is complemented with an offering for business users including programmatic advertising and web-2-TV services. This modern, convenient and affordable way of receiving TV content has enabled waipu.tv to gain a relevant market position in the growing German IPTV market within just a few years.

Corporate strategy and goals

Vision and mission

freenet's commercial activities are centred around its vision of "Always the Right Choice". The quality of the products and services it offers is intended to confirm that freenet is always the right choice for all of its stakeholders – customers, shareholders, partners and employees. freenet accepts its ecological and social responsibility and takes this into account by making long-term decisions as part of a sustainable management approach (see "Non-financial statement").

freenet's strategy is focused on "growth with a digital lifestyle".

The company offers a varied portfolio of digital lifestyle products under the freenet umbrella brand. Its primary focus is on mobile communications, the Internet and TV entertainment, as well as all related services, applications and devices. freenet uses this overall portfolio to create tailor-made solutions for its customers, and is constantly optimising, expanding and adjusting it to reflect the customer relationship lifecycle. One tool for monitoring these processes and profitability is the CLTV model which reflects the growth expectations that are expected to result from extending customer relationships and further improving customer loyalty. A total of four action areas specify its mission and strategic approach.

freenet is permanently optimising its operational and organisational processes along the entire value chain, impacting both its internal processes and its interaction with customers.

The deep understanding of available customer data gained from digitalisation is opening up new and innovative ways to communicate with customers, provide a service and create new products. These activities primarily use artificial intelligence to simplify the variety of products and services on offer while at the same time meeting differing customer requirements as effectively as possible.

freenet is also optimising its organisation by employing new working methods, with a particular emphasis on opportunities for digital transformation. For example, the experience gained from virtual meetings is being transferred into the Group's sales strategy, which has an impact on the size, composition and continuing professional development of the workforce.

Finally, company-wide coordination processes are accelerated by digital transformation, leading to efficiency and capacity gains.

This approach focuses on the idea of "customer experience" established in previous years, which helps to ensure that various individual initiatives tailored to customer needs are designed and interconnected in a sustainable way.

Figure 8: freenet's four action areas

To enhance the positive customer experience, the insights gained from customer contact are used to develop products and introduce digital innovations. This is particularly true in the areas of mobile communications, Internet and TV entertainment, which are the main drivers of freenet's business. Active customer experience management, consistent reinforcement of the freenet umbrella brand and an omni-channel platform provide a foundation for consolidating the Group's online and offline sales activities and seamlessly delivering services directly to customers, thus creating all of the conditions necessary for even closer customer relationships.

A clear organisational structure, unambiguously assigned responsibilities and a focus on the principles of sustainable action and value are designed to enable all stakeholders to benefit equally from the company's performance.

Financial ambition for 2025

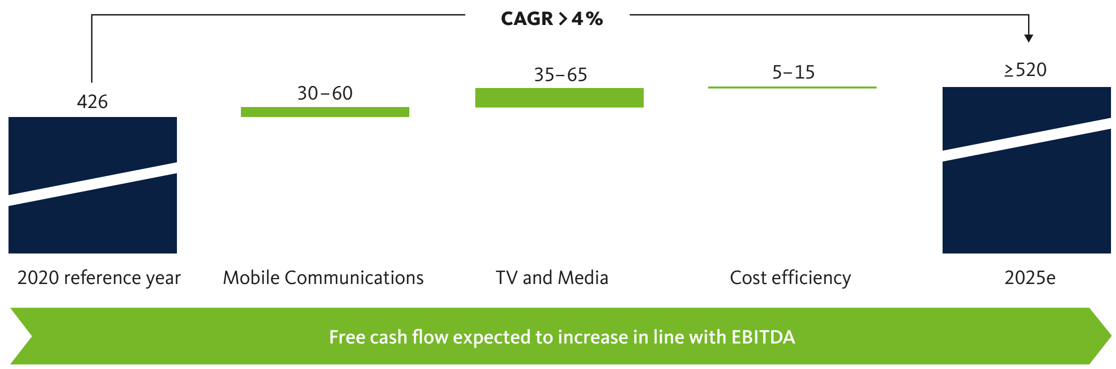
On this basis, freenet set itself the financial target of increasing EBITDA to at least 520 million euros in financial year 2025 with an average annual growth rate of more than 4 percent compared to 2020. In the Mobile Communications segment, freenet is targeting an additional contribution to EBITDA of between 30 and 60 million euros compared to 2020. The TV and Media segment is expected to contribute an additional 35 to 65 million euros to EBITDA. An additional 5 to 15 million euros in EBITDA are expected to be generated from cost efficiencies.

In the Mobile Communications segment, freenet Internet is expected to contribute 15 to 25 million euros and digital lifestyle products an additional 10 to 20 million euros to EBITDA growth. The additional EBITDA contribution in the TV & Media segment is anticipated to come largely from the growth of the waipu.tv IPTV product, at 25 to 35 million euros.

The Group's free cash flow is expected to rise in line with EBITDA to more than 260 million euros over the same period. As a result, the distribution to freenet shareholders, which is defined as 80 percent of free cash flow in accordance with the dividend policy, is also expected to grow.

Figure 9: Expected EBITDA contributions of operating segments by the end of 2025

In EUR millions



Corporate management

Management approach

freenet uses a standardised management system to implement its strategic goals and measure its operating performance across the entire Group. Performance is measured using financial and non-financial performance indicators that provide a foundation for value-oriented corporate governance in line with the strategy. The established financial management system also ensures financial stability.

This value-oriented corporate governance aims to address and balance various stakeholders' expectations of freenet. For example, equity providers expect an adequate and secure long-term return on their invested capital, debt investors expect the Group to make interest payments on time and maintain its ability to repay debts, and employees expect job security and fair pay. The practicality of the management system is regularly reviewed by the Executive Board.

The performance indicators used for corporate management purposes also regularly represent alternative performance measures (APMs). Although companies and investors commonly use APMs for assessing business performance and the company's debt situation, these are only meaningful to a limited extent when used as a sole analysis tool. In addition, even though they might use similar or even identical designations, the APMs are not necessarily directly comparable between companies because of different calculation methods used. In order to take account of the low degree of standardisation, the respective calculation system is disclosed below.

Financial performance indicators

In order to measure and present the company's financial success in a comprehensible way, freenet uses the following financial performance indicators:

Table 3: Financial performance indicators

In EUR millions/ as indicated	2022	2021	Change
Revenue	2,556.7	2,556.3	0.0%
EBITDA	478.7	447.3	7.0%
Free cash flow	249.2	234.4	6.3%
Postpaid ARPU (in EUR)	17.9	18.1	– 0.8%

The financial performance indicator free cash flow is not used for management purposes at segment level whereas postpaid ARPU is used for management purposes in the Mobile Communications segment only. The financial performance indicators EBITDA, free cash flow, postpaid ARPU, and adjusted EBITDA, which occasionally is shown for information purposes, are also APMs.

Revenue and EBITDA

Revenue corresponds to the gross value created from of operating activities and is therefore a key measure of the company's success. Revenue in the Mobile Communications segment depends on the sale of products and services related to mobile communications and the Internet. It is in the strategic interest of the Executive Board to develop additional revenue sources that complement the Mobile Communications segment. This includes, among other things, business activities in the digital lifestyle business as well as the establishment and expansion of the TV business. The success of the sales efforts is primarily reflected in future revenue performance.

EBITDA reflects a company's operating performance and is generally regarded as a key indicator for assessing performance over time and companies within the same market segment. Since EBITDA measures operating efficiency, this performance indicator also enables comparability of business models with different capital costs and structures of capital expenditures. Accordingly, EBITDA is also used for valuation purposes in connection with company acquisitions and sales.

EBITDA also includes special factors, giving a holistic view of income and expenses. Comparability with previous years is only possible to a limited extent as a result. In order to increase transparency, freenet reports EBITDA adjusted for one-time effects (adjusted EBITDA) for information purposes. One-time effects can represent both expenses and income. They relate to significant one-time and/or regulatory effects (e.g. restructuring expenses) which, based on the Executive Board's assessment, distort the transparent presentation of freenet's operating results. If relevant, adjusted EBITDA supplements management-relevant EBITDA as an additional information indicator. The starting point for both indicators is EBIT, the calculation of which is explained in the course of this chapter.

Table 4: Calculation of EBITDA

	In EUR millions	2022	2021	Change
	EBIT	129.4	250.0	– 48.2%
+	Depreciation, amortisation and impairment	349.3	197.3	77.1%
=	**EBITDA**	**478.7**	**447.3**	**7.0%**

Free cash flow

Free cash flow as a Group-wide liquidity-based indicator is an important supplement to earnings-oriented performance assessment and is of equal importance for equity and debt investors. It is a key measure of freenet's ability to grow from its own resources, to ensure stable dividend payments and to meet all operating payment obligations, and thus serves as a measure for assessing potential payments of principal.

Free cash flow and in particular net working capital is managed by the Treasury department based on established cash management. 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 broad definition of free cash flow, as interest paid and received as well as proceeds from and repayments of leases are included in the calculation of free cash flow. As a result, the definition shows the amount of cash generated that can be used to pay dividends or repay borrowings.

Table 5: Composition of free cash flow

In EUR millions	2022	2021	Change
Cash flows from operating activities	395.7	367.2	7.8%
Payments to acquire property, plant and equipment and intangible assets	– 62.9	– 48.2	30.5%
Proceeds from disposal of intangible assets and property, plant and equipment	2.9	3.1	– 5.2%
Cash repayments of lease liabilities	– 86.4	– 87.7	– 1.4%
Free cash flow [1]	**249.2**	**234.4**	**6.3%**

Postpaid ARPU

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

Post-paid ARPU is calculated without factoring in the subsidy portion for supplied 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 freenet's financial performance indicators, revenue, EBITDA and free cash flow, is closely linked to the development of the subscriber customer base as an aggregated non-financial performance indicator for 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 Communication segment, and the revenue-generating TV customer base (B2C customers) serves as a performance indicator for the TV and Media segment. Customer acquisition, retention and management are essential for the successful development of freenet.

The postpaid customer base, which comprises strategically important mobile communications customers, ensures the medium-term profitability and liquidity strength of freenet thanks to its fixed-term contracts and is integral for managing the company's performance. As a result of entering the field of TV business, addresses a further segment that strengthens and expands the company's strategic positioning as a digital lifestyle provider. The development in freenet TV subscribers (RGU) as well as waipu.tv subscribers is used as a measure for the success in establishing the new segment and thus for market penetration.

The selection of performance indicators provides a more transparent view of freenet's strategic alignment and reflects the customer groups that are relevant for the capital markets.

Table 6: Non-financial performance indicators

In '000s	31.12.2022	31.12.2021	Change
Postpaid customers	7,273.7	7,178.0	1.3%
freenet TV subscribers (RGU)	685.6	796.6	– 13.9%
waipu.tv subscribers	970.0	722.5	34.3%
Total subscriber base (excl. app-based customers)	**8,929.3**	**8,697.1**	**2.7%**

Other key indicators and measures for the company's success

To manage the Group, freenet uses financial and non-financial performance indicators, as well as key figures and measures that are indicative of the company's success.

These comprise:

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

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

Product brands, new products, partnerships and sales activities

In the reporting period, freenet again launched new products, entered into new partnerships and developed additional sales channels with the aim of securing its primary business and creating new potential at the same time. The most significant of these are:

1. freenet Internet: Launching the company's own app-based Internet offer
2. Green tariff portfolio: Deutsche Telekom's Magenta tariff portfolio also available with 5G
3. GRAVIS: New innovative store model
4. waipu.tv: Various partnerships (including Deutsche Glasfaser and DAZN)
5. Renewal of the sales cooperation with Media-Markt-Saturn Deutschland GmbH

Research and development

freenet does not have its own research and development department. However, in view of the rapid technological progress being made in the telecommunication industry, the company is closely monitoring and analysing all significant innovations in this sector. The primary aim is to reinforce the company's long-term competitive positioning in this dynamic market environment. Most of the development work being undertaken at freenet forms part of IT, strategic and product development projects.

In the financial year and in the previous year, the income statement was not affected by research and development costs. Within the framework of IT, strategy and product development projects, freenet made total cash investments of 25.0 million euros in 2022 (2021: 22.9 million euros).

Employee issues

At year-end 2022, freenet employed 3,660 persons at nine locations as well as in freenet shops and GRAVIS stores. Each year, the Group makes more than 100 training positions available on vocational training and work/study ("dual study") courses. These are broken down into a total of 25 training courses at 156 training locations. At the end of 2022, the number of apprentices at freenet was 266 (2021: 292). Vocational training and continuing professional development (CPD) as well as dual studies also serve to maintain employee skills. freenet believes that continually developing employee expertise in view of current market and technological developments is essential for its future business success.

Detailed information about employee issues can be found in the non-financial statement.

Table 7: Capital structure management limits

As indicated	Limits	Achieved as of 31.12.2022	31.12.2022	31.12.2020	Change
Equity ratio (in %)	> 25.0	Yes	40.5	41.5	– 1.0 PP
Leverage	≤ 3.0	Yes	1.5	1.8	– 16.4 %

EBIT and financial result

EBIT is defined as earnings before financial result and income taxes. The financial result comprises the items profit or loss 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 revenue and cost of materials. The gross profit margin represents the ratio between gross profit and revenue.

Table 8: Calculation of gross profit

	In EUR millions	2022	2021	Change
	Revenue	2,556.7	2,556.3	0.0 %
–	Cost of materials	– 1,670.0	– 1,702.9	– 1.9 %
=	**Gross profit**	**886.7**	**853.4**	**3.9 %**
=	**Gross profit margin**	**34.7 %**	**33.4 %**	**1.3 PP**

Financial management

The key performance indicator (KPI) system for strategic and operational management is supplemented by an established financial management system. The primary aims of the financial management approach taken by freenet are to ensure access to the (debt) capital market, provide sufficient liquidity for the operating business and define a reliable and sustainable dividend policy. The tasks required to achieve these aims are handled centrally by the Treasury department, supported by Financial Control and Accounting.

Cash, liquidity and capital structure management

The following are essential to ensuring both access to the (external) capital market and liquidity:

(1) cash and liquidity management

(2) capital structure management

Cash and liquidity management guarantees that freenet can meet its payment obligations at any time. To this end cash flows from operating activities as well as financial transactions are monitored continually and integrated into a rolling cash flow plan. Group companies can also tap into the intragroup cash pooling system to utilise surplus cash from other units to cover their own liquidity requirements without outside borrowing.

Capital structure management controls the capital resources of the Group and its subsidiaries. Two alternative performance measures – equity ratio and leverage – are key figures for structuring capital across the Group. Mandatory limits have been defined for both of these APMs. In addition, adjusted leverage is also reported for information purposes. This provides a less conservative perspective on the Group's debt by including the market values of equity investments in net debt (adjusted net debt).

In terms of the equity ratio, which shows the ratio of equity to total equity and liabilities (as reported in the consolidated balance sheet in each case), a lower limit of 25.0 percent and for leverage a maximum of 3.0 times EBITDA was set.

The equity ratio fell from 41.5 percent at the end of December 2021 to 40.5 percent at the end of December 2022 and remains well above the lower limit of 25.0 percent. The debt ratio is calculated as the ratio between net borrowings and EBITDA generated in the last twelve months. The debt ratio at the end of 2022 is 1.5, which is below the upper limit of 3.0.

Table 9: Calculation of net debt and leverage

In EUR millions	31.12.2022	31.12.2021	Change
Long-term borrowings	393.4	505.8	– 22.2%
+ Short-term borrowings	116.1	143.6	– 19.1%
+ Net lease liabilities	373.8	425.3	– 12.1%
– Liquid assets	178.0	286.3	– 37.8%
= Net debt	**705.3**	**788.4**	**– 10.5%**
= Leverage	**1.5**	**1.8**	**– 16.4%**
– Investments, listed companies	68.1	142.5	– 52.2%
= Adjusted net debt	**637.1**	**645.9**	**– 1.4%**
= Adjusted leverage	**1.3**	**1.4**	**– 7.8%**

Dividend policy

The dividend policy is another key component of the Group's financial management activities. In principle, freenet's Executive Board pursues a policy of consistent distributions aligned with the Group's operational performance. Free cash flow serves as the starting point and basis for determining dividends. As a reliable point of reference for shareholders to derive the expected distribution, this liquidity indicator is integral to guidanceing the company's performance.

In the interest of continuing to make regular distributions, the Executive Board has defined 80 percent of free cash flow as a long-term, expectable distribution rate. This shows the Executive Board's commitment to a reliable and appropriate participation of shareholders. In addition to a cash dividend, shareholders might also participate in the company's success in the form of share buybacks.

Economic environment

Macroeconomic environment in Germany

The war in Ukraine that began at the end of February last year caused the global economic outlook to deteriorate considerably. Since then, energy prices for businesses and households have surged across Europe and in Germany in particular. The Federal Statistical Office calculates that the inflation rate in Germany for the past year was +8.7 percent (previous year: +3.2 percent). In a bid to limit inflation, the ECB raised the key interest rate four times during the year under review, most recently lifting it to 2.5 percent in December 2022. These increases marked the first time in several years that the key rate had climbed back above 0 percent. Borrowing costs for companies and lending rates for private households in Germany also rose as a result. In addition, global supply chains continued to be adversely impacted by the strict zero-Covid policy implemented by China until December 2022.

Against this backdrop, forecasts for economic growth in 2022 are below the growth levels recorded in 2021. The International Monetary Fund (IMF) expects global economic output to grow by +3.4 percent for the year under review (previous year: +6.0 percent). For the German economy, the Federal Statistical Office has calculated gross domestic product (GDP) growth of +1.9 percent for 2022 (previous year: +2.6 percent).

Sector-specific development

Mobile communications market in Germany

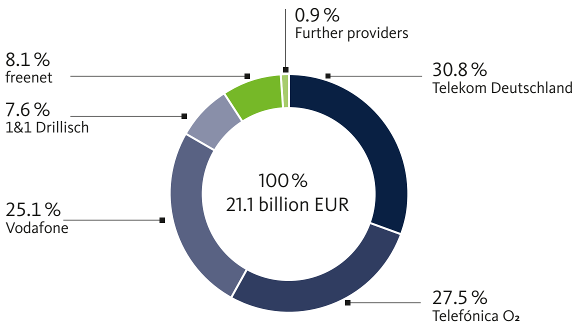
The mobile communications market in Germany remained predictable during the year under review. There were no significant changes from the previous year with regard to the amount and composition of service revenues or their distribution among individual market players. As expected, the increase in data volumes consumed by users remained at the same high level as in previous years. The switch to 5G-ready SIM cards is also making steady progress as expected. Generally speaking, there was no evidence of a trend towards price increases ("more for the same"). One development to note is the German Federal Network Agency's (BNetzA) October ruling that 1&1 Mobilfunk GmbH ("1&1") must cease marketing as a service provider by no later than the end of 2023 and must discontinue all of its business activities as a service provider by no later than the end of 2025 in order to be able to operate as a network operator. As a result, 1&1 must assign a specific timescale for its exit from the service provider market and its entry into the market as a fully-fledged network operator. This makes it more likely that a fourth nationwide German mobile network will launch in the foreseeable future.

The amended Telecommunications Act (TKG) that came into force at the end of 2021 gives consumers new powers such as the ability to terminate mobile phone contracts on a monthly basis if their minimum contract term (usually 24 months) has already expired. As a result of this amendment, almost all market players reported higher customer churn rates in the first half of 2022. As growth among market players largely normalised again in the second half of the year, it must be assumed that the amendment to this legislation had a temporary effect ("market shakeout"). This is also reflected in the slight −2.5 percent decline in the number of active personal SIM cards to 112.8 million (previous year: 115.7 million).

According to market analysis conducted by the German Association of Providers of Telecommunications and Value-Added Services (VATM), revenues generated by the German mobile communications market rose by +1.5 percent to 26.7 billion euros in 2022 (previous year: 26.3 billion euros). As a result, the mobile communication market's share of revenue in the overall telecommunication services market remained consistently high at 44.3 percent (previous year: 44.2 percent). As in the previous year, around 80 percent (21.1 billion euros) of mobile communications revenue was attributable to service revenue (usage-based and usage-independent charges for mobile communications services). The remaining fifth of revenue comes from business involving interconnection, wholesale and devices. Deutsche Telekom generated almost one-third of all service revenue (30.8 percent). When the shares of Telefónica (27.5 percent) and Vodafone (25.1 percent) are added to this figure, it shows that Germany's three network operators account for more than four-fifths of revenue, while freenet is responsible for 8.1 percent. When this is based solely on the private customer market for mobile communication services, freenet's market share rises to almost 20 percent. This classification makes sense given freenet's exclusive focus on private customers.

The volume of data consumed on German mobile networks is expected to have reached a new record level during the year under review, with this figure likely to have risen by 47.4 percent year-on-year to 11.2 billion GB (previous year: 7.6 billion GB). This corresponds to 5.65 GB per SIM card per month (also taking into account the data volume of M2M SIM cards). As expected, 10.4 percent (previous year: 7.5 percent) or 11.7 million of personal SIM cards should now be 5G-ready.

Figure 10: Mobile communications market share, Germany (based on service revenue)



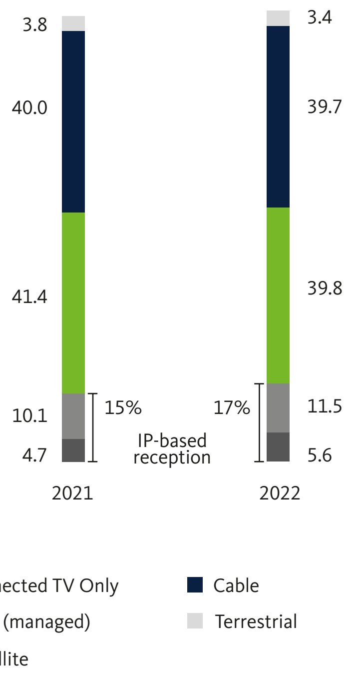
Source: 24th Telecommunications Market Analysis for Germany, 2022, VATM

TV and video market in Germany

The German TV and video market moved further towards "Internet reception" (IPTV / OTT) in 2022, with 17.1 percent of TV households now receiving linear television via the Internet (previous year: 14.8 percent). The number of TV households in Germany has now remained consistently above 38 million for ten years (2022; 38.8 million). However, around 70 percent of these households now have the technical specification required to use the Internet as a way of receiving a TV signal, something that was true of only around one in ten TV households ten years ago. The share of all other reception methods declined year-on-year (satellite: −1.0 percentage points; antenna: −0.9 percentage points; cable: −0.3 percentage points). In our opinion, the focused expansion of fibre-optic infrastructure and the elimination of the right of landlords to pass on operating costs for cable connections (Nebenkostenprivileg) by mid-2024 as part of the TKG amendment could amplify the trend towards IPTV / OTT reception methods. Consumers between the ages of 14 and 29 in particular prefer to receive their TV signal via OTT, i.e. Internet television without the need for additional hardware such as a set-top box. The same applies to consumers potentially moving away from receiving their TV signal via terrestrial methods (antenna). As a result, the share of consumers using OTT as a reception method could rise steadily based on demographic factors and the increasing proliferation of smart TVs.

Figure 11: Distribution of broadcasting methods for linear television in Germany

In %



Source: video digitalisation report 2022, published by die medienanstalten-ALM

When it comes to consuming video content, the vast majority (2022: 67 percent) is still accessed via linear television, with the average consumption time still hovering around three hours a day (2022: 195 minutes). At the same time, consumption of non-linear content, particularly in the form of subscriber models (subscription video on demand, or SVOD) is increasing. This is accompanied by an increasingly fragmented array of channels and programme playback options, with a wide variety of acronyms (including SVoD, TVoD and AVoD) to describe the different versions. There are now many different providers in the streaming market, which is now entering a consolidation phase, with one leading market player even reporting a decline in users for the first time during the year under review. In light of this, market players are seeking to establish low-cost alternatives to their traditional offerings in order to attract new customers and retain existing ones. These primarily consist of streaming products in the form of advertising video on demand (AVoD) and FAST (free ad-supported streaming TV) channels. As AVoD is essentially advertising-based SVoD, it makes it possible to offer a low-cost or free way of accessing streaming content that can normally only be watched by paying a (subscription) fee. FAST channels are channels that show ad-supported linear streaming content and can only be received via the Internet. The content shown on these channels is often streamed from the media libraries of SVoD providers such as Netflix. This means that FAST channels combine the content of streaming services with the programming structure of conventional television broadcasters. In light of this, providers of linear and non-linear content are teaming up to form partnerships. As part of these collaborations, an attempt is also made to bring together a complicated blend of providers and programmes in one place (known as content aggregators). In particular, platforms designed to broadcast linear content via the Internet (such as Magenta TV, Giga TV or waipu.tv) put themselves in this category. These providers make it possible to combine linear and non-linear content on a single platform.

Overview of the course of business

Overall assessment by the Executive Board of the course of business

The Executive Board of freenet AG considers the 2022 financial year to be very positive and sees it as an important milestone in achieving its 2025 financial ambition. The following key statements summarise the course of business in 2022:

- For the second year in a row, EBITDA growth is higher than the targeted average annual growth rate of over 4 percent.
- The core business of Mobile Communications remains solid and reliable, and is unaffected by external circumstances
- As a result, the TV and Media segment performed as expected and is becoming an increasingly integral part of freenet's profitability base.
- The number of waipu.tv subscribers grows much faster than anticipated.

The past year has once again underlined the resilience of freenet's business model in the face of external sources of uncertainty. Two reasons are key for this development: The products and services offered by freenet (telecommunications, Internet, TV entertainment) are usually indispensable and irreplaceable for private households in the short and medium term. And energy prices potentially are less of an issue for the company than for some competitors because freenet does not operate its own mobile network infrastructure (asset-light strategy). Accordingly, energy costs account for only a small proportion of freenet's total expenses.

The resilience of the company's business model has been expressed, above all, through moderate growth in its postpaid customer base (+1.3 percent by comparison with the end of 2021). Together with stable ARPU (–0.8 percent on 2021) and a significantly higher number of freenet FUNK and FLEX customers (+28.5 percent by comparison with the end of 2021), this resulted in a slight increase in revenue from services (+0.9 percent on 2021). Overall, consolidated revenue was stable in 2022, as expected (+0.0 percent relative to 2021).

With EBITDA of 478.7 million euros (+7.0 percent on 2021), the company met the EBITDA guidance which the Executive Board had raised at the time of publication of the figures for the first half of 2022. EBITDA is thus at the upper end of the guidance range (480 million euros). The same is true of free cash flow in the amount of 249.2 million euros (+6.3 percent on 2021). The EBITDA trend reflects the growing contribution which the high-margin TV and Media segment is making to Group EBITDA. This trend is based on the strong growth in the number of waipu.tv customers (+34.3 percent by comparison with the end of 2021) and a stable trend for the rest of the TV business. The noticeable decline in revenue-generating users of freenet TV (–13.9 percent by comparison with the end of 2021) has had a negligible effect on segment EBITDA, since this was counteracted by price increases and strong cost discipline.

Table 10: Comparison of guidance and actual performance in 2022

In EUR millions/as indicated	Reference value 2021	Initial guidance for 2022 (25.2.2022)	Confirmed guidance for 2022 (12.5.2022)	Raised guidance for 2022 (11.8.2022)	Raised guidance for 2022 confirmed (3.11.2022)	2022
Financial performance indicators						
Revenue	2,556.3	stable performance	stable performance	stable performance	stable performance	2,556.7
EBITDA	447.3	450–470	450–470	460–480	460–480	478.7
Free cash flow	234.4	230–250	230–250	230–250	230–250	249.2
Postpaid ARPU (in EUR)	18.1	stable performance	stable performance	stable performance	stable performance	17.9

In '000s	Reference value 31.12.2021	Initial guidance for 2022 (25.2.2022)	Confirmed guidance for 2022 (12.5.2022)	Confirmed guidance for 2022 (11.8.2022)	Confirmed guidance for 2022 (3.11.2022)	31.12.2022
Non-financial performance indicators						
Postpaid customers	7,178.0	moderate growth	moderate growth	moderate growth	moderate growth	7,273.7
freenet TV subscribers (RGU)	796.6	marked decrease	marked decrease	marked decrease	marked decrease	685.6
waipu.tv subscribers	722.5	solid growth	solid growth	solid growth	solid growth	970.0

The short-term guidance (2022 guidance) was thus fulfilled in every respect. During the year under review, the company also achieved its medium-term ambition of generating a compound annual growth rate of more than 4 percent from the 2020 financial year until the end of 2025. This means that freenet is on the right track to generate EBITDA of at least 520 million euros and free cash flow above 260 million euros from the 2025 financial year onwards.

Development of operating segments

Mobile Communications segment

freenet began the year under review by consolidating its brand portfolio and reinforcing the freenet umbrella brand. Products previously sold under the mobilcom-debitel brand now carry the freenet name. The aim of this standardisation and new brand architecture is to raise awareness of freenet as a brand and one of the largest digital lifestyle providers in Germany. To support these efforts, the company appointed entertainer Dieter Bohlen as an ambassador in autumn 2021 to enhance freenet's profile as a consumer brand and link together its individual product brands. In the meantime, the exterior of the more than 500 former mobilcom-debitel stores has been largely redesigned and they are now recognisable as freenet stores. Given the discontinuation of the mobilcom-debitel brand, its carrying amount of around 293 million euros will be amortised on a straight-line basis over 18 months until 30 June 2023. While this decreases some key figures at Group level (including EBIT, equity ratio), it has no impact on the liquidity of freenet AG or its ability to distribute a dividend.

Table 11: Mobile Communications customer figures

In '000s	31.12.2022	31.12.2021	Change
Postpaid customers	7,273.7	7,178.0	1.3%
App-based tariffs[1]	113.1	88.0	28.5%
Number of subscribers (total)	**7,386.8**	**7,266.0**	**1.7%**

[1] Comprises subscribers of freenet FUNK and freenet FLEX

The number of subscribers in the core business continued to grow in the past financial year in the context of the brand's harmonisation. At the start of the year, this trend was impacted by the significantly more restrictive regulatory environment following the entry into force of the new Telecommunications Act (TKG) on 1 December 2021. Overall, these effects were temporary in nature and the number of postpaid customers has risen slightly since the end of 2021 by +1.3 percent to 7.27 million (end of 2021: 7.18 million). Halfway through the year, the number of users of the app-based tariffs (freenet FUNK and FLEX) exceeded the 100,000 mark for the first time. This high-growth customer segment thus increased by +28.5 percent relative to the end of 2021 (88.0 thousand) to 113.1 thousand. Postpaid ARPU was stable in 2022 at 17.9 euros (previous year: 18.1 euros). As a result, revenue from services in the postpaid segment remained high. It increased slightly on 2021 (1,542.3 million euros), by +0.3 percent to 1,547.3 million euros. Revenue from services in the no-frills/prepaid business rose to 118.6 million euros (previous year: 108.9 million euros). Products and services which are geared towards customers' digital lifestyle (DLS) and which expand freenet's existing mobile communications offering have represented an additional steady source of revenue for many years. They include, in particular, smartphone insurance and accessories as well as antivirus software. With this in mind, an even stronger freenet consumer brand should provide an additional boost to the business from now on. This business contributed 207.2 million euros of segment revenue in 2022 financial year (previous year: 201.4 million euros).

Table 12: Mobile Communications revenue performance

In EUR millions/as indicated	2022	2021	Change
Postpaid ARPU (in EUR)	17.9	18.1	– 0.8%
Revenue from services, postpaid	1,547.3	1,542.3	0.3%
Revenue from services, no-frills/prepaid	118.6	108.9	9.0%
Digital lifestyle revenue	207.2	201.4	2.9%

Moreover, since halfway through the past year freenet has offered its own app-based Internet product, freenet Internet. This tariff can be managed flexibly via the app and can be cancelled on a monthly basis. With this innovative product, freenet is establishing the Internet segment as a third pillar of its business (which complements its Mobile Communications and TV segments) and is thus positioned to provide convergent products. freenet Internet was launched as a fixed wireless access (FWA) product in 2022. In the first few months of 2023, broadband (DSL) access will be added for this product which is designed as a technology-neutral Internet offering.

TV and Media segment

freenet's TV and Media segment is driven by freenet's subsidiaries EXARING AG with waipu.tv (IPTV) and Media Broadcast, which provides freenet TV (terrestrial TV) and comprehensive digital transmission solutions for broadcasting TV and radio signals via terrestrial transmitters and 5G campus networks. Both companies announced new partnerships, channels and customers in 2022 financial year. This high-growth segment increased revenue year-on-year by 10.1 percent to 313.3 million euros (previous year: 284.5 million euros).

Table 13: Customer figures, TV and Media segment

In '000s	31.12.2022	31.12.2021	Change
freenet TV subscribers (RGU)	685.6	796.6	– 13.9%
waipu.tv subscribers	970.0	722.5	34.3%
Number of TV subscribers (total)	1,655.6	1,519.1	9.0%

The number of waipu.tv subscribers once again rose sharply in the past financial year. waipu.tv gained around 250 thousand net new customers in 2022. At the end of the year, waipu.tv registered 970.0 thousand subscribers. waipu.tv has now established itself on the German market as a provider which offers an attractive value for money proposition. Moreover, a large number of new channels and partnerships have expanded the product's reach. Among other activities, waipu.tv and Deutsche Glasfaser have launched a collaboration. Deutsche Glasfaser is making strong progress with the expansion of fibre-optic infrastructure in Germany, in rural areas especially. The company is thus gaining direct access to many fibre-optic customers who, with this high-performance transmission route, are predestined to use IP-based linear television. In the past financial year, EXARING also entered into a partnership with Roku TV. This Fire TV and Apple TV competitor, which is a leading TV streaming platform in North and Central America, has had a presence in Germany since the end of last year. The waipu.tv app now comes pre-installed in Roku TV's streaming products. Moreover, since the end of 2022 waipu.tv has been collaborating with DAZN. Users can now also sign up for this sport streaming service (a self-described world leader) via a discounted combined package with waipu.tv. In addition, DAZN FAST – a free 24/7 FAST channel of this sport platform – is set to launch exclusively on waipu.tv. With this new DAZN channel, a total of 75 FAST channels will be available on waipu.tv. FAST stands for free and ad-supported TV channels.

freenet TV remained profitable in 2022 financial year – despite the decline in the number of users, which was in line with expectations and mainly attributable to the commercial stations' unattractive programmes. The number of revenue-generating users (RGU) of freenet TV fell by –111.0 thousand in the twelve months of the past year from 796.6 thousand to 685.6 thousand. A price increase was introduced for existing customers on 1 December 2022. Overall, waipu.tv's strong growth more than made up for the decrease in the number of freenet TV users. At 1.66 million at the end of the year, the number of TV product subscribers was thus 136.5 thousand higher than in the previous year.

In the area of B2B services, Media Broadcast is likewise gaining customers and continuing to contribute a significant proportion of segment EBITDA. In March, the company reached a long-term agreement with mobile communications service provider 1&1 to repair and maintain its new 5G mobile communications network, thereby expanding its Professional Services business into the telecommunications market. Media Broadcast is also pushing ahead with its activities in the area of 5G campus networks, lending its expertise to the 5G-VIRTUOSA EU research project since September last year. The freenet subsidiary is also working continuously to expand the digital radio network. In 2022, a large number of new transmitters were added to the network at various locations. The first national DAB+ ensemble of stations now reaches around 75 million listeners.

Net assets, financial position and results of operations

Revenue and results of operations

Consolidated revenue in 2022 financial year is at 2,556.7 million euros at the same level as in the previous year (2,556.3 million euros). The number of postpaid customers relevant to the management of the Mobile Communications segment rose moderately to 7.274 million as of 31 December 2022 (31 December 2021: 7.178 million customers). At 17.9 euros (previous year: 18.1 euros), postpaid ARPU remained stable by comparison with previous years and in relation to freenet's competitors. Overall, service revenue in the Mobile Communications segment rose by 14.8 million euros to 1,665.9 million euros in 2022 financial year (previous year: 1,651.1 million euros); 92.9 percent of this was attributable to service revenue earned with postpaid customers (previous year: 93.4 percent). On the whole, revenue in this segment at 2,251.3 million euros is lower than in the previous year (2,270.8 million euros). This is attributable to the decrease in hardware revenue in the past financial year. Due to the low margin in the hardware business, this decline had hardly any impact on the other performance indicators. By contrast, revenue in the TV and Media segment increased by 10.1 percent year-on-year from 284.5 million euros to 313.3 million euros, mainly due to the continued strong increase in waipu.tv subscribers (+247.5 thousand). This clearly more than made up for the decline in freenet TV subscribers (RGU) (–111.0 thousand).

Table 14: Revenue and earnings performance indicators for the Group [1]

In EUR millions	2022	2021	Change
Revenue	**2,556.7**	**2,556.3**	**0.0%**
Gross profit	886.7	853.4	3.9%
Overhead	– 408.0	– 406.1	– 0.5%
EBITDA	**478.7**	**447.3**	**7.0%**
Adjusted EBIT	324.1	250.0	29.6%
Financial result	– 15.4	– 32.0	51.8%
Adjusted EBT	308.7	218.1	41.6%
Adjusted consolidated profit	**248.4**	**191.2**	**29.9%**

[1] Earnings figures (EBIT, EBT, consolidated profit) adjusted for effects from the amortisation of the mobilcom-debitel trademark (relevant only for 2022).

Gross profit grew by 33.3 million euros to 886.7 million euros compared to the previous year (853.4 million euros). The gross profit margin rose by 1.3 percentage points to 34.7 percent (previous year: 33.4 percent), due in particular to the higher proportion of service revenue in consolidated revenue as a result of lower hardware revenue. The overachievement of targets also had a positive effect on gross profit (reduction of material costs).

Other operating income increased by 7.5 million euros compared with the prior-year period to 49.5 million euros – primarily as a result of higher income from charging-on expenses externally for promoters.

Other own work capitalised relates to internally generated software for IT projects and, at 25.0 million euros, is higher than the previous-year figure (22.9 million euros).

Personnel expenses rose by 10.2 million euros to 229.6 million euros. This increase is attributable, in particular, to the required restatement of provisions for personnel expenses, for the purpose of employee incentive programmes, at the end of this year (see notes to the consolidated financial statements, note 25). Without this restatement, personnel expenses would be slightly lower than in the previous year at 217.0 million euros (previous year: 219.4 million euros). The significant decline year-on-year in the average number of Group employees (2022: 3,679 employees, previous year: 3,834 employees) has offset the decrease in reimbursements of reduced hours compensation by the Federal Employment Agency (net effect by comparison with 2021: 10.2 million euros).

Other operating expenses in 2022 financial year at 252.9 million euros are at the same level as in the previous year (251.6 million euros). Increased expenses for loss allowances and defaults on receivables, marketing and IT expenses and expenses for promoters (see also other operating income) were mainly offset by lower legal costs in connection with the remeasurement of provisions for legal disputes (see notes to the consolidated financial statements, note 30). In addition, other operating expenses mainly comprise administrative expenses (e.g. incidental costs of the shops/stores and administration buildings), outsourcing and consultancy costs.

Overall, overhead at 408.0 million euros remained at the previous year's level (406.1 million euros).

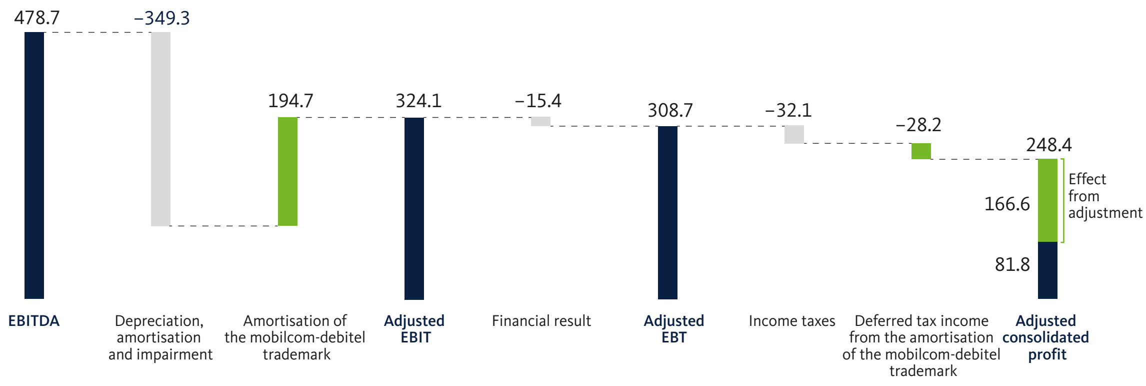
Due to the above-mentioned improvement in profitability, EBITDA increased significantly year-on-year, by 7.0 percent to 478.7 million euros (previous year: 447.3 million euros). Both operating segments contributed to this (see notes to the consolidated financial statements, note 3). The EBITDA margin at Group level improved by 1.2 percentage points to 18.7 percent (previous year: 17.5 percent).

Depreciation, amortisation and impairment losses rose by 152.0 million euros year-on-year, from 197.3 million euros to 349.3 million euros. This sharp increase is attributable to the realignment of the brand strategy launched at the beginning of the financial year. As part of the brand transformation, the mobilcom-debitel brand in use since 2009 is being gradually replaced with the freenet brand. The mobilcom-debitel brand had previously been presented in the balance sheet as an intangible asset with an indefinite useful life (31 December 2021: 293.2 million euros). As a result of implementing the new brand strategy, the carrying amount of the mobilcom-debitel brand will be amortised on a straight-line basis over the expected remaining useful life of 18 months to 30 June 2023. In 2022 financial year, this resulted in amortisation of 194.7 million euros. The effect of this is not fully reflected in depreciation, amortisation and impairment losses, since depreciation and impairments in connection with a right-of-use asset of EXARING AG in a fibre-optic network amounting to 36.0 million euros were recognised in the prior-year period and no depreciation, amortisation and impairment losses have been recognised in this regard since then.

The earnings figures below EBITDA (EBT and consolidated profit) are shown below adjusted for effects resulting from the amortization of the mobilcom-debitel brand right to improve comparability with the prior-year period. The figures will not be adjusted to reflect the depreciation of the right-of-use asset in the fibre-optic network mentioned above (36.0 million euros).

Figure 12: Reconciliation of 2022 EBITDA to adjusted 2022 consolidated profit

In EUR millions



The financial result improved by 16.6 million euros to –15.4 million euros compared to the previous year (previous year: –32.0 million euros). The decrease in interest expenses of 7.1 million euros included in the financial result (2022: –23.7 million euros; previous year: –30.7 million euros) is mainly due to lower interest expense associated with the repayment of borrowings. The other financial result also includes a dividend of 5.5 million euros received from the equity interest in CECONOMY AG.

Due to the effects explained above, adjusted earnings before tax (adjusted EBT) amounted to 308.7 million euros, an increase of 41.6 percent (previous year: 218.1 million euros).

Income tax expenses of 32.1 million euros (previous year: 26.9 million euros) were reported in 2022 financial year. Current tax expenses of 39.0 million euros (previous year: 32.5 million euros) and deferred tax income of 6.9 million euros (previous year: 5.6 million euros) were recognised. The deferred tax income of 28.2 million euros resulting from the amortisation of the mobilcom-debitel trademark in the 2022 financial year was offset against depreciation, amortisation and impairment losses when calculating adjusted consolidated profit.

Overall, the Group generated adjusted consolidated profit of 248.4 million euros in 2022 financial year (previous year: 191.2 million euros).

Net assets and financial position

Total assets/total equity and liabilities amounted to 3,628.7 million euros as of 31 December 2022, a decrease of 323.7 million euros compared with 31 December 2021 (3,952.4 million euros).

On the assets side, non-current assets fell by 253.1 million euros from 3,106.2 million euros to 2,853.1 million euros. Other financial assets decreased by 83.7 million euros to 118.1 million euros due to the decline in the market values of equity interests in CECONOMY AG and Media and Games Invest SE (MGI). Intangible assets also decreased by 143.0 million euros to 316.0 million euros (end of 2021: 458.9 million euros). The change is mainly attributable to the 194.7 million euro amortisation of the "mobilcom-debitel" trademark, which was partially offset by the extension of the exclusive distribution right with Media-Saturn Deutschland GmbH (MSD) for a nominal amount of 51.7 million euros (see notes to the consolidated statements, note 15). In addition, lease assets decreased by 50.9 million euros to 350.5 million euros, mainly as a result of depreciation (end of 2021: 401.4 million euros). The 23.7 million euro increase in contract acquisition costs to 274.8 million euros (end of 2021: 251.1 million euros) is associated with sales of mobile phone contracts via indirect sales channels, which are now returning to normal following the end of the coronavirus pandemic.

Table 15: Condensed balance sheet of the Group

In EUR millions	31.12.2022	31.12.2021	Change
Non-current assets	2,853	3,106	– 8.1%
Current assets	776	846	– 8.3%
Assets	**3,629**	**3,952**	**– 8.2%**
Equity	1,469	1,639	– 10.4%
Non-current liabilities	1,053	1,181	– 10.9%
Current liabilities	1,107	1,132	– 2.3%
Equity and liabilities	**3,629**	**3,952**	**– 8.2%**

Current assets fell by 70.6 million euros to 775.6 million euros (end of 2021: 846.2 million euros). This was primarily due to the 108.3 million euro decrease in liquid assets to 178.0 million euros (end of 2021: 286.3 million euros). This change mainly resulted from the dividend payment made in May 2022 (186.6 million euros), the scheduled repayment of several promissory note loans (140.5 million euros), and the free cash flow generated in 2022 (249.2 million euros). Trade accounts receivable, which are reported within current assets, were primarily owed by end customers, network operators, dealers and distributors and amounted to 296.3 million euros at year-end (year-end 2021: 245.6 million euros). This increase was primarily attributable to receivables due from network operators and end customers. The increase in receivables from end customers is mainly attributable to a lower utilisation of mobile phone option factoring (see notes to the consolidated financial statements, note 33.6).

On the equity and liabilities side, equity fell by 169.7 million euros to 1,469.2 million euros (end of 2021: 1,638.9 million euros). With consolidated profit coming in at 81.8 million euros, this reduction is primarily due to the dividend payment (–186.6 million euros) and the change to the fair value of the equity interests in listed companies recognised in other comprehensive income (–73.2 million euros).

The equity ratio fell accordingly from 41.5 percent at the end of December 2021 to 40.5 percent at the end of December 2022 and remains well above the lower limit of 25.0 percent defined for the equity ratio by the Executive Board.

Total current and non-current liabilities fell by 154.0 million euros to 2,159.5 million euros (end of 2021: 2,313.5 million euros). Borrowings, still the largest item within current and non-current liabilities, decreased by 139.8 million euros to 509.6 million euros (year-end 2021: 649.4 million euros). This is due to the scheduled repayment of two tranches of promissory note loans from 2015 and 2016 with a total nominal volume of 140.5 million euros (see notes to the consolidated financial statements, note 28). Lease liabilities decreased by 62.3 million euros to 418.6 million euros, mainly as a result of scheduled repayments (end of 2021: 480.9 million euros). Pension provisions fell by 34.5 million euros to 61.8 million euros (end of 2021: 96.3 million euros). This was mainly due to the sharp rise in the discount rate in the context of the ECB's interest-rate hikes (see notes to the consolidated financial statements, note 29). Other provisions decreased by 15.9 million euros to 81.1 million euros (end of 2021: 97.0 million euros), primarily on account of the remeasurement and use of provisions for legal disputes; this includes a payment in the amount of 12.3 million euros which was made in order to conclude a legal dispute. The increase in other financial liabilities by 44.9 million euros from 87.9 million euros to 132.8 million euros is mainly due to the corresponding liability recognised in connection with the extension of the exclusive distribution right with MSD (capitalisation of an intangible asset). The 49.1 million euro increase in other liabilities and deferrals to 577.6 million euros (end of 2021: 528.5 million euros) was predominantly caused by the increase in deferred income in relation to bonuses and premium rights received from network operators.

Leverage at the end of 2022 is 1.5 (previous year: 1.8), which thus remains below the upper limit of 3.0 which the Executive Board has defined for leverage.

Table 16: Equity ratio and leverage

As indicated	31.12.2022	31.12.2021	Change
Equity ratio (in %)	40.5	41.5	– 1.0 PP
Leverage	1.5	1.8	– 16.4%

Cash flows

Cash flows from operating activities increased by 28.5 million euros year-on-year to 395.7 million euros in 2022 financial year (previous year: 367.2 million euros). The increase is mainly attributable to the 31.4 million euro rise in EBITDA, while all other effects almost offset each other. The aggregate year-on-year increase of 26.8 million euros in net working capital (net current assets) and contract acquisition costs (sales commission paid) is also noteworthy in this context. This effect is mainly offset by the 13.2 million euro reduction in interest payments (2022: 19.8 million euros; previous year: 33.0 million euros) and 5.9 million euros in tax payments (2022: 29.1 million euros; previous year: 35.0 million euros) and the dividend received from CECONOMY (5.5 million euros).

Table 17: Liquidity indicators for the Group

In EUR millions	2022	2021	Change
Cash flows from operating activities	395.7	367.2	7.8%
Cash flows from investing activities	– 71.9	– 44.1	– 62.9%
Cash flows from financing activities	– 432.1	– 703.7	38.6%
Net change in cash funds	**–108.3**	**– 380.6**	**71.6%**
Free cash flow	**249.2**	**234.4**	**6.3%**

In 2022 financial year, the cash flows from investing activities developed from −44.1 million euros in the previous year to −71.9 million euros. Net CapEx increased by 14.9 million euros to 60.0 million euros compared with the previous year (45.1 million euros) due, among other things, to the renovation of the administration building in Büdelsdorf. The cash investments were financed entirely out of the company's retained earnings. As part of the acquisition of The Cloud Group, as of 1 January 2019, an earn-out agreement had been signed with the existing shareholders, which was paid out in the amount of 10.0 million euros in 2022 financial year after the defined targets were achieved.

Cash flows from financing activities came to −432.1 million euros in 2022 financial year (previous year: −703.7 million euros). The payments for 2022 financial year were mainly attributable to the payment of the dividend of 186.6 million euros (previous year 203.7 million euros), the repayment of two promissory note loan tranches in the nominal amount of 140.5 million euros (previous year: 289.5 million euros), and the repayment of lease liabilities totalling 86.4 million euros (previous year: 87.7 million euros).

Free cash flow of 249.2 million euros was generated in 2022 financial year, representing an increase of 14.9 million euros compared with financial year 2021 (234.4 million euros).

Report on opportunities and risks

Report on and assessment of opportunities

In order to manage and monitor ongoing business activities, the Executive Board has established an extensive monthly reporting system that covers both financial and non-financial performance indicators. In regular meetings, the Executive Board ensures that all members are informed about operational developments. Discussions also cover current topics, future internal and external developments, measures and potential opportunities. The identification, analysis and communication of opportunities, as well as their exploitation, is a corporate (management) task that is performed by the Executive Board and the responsible managers in the individual business units in a process of continuous dialogue.

In all of its business areas, freenet seeks to offer its customers innovative, high-quality products at attractive prices together with a positive customer experience. This is intended to safeguard its existing business model while creating opportunities for further growth. Consistent expansion of the TV and Media segment is a significant aspect of this growth. In particular, the business area of Internet-based (linear) television is providing freenet with the opportunity to diversify its business model and to open up new growth potential thanks to the technological shift towards IPTV/OTT. Moreover, the freenet Internet product which has been offered since mid-2022 rounds off the company’s current product portfolio. In future, it will thus be able to offer convergent products (“triple play bundles”) if there is demand for this.

The company sees external opportunities in the following market trends in particular:

- Entry of a fourth network operator and thus potential wholesale provider in the area of mobile communications
- A significant increase in global mobile Internet and data usage
- Acceleration of the digital transformation in numerous areas of life and progressive expansion of digital infrastructures in Germany (e.g., 5G, public WLAN, fibre-optic connections)
- Change in consumer behaviour in relation to multimedia content and growing acceptance of IPTV/OTT as a transmission technology for (linear) television content
- Increasing demand for convergent bundled products (e.g. mobile communications and TV, landline or digital services)
- Changes to the regulatory environment benefitting freenet

The entry of a fourth network operator could increase competition between MNOs and bolster the service provider model as a result of the established need to engage in negotiations with competitors. This might improve freenet's negotiating position in relation to the MNOs. We believe that the short-term effects on the projected financial performance indicators will be minimal, since the network is currently being built.

The continuous increase in mobile Internet/data use associated with the ongoing digitalisation of our private lives as well as the related use of increasingly powerful mobile devices may lead to accelerated growth in all areas of the company's business. Above all, the growing acceptance of the Internet as a technology for the transmission of TV content and the legally enshrined end to the inclusion of cable connections in the operating costs settlements for rented flats (Nebenkostenprivileg) in mid-2024 might result in stronger customer growth in terms of the volume of waipu.tv subscribers than previously expected.

Moreover, the abolition of the Nebenkostenprivileg for freenet TV provides the opportunity to pick up customers in a market which the company was previously unable to address and thus to stabilise its customer base.

Steadily increasing demand for fast Internet access and the expansion of fibre-optic infrastructure in Germany could provide the opportunity for faster than expected growth in the area of marketing of Internet tariffs. Moreover, in many European countries convergent products are in demand from customers. Should this trend also take hold in Germany, on the basis of the high level of flexibility associated with the bundling of various wholesale products freenet would now be able to open up new market potential (increased revenue per customer) and achieve a higher level of customer loyalty and thus a reduced churn. The positive effects of this would be increased EBITDA and free cash flow contributions.

Internal opportunities for freenet could emerge in particular from:

- assessing and implementing strategic options in core business areas,
- consistently managing freenet as an umbrella and consumer brand,
- strengthening the brands freenet FUNK and freenet FLEX in the market segment for flexible tariff and contract models,
- (further) enhancing our own, innovative products, e.g. additional app-based tariffs,
- expanding our established omni-channel sales by expanding existing and opening new directly controllable sales channels and utilising existing and new sales partnerships,
- improving sales performance with customer-focused, cross-product offerings and sales pitches at all touchpoints,
- marketing additional products (cross-selling), including Digital Lifestyle and TV and Media products, in conjunction with vertical growth in the product portfolio as a whole,
- consolidating and consistently enhancing IT applications and IT systems to further improve customer satisfaction, e.g. by expanding digital self-service options and the intelligent use of contemporary communication media,
- strengthening business relationships with suppliers to stabilise existing and develop new and improved condition models,
- continuously improving processes and quality to ensure a sustainable rise in productivity – including the increasing digitalisation of business processes and corporate management (e.g. cashless payments),
- prioritising the empowerment and development of our employees to enhance staff loyalty as well as increased flexibility to boost the attractiveness of the workplace.

The assessment and implementation of strategic options in mobile communications, digital lifestyle and TV and media, the marketing of additional products and the enhancement of our own selling power could have a positive effect on the development of the underlying financial performance indicators and hence exceed internal expectations. Strengthening sales activities and higher customer satisfaction could, as it were, lead to a more positive trend in customer figures than had been forecast.

Innovations developed by freenet and strong partnerships in all business areas as well as products that can only be booked via an app, will continue to create opportunities for further market penetration in the future. Consistently managing freenet as an umbrella and consumer brand results in the consolidation of activities in the product portfolio and to a higher visibility in the market. If the freenet brand becomes considerably more attractive to customers than expected, this could lead to higher earnings contributions and free cash flow.

The strategic collaboration of mobile communications services and digital lifestyle applications is being accelerated further. This orientation is being pursued consistently, as the trend towards the digitalisation and interconnection of products and services will continue. Against this backdrop, we continue to see growth opportunities, potential synergies and opportunities for new strategic partnerships in this area.

For waipu.tv, new partnerships are a further step towards a steady increase in market penetration, in order to establish waipu.tv as a leading aggregation platform for non-linear content in addition to its profile as a provider of linear television. Continuously expanding the product portfolio and the options for accessing the product, and the innovative app steadily boost the attractiveness of waipu.tv. In addition, with advertising revenues waipu.tv has opened up a further revenue source which is expected to grow in significance as customer numbers increase and its reach thus expands. The growing customer numbers mean that this might make a larger contribution to freenet's growth than previously expected.

If the measures and efficiency improvements for a reduction in cost structures resulting from the continuous improvement of processes and quality turn out to be more positive than expected, this might have a positive impact in the years to come on the level of material overheads and personnel expenses, and hence on EBITDA and free cash flow.

Both external and internal opportunities were identified, The effects of the opportunities shown on the forecast financial and non-financial performance indicators, and therefore on the development of freenet, are rated as rather low overall. The Executive Board expects business to develop as described in the report on expected developments and confirms the freenet 2025 financial ambition.

Risk management system

Process and structural organisation

An effective risk management system is considered essential for safeguarding a company's continued existence as a going concern in the long term. This is why the freenet AG Executive Board has set up within the Group a comprehensive risk management, monitoring and control system that generally integrates all Group companies. The risk management system pursuant to Section 91 (3) of the German Stock Corporation Act (AktG) also includes the risk early warning system pursuant to Section 91 (2) AktG. The system is applied solely to risks, not opportunities.

The risk management system is intended to ensure that any risks to the company's future development are identified at an early stage and communicated in a systematic, transparent manner to the responsible decision-makers within the Group. The timely communication of risks to the responsible decision-makers is designed to ensure that appropriate steps are taken to deal with the identified risks to avert negative effects on our company, our employees and our customers.

freenet defined the framework for its Group-wide risk management system in the Risk Management Policy adopted by the Executive Board. This policy sets out the risk strategy and responsibilities and governs the identification, analysis and assessment, management, communication and monitoring of risks. It also enhances risk awareness within freenet and create the framework for a standardised risk culture.

The systems and methods of risk management are an integral part of the overall process and structural organisation. Risks are identified, assessed and reported at individual company or business unit level, with these companies and business units also responsible for managing the risks identified (operational risk management). Higher-level units, particularly the central risk management team and the Chief Financial Officer (CFO), are included in this assessment via defined reporting processes. The CFO and risk managers provide the Executive Board and Audit Committee of the Supervisory Board of freenet AG with regular updates on the risk situation.

In addition to the risk management system, the Executive Board has established an extensive monthly reporting system that covers both the financial and non-financial performance indicators for the purpose of managing and monitoring its ongoing business activities. In regular meetings with all of the relevant entities, business units and Group controlling, the Executive Board ensures that all members are informed in a timely manner about operational developments. Current topics and future measures are also discussed at these meetings.

The methods and systems of risk management are being examined and enhanced, and adjusted as necessary. In addition, the Internal Audit department regularly reviews the appropriateness and effectiveness of the risk management system. The internal control system (ICS) also provides further support by countering risks with institutionalised controls.

The Supervisory Board, in particular freenet AG's audit committee, monitors aspects such as the effectiveness of the risk management system and the ICS from the standpoint of German stock corporation law. It is also involved by means of regular reporting and, if necessary, ad-hoc reporting by the Executive Board.

As part of the statutory audit assignment for the annual financial statements of freenet AG, the risk early warning system is examined by the auditor to determine whether it is suitable to identify at an early stage any developments that endanger the company's continued existence as a going concern.

Risk identification and risk assessment

Risk is defined as the likelihood that events or developments will occur that could have an adverse impact on freenet's ability to achieve its strategic and operational goals. At least once every six months, the individual entities and business units identify or update existing and new risks that exceed a defined materiality threshold in formalised risk reports. These reports describe the specific risks and consider the probability of their occurrence, as well as their financial and other implications for the company, on the basis of standardised criteria. Risk assessment is based on an observation period of at least 12 months. The potential impacts of risks must be fundamentally quantified for the financial years affected.

The risk portfolio at freenet is assessed in accordance with the net principle, by which the risks are analysed by taking into account the impact of any established risk mitigation measures. The criteria "probability of occurrence" and "anticipated extent of damage" are used to assess the risks. Risks with a very low (up to 10 percent), low (more than 10 and up to 30 percent), moderate (more than 30 and up to 50 percent), high (more than 50 and up to 70 percent) and significant probability of occurrence (more than 70 percent) are systematically differentiated from each other and categorised. With regard to the anticipated extent of damage, distinctions are drawn between an extremely low (up to 1.0 million euros), low (more than 1.0 and up to 5.0 million euros), moderate (more than 5.0 and up to 12.5 million euros), high (more than 12.5 and up to 20.0 million euros) and significant (more than 20.0 million euros) anticipated extent of damage. The combination of the probability of occurrence and the extent of the anticipated damage with regard to the forecast performance measures results in the classification of the risks' significance as "low", "medium" and "high", as presented below.

Figure 13: Process and structural organisation of freenet's risk management system

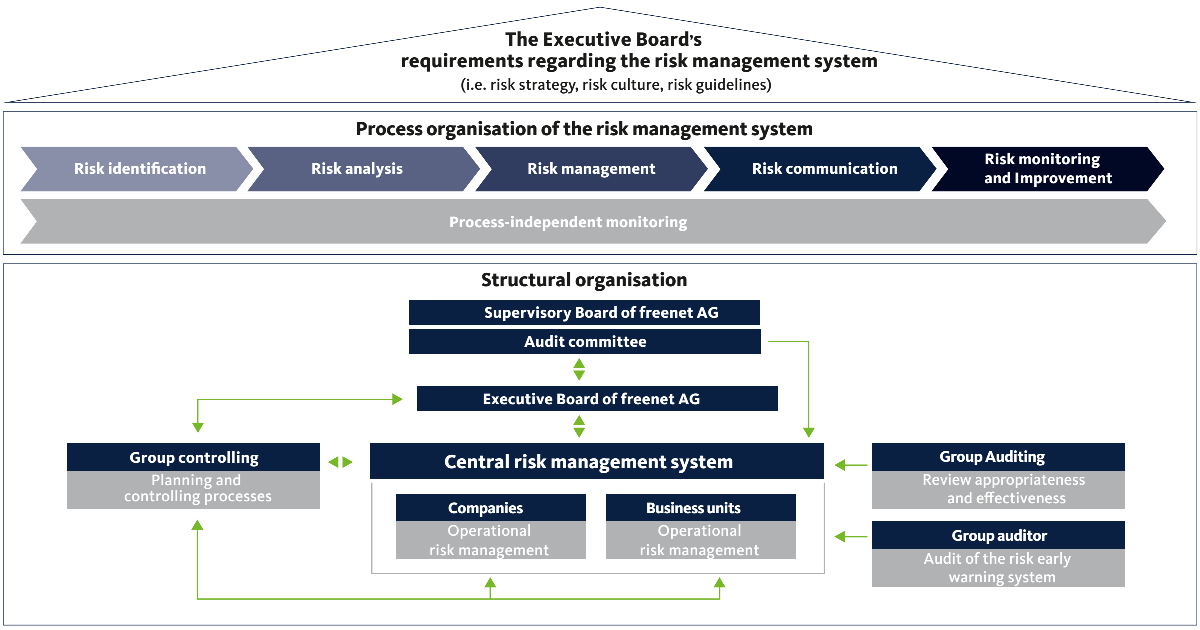
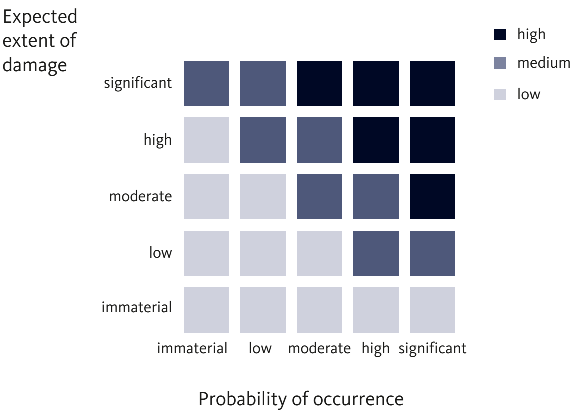


Figure 14: Risk matrix at freenet



Risk control, communication and monitoring

Based on the results of the risk identification and assessment, various alternatives for action are carried out as part of the company's general management, in order to be able to react appropriately to the identified risks. Risk management measures are also described in the risk reports. Between the standard reporting times, too, risks are recorded, analysed, assessed and controlled immediately after their identification and, if they are of sufficient magnitude, reported immediately to the Executive Board and the audit committee of the Supervisory Board of freenet AG.

Central risk management monitors the risk management process, consolidates individual risk reports and compiles the results in a Group risk report for the Executive Board. The Executive Board discusses and monitors the risk situation in an integrated way and adopts further measures where necessary. The audit committee of the freenet AG Supervisory Board is also kept regularly informed about developments in the risk situation.

Report on and assessment of risks

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

- Market risks
- IT risks
- Tax risks
- Financial risks
- Strategic risks
- Operating risks
- Other risks

The Mobile Communications segment is the most significant segment at freenet in terms of both revenue and earnings. This is also the source of the main market risks in this particular field; they are therefore detailed in the following primarily in relation to this segment. Material differences between the segments in relation to the risk assessment are specified as such separately.

Context for risk identification and risk assessment

Geopolitical and macroeconomic environment

The geopolitical and macroeconomic environment deteriorated considerably in 2022 as a result of the war in Ukraine. freenet does not envisage any significant improvement in the situation in the short term. Continuing shortages or higher prices are possible, such as for the procurement of wholesale products (hardware in particular). The bottlenecks in the energy sector are also likely to continue. In addition, consumer sentiment might be further depressed by rising interest rates and inflation levels. Insofar as this factor can be calculated, it has been included in the company's planning and its risk analysis and assessment as of 31 December 2022. No new risks by comparison with the previous year which are directly attributable to the changed environment were identified. At present, the duration and extent of these developments cannot be fully and reliably estimated and the situation is highly dynamic.

Covid-19 crisis

The coronavirus situation in Germany improved considerably in 2022 and nationwide Covid-19-related precautions were gradually removed, a process which is likely to continue in 2023. freenet is continuing to monitor the development of the Covid situation in order to be able to react rapidly and appropriately to any effects on its business activities. Due to the positive trend of the pandemic, Covid-related special factors were not included in the risk assessment as of 31 December 2022.

Market risks

Highly competitive markets

Increased competition in the telecommunications market might result in shortfalls in service revenue and the loss of market share. This might also increase margin pressure in the business areas in question and/or make it more difficult to win market share. Heightened competition could also lead to higher costs for acquiring new customers and retaining existing ones, accompanied by falling revenue and increased willingness of customers to switch providers (above all due to shorter contract terms and notice periods as a result of the 2021 amendment of the German Telecommunications Act (TKG)). This trend might be exacerbated, above all, by a higher level of price sensitivity due to inflation and increasing consumer restraint. As a result, the forecast customer trend and revenue-based key performance indicators, earnings indicators and free cash flow may not develop as planned.

In order to prevail against its competitors, freenet must continue to design its products and services attractively, market them successfully and carry out customer effective loyalty activities. In addition, freenet must respond flexibly to the development of the competition's business and anticipate new customer requirements. This represents a medium risk for freenet overall.

Distribution

freenet's broad and stable distribution network is a key prerequisite for its success and growth. As a countermeasure with regard to the potential loss of distribution performance, the subsidiaries enter into long-term contracts with their main distribution partners and offer them attractive incentive systems (e.g. Airtime models). An additional opportunity to maintain our selling power lies in the consistent examination of new retail, distribution and collaboration partnerships and in the acquisition of additional franchise partners. The risk of losing distribution channels has been classified as low by freenet.

In connection with the Media Broadcast Group, there is a risk that customer demand for the freenet TV product, and therefore also revenue and free cash flow, might be weaker than originally anticipated. Media Broadcast has established a system to closely monitor customer performance in order to implement countermeasures (e.g. adjusting prices), if necessary. This represents a low risk for freenet overall.

EXARING AG has also established a monitoring procedure to track customer performance in order to take operational management measures in distribution. freenet considers the risk of not being able to achieve planned waipu.tv customer figures to be low.

Network operators

Bonus payments and commissions of the network operators form key parts of the profitability in the Mobile Communications segment. Any reduction can reduce the margin and make marketing more difficult. freenet is trying to minimise the risk by negotiating flexible purchasing terms and by continuously monitoring the achievement of target-based payments of network operators and renegotiating as and when necessary. This aspect currently constitutes a low risk for freenet.

The margins in the Mobile Communications segment are very much determined by the network operators and their defined tariff models. This imposes certain restrictions within the tariff models, for instance by way of restrictions faced by users wishing to change tariffs. Nevertheless, purchasing models are constantly being reviewed to ensure that the Group is able to react as flexibly as possible to market effects. The risk has been classified as low by freenet.

The network operators are increasingly seeking to market their products themselves in order to gain market share ("shift to direct"). Also, due to their business structure, the network operators are sometimes able to offer better rates than service providers. This, in turn, can lead to a loss of distribution channels and customers. This aspect represents a low risk for freenet overall.

The network operator risks, either individually or combined with competition and sales risks, could affect the forecast earnings metrics and free cash flow more negatively than anticipated.

Laws and regulation

Legislative changes, interventions by regulators or even landmark judicial decisions, particularly as a result of lawsuits filed by consumer advocate organisations, may have repercussions for freenet's business models and for the possibility of acquiring and retaining customers and collecting receivables from customers. This might have a negative impact on the forecast revenue and on the amount of free cash flow. The effects of individual decisions or legislative changes might not be significant in themselves, with the result that the associated risk can be classified as low overall. freenet addresses this risk by regularly monitoring regulatory developments and following the outcomes of legal judgements.

The new and increasingly complex legislation on data protection, in particular the General Data Protection Regulation (GDPR), which came into force in 2018, imposes new, more far-reaching requirements for the handling of personal data, among other things. This could result in business processes no longer being able to be executed as in the past and/or high fines being imposed on freenet. The risk has been classified as low by freenet.

IT risks

System failures/errors

Seamless business processes are highly dependent on a high-performance IT infrastructure. Serious failures, e.g. affecting the company's data centres, billing system or point-of-sale systems, might result in the loss of customers. In addition to the Mobile Communications segment, this also affects the TV and Media segment, where the transmission of TV and radio signals might be disrupted. Apart from the decline in revenue that results from a loss of customers, this means that freenet temporarily might not be able to provide any services and therefore be unable to generate any revenue or make any positive contribution to the anticipated earnings or free cash flow. Technical operations monitoring systems are used to prevent such breakdown and failure risks. Redundancies and current software updates keep the security precautions up to date at all times. Data is backed up continuously. In addition, insurance cover is provided for impairments to operational performance. The risk has been classified as low overall.

Cyberattacks and data theft

Successful attacks carried out by malware or by way of cyberattacks might compromise or encrypt IT systems or result in the theft of customer data. A successful cyberattack on IT systems might result in harmful data manipulation which, under extreme circumstances, might result in the failure of customer and sales portals, apps or even infrastructure. The threat level in cyberspace remains high and is likely to increase further in the future. As a result, the protective measures implemented are regularly reviewed and adjusted. In addition, information security and cyberrisk insurance policies have been taken out to cover any potential damage. freenet classifies the remaining risk as low overall.

Tax risks

Loss carryforwards

If, within five years, over 50 percent of the shares or voting rights in the company came to be held directly or indirectly by a single shareholder or by several shareholders with parallel interests (harmful acquisition of shares), any negative income (corporation and trade tax loss carryforwards) of the company not settled or deducted by the time of the harmful acquisition could be lost in accordance with section 8c of the German Corporation Tax Act (Körperschaftsteuergesetz – KStG).

freenet has no influence on the occurrence of this risk, as the elimination of any negative income (corporation and trade tax loss carryforwards) not settled or deducted by the time of the harmful acquisition is brought about by measures and transactions at shareholder level. Against this backdrop, it cannot be ruled out that as a result of a sale or additional purchase of shares by freenet AG's shareholders; more than 50 percent of the shares could be united under a single shareholder. The same medium risk exists if more than 50 percent of the shares or voting rights would be united for the first time through other measures under a single shareholder or several shareholders with parallel interests. The legal consequences described above apply mutatis mutandis.

Other tax risks

In the case of assessment periods that have not been audited conclusively, there might in principle be changes that result in subsequent tax payments or changes in the loss carryforwards if the tax authorities, within the framework of external tax audits, come to different interpretations of tax regulations or different assessments of the respective underlying circumstances. The same applies for types of official charges which in part have yet to be audited, in particular because they are usually not subject to external tax audits.

The risk of different interpretations and assessments of circumstances applies in particular to corporate restructuring processes under company law. It cannot therefore be ruled out entirely that as a result of contributions of assets, other conversion processes, new capital injections and changes in the shareholding structure, the corporate income and trade tax carryforwards declared by the corporations of freenet AG and hitherto ascertained separately by the tax authorities might be reduced or discontinued. All in all, this is regarded as a low risk.

Financial risks

Bad debt losses

The assessment of the risk of default on trade accounts receivable at freenet is focused primarily on trade accounts receivable owed by end customers. For important contract customer sectors, credit assessments are carried out for the customers before the contract is signed. In the ongoing contractual relationship, the implementation of a regular reminder and debt collection process involving a number of debt collection companies in the benchmarking area, together with long-term debt collection monitoring and high-spender monitoring, are essential measures for minimising default risk. Furthermore, the appropriate recognition of loss allowances takes the risks into account.

Extensive credit check processes are also taking place in the area of receivables owed by dealers, franchise partners and other business customers, with credit limits and preventative advance payment terms being set out for critical suppliers. Reminder and debt collection processes are used in the event of a default of payment. Significant default risks vis-à-vis major customers (dealers and distributors) are covered by way of commercial credit insurance. The risks associated with uninsured dealers and distributors are restricted by an internal limit system — generally, customers with a poor credit standing must pay cash in advance or the commercial relationship will not materialise. There are regularly significant trade accounts receivable due from the mobile network operators in the Mobile Communications segment, and there are regularly trade accounts receivable in the TV and Media segment due from public and private providers of TV and radio programmes. The receivables portfolio of freenet is regularly evaluated and the collection of these receivables is also monitored on an ongoing basis.

Based on experience, the overall risk of bad debt losses is low.

There are factoring agreements in place between the Group and two banks on the sale of receivables from the mobile upgrade option. The relevant risks (in particular the risk of bad debt losses) and opportunities are transferred to the banks under this arrangement. While the late payment risk completely remains with freenet, it is of minor significance.

Impairment of assets

In freenet's consolidated balance sheet, both goodwill and intangible assets such as customer relationships, trademark rights and usage rights are reported in their intrinsic amounts. There is a low risk that impairments might occur. freenet's assets are tested both regularly and on an ad-hoc basis if there are potential indicators ("triggering events") of lasting impairment. Such an indicator may include an increase in interest levels or changes in the economic and regulatory environment. Any impairment would not be cash-effective, and therefore would not have any impact on free cash flow. Revenue and EBITDA are also not affected (no impact on the financial performance indicators).

Liquidity

Extensive financial planning instruments are used throughout the Group to monitor and control liquidity. The Group also controls its liquidity risk by holding appropriate bank balances and credit lines at banks, and by monitoring continuously the forecast and actual cash flows. The need for and investment of liquid assets in the Group is controlled centrally on the basis of several existing internal Group cash pooling agreements in which the significant companies of freenet participate.

freenet uses a variety of financial instruments to reduce general liquidity risk. The liabilities due to banks shown under borrowings relate to the promissory note loans entered into in February 2016, October 2016, December 2018 and July 2020 (recognised at 509.5 million euros, including interest accruals, as of 31 December 2022) and a loan tranche in the form of a revolving credit facility of 300.0 million euros (previous year: 300.0 million euros), which, as in the previous year, had not been drawn on as of 31 December 2022.

The credit agreements that were entered into entail another liquidity risk because the restrictions agreed therein ("undertakings" and "covenants") restrict freenet's financial and operational leeway. These impose restrictions on the company, for example regarding changes in business operations, the implementation of internal Group measures to change its structure under company law, the provision of collateral, and any acquisitions or disposals of assets, especially equity interests. Within narrow limits, freenet may borrow outside of the loan agreements in order to finance future strategic investments, for example. In view of the aforementioned reserves, the general liquidity risk is classified as low.

A low liquidity risk arises from credit or factoring lines that have not been firmly committed (as is the case, for example, with the factoring agreements for the sale of mobile phone option receivables). There is a risk that banks no longer service these lines and that therefore possible liquidity reserves are no longer available.

Capital risk

freenet's capital risk management relates to the equity as shown in the consolidated balance sheet and to ratios derived therefrom. The foremost objective of capital risk management is to ensure compliance with the financial covenants specified in the loan agreements. The main financial covenants are defined in relation to the Group's equity (equity ratio) and debt (debt ratio). If the macroeconomic conditions were to develop much more negatively than anticipated, this might under certain circumstances lead to a situation where the freenet can no longer deliver on its agreements with the financing banks. There is a medium risk of the financing banks declaring the loans due and payable. freenet minimises the risk by monitoring the financial ratios continuously and deriving suitable measures at an early stage.

Interest rate risk

The variable-interest borrowings of freenet are subject to interest rate risks related largely to the EURIBOR. freenet addresses these risks by having a mix of fixed- and variable-interest borrowings. Although the interest rate risks are not explicitly hedged, the cash holdings (which are invested mainly at variable interest rates) serve as a natural hedge and accordingly mitigate interest rate risks arising from the variable-interest borrowings.

Funds are usually invested as call money or time deposits at commercial banks with high credit ratings.

The company continuously monitors the various opportunities available for investing the liquid assets on the basis of the day-to-day liquidity planning at its disposal as well as the various options available for scheduling borrowings. Changes in market interest rates could have an impact on net interest expense from originally variable-interest financial instruments and are included in the calculation process for earnings-related sensitivities. The risk has been classified as low by freenet.

Strategic risks

Equity investments

freenet AG holds several equity investments. It is possible that the business of these equity investments might perform worse than originally anticipated; this in turn might have a negative impact on the results of operations (but not on EBITDA) and free cash flow. The equity risk has been classified as low by freenet.

Business process outsourcing of customer service

As a strategic partner of freenet in the area of business process outsourcing (BPO), Capita Customer Services (Germany) GmbH provides the company's customer service for mobile communications. Should its operations be unexpectedly discontinued, there is the risk of additional costs as a result of the retransfer of the activities contractually agreed or due to the changeover to an alternative provider. freenet considers this risk to be low, not least due to the extension of the contract for a further seven years in January 2023.

Operating risks

General human resources risks

Competition for qualified personnel represents a major challenge for all of freenet's business areas. Successful recruitment, integration, development and retention of competent specialist staff is essential for its success. No supply risks with a negative impact on operational processes apply. However, given what is currently a favourable market situation for employees (employees' market) and in view of the high levels of inflation, the costs of the recruitment and retention of personnel and for training and continued professional development are higher than expected. freenet is dealing with this risk by means of tools including a performance-related remuneration system, increasingly flexible work time models, the introduction of a retention management system and through the use of external service providers. freenet classifies this risk as low overall.

Hardware availability

There are many factors that could be causing supply bottlenecks and non-deliveries among device and accessories manufacturers, most notably production downtime caused by climate factors, the loss of production facilities or logistics centres, and supply chain disruption. If insufficient numbers of devices are available over a longer period, this could have an adverse impact on sales of mobile communications services (e.g. a lack of hardware for bundle deals), which in turn would have negative implications for customer acquisition, revenue, EBITDA and free cash flow. freenet is addressing this low risk by temporarily increasing its inventories, using alternative supply sources and adjusting its marketing strategy to account for the shortage of devices.

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

The risks listed above as of 31 December 2022 are summarised in table 18 and compared with the previous year's assessment.

Table 18: Risk overview

	Risks per 31.12.2021			Risks per 31.12.2022			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							
Restriction of bricks-and-mortar distribution channels	high	low	**medium**	—	—	**—**	—
Loss of distribution partners	low	low	**low**	low	low	**low**	→
Customer demand for TV and media	low	low	**low**	low	low	**low**	→
Network operators							
Bonuses and commission	low	low	**low**	low	moderate	**low**	→
Premiums and margins	low	very low	**low**	low	very low	**low**	→
Shift to direct	very low	very low	**low**	low	very low	**low**	→
Laws and regulation	very low	low	**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	moderate	**low**	→
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	low	very low	**low**	moderate	very low	**low**	→
Impairment of assets	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	significant	**medium**	low	moderate	**low**	↓
Capital risk	very low	significant	**medium**	very low	significant	**medium**	→
Interest rate risk	moderate	low	**low**	low	low	**low**	→
Strategic risks							
Equity investments	very low	moderate	**low**	very low	moderate	**low**	→
Business process outsourcing of customer support	very low	moderate	**low**	very low	very low	**low**	→
Operating risks							
General human resources risks	—	—	**—**	moderate	low	**low**	new
Hardware availability	very low	low	**low**	very low	low	**low**	→
Service prices for customers in default	low	significant	**medium**	—	—	**—**	—
Other risks							
Redevelopment of Büdelsdorf office	significant	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

Thanks to the risk management process that has been implemented and the monthly reporting system, the Executive Board has a good overall view of the risk position presented here. Various market, IT, tax, financial, strategic as well as operational risks were identified as of 31 December 2022. Material risks have not been identified.

Their potential effects on the general future development of freenet and its financial and non-financial performance indicators are classified as low overall by the Executive Board. The Executive Board expects that the positive trend forecast in the outlook of freenet AG (see report on expected developments) will not be significantly impaired by the risks outlined. All in all, it can be assumed that the risks have no impact on the continued existence of freenet AG.

Report on expected developments

Market/sector-specific forecast for Germany

Macroeconomic environment

While forecasts of a global recession in 2023 were still prevalent in the second half of the year under review, leading institutions are now only anticipating a slowdown in economic growth, with the IMF expecting GDP to grow by +2.9 percent in 2023 (2022: +3.4 percent). As an export-oriented market economy, Germany is significantly influenced by global economic developments. As a result, GDP in the German economy is only expected to rise by a marginal +0.1 percent (2022: +1.9 percent), with a progressive recovery in GDP anticipated from the second half of the year onwards. The rate of inflation in Germany is predicted to reach +7.2 percent in 2023 (2022: +8.7 percent). High energy prices will continue to drive inflation in the future. While the state will continue to provide households and businesses with significant support in the form of large-scale subsidies and transfers, real disposable income and consumption by private households will continue to fall until mid-2023. A recovery is then expected from the second half of 2023 onwards, as pressure on the price of energy resources eases and inflation falls. This, combined with a robust labour market, could result in significant wage increases, which should also mean that real household income and consumption start to rise again. Finally, global supply chain issues are also likely to ease after China scrapped its zero-Covid policy at the start of 2023.

Mobile communications market

The business climate index for the digital sector (Bitkom-ifo Digital Index) recovered over the course of 2022, with companies in the ITC industry now considerably more optimistic about their business expectations for 2023 at +16.1 points than the wider economy (ifo business climate index) at –6.3 points. Revenue for telecommunications services remained virtually unchanged as expected, rising by just +0.1 percent. This reflects expectations surrounding the trend of consistently high use of digital communications services in times of crisis observed over the past few years. Revenues from telecommunications devices are expected to grow by +2.3 percent year-on-year.

Another reason for the optimistic outlook for 2023 is the consistently high willingness to invest in telecommunications infrastructure. Over the past year, 11.6 billion euros (previous year: 10.8 billion euros) was invested in Germany, including in the expansion of fibre-optic and 5G networks, and the widespread availability of technology standards across Germany was improved further, thus providing the conditions for greater use of telecommunications services as well as sustained growth. In addition, steadily increasing use of data transfers via mobile networks almost entirely rules out the possibility that use of mobile communications services will decline. Reduced purchasing power resulting from high inflation is also unlikely to pose a major problem for sector revenue in 2023. Mobile communication is one of the German population’s basic needs. The consumer price index (CPI) for mobile communications services has not risen in recent years. Even in 2022, when private households were particularly hit by cost increases, the CPI for mobile communications services did not develop in line with the overall index. Combined with a marked increase in data volumes per tariff, this meant that customers received more service for virtually the same price. As a result, churn rates in the market have also declined in recent years because there is little motivation among customers to switch to providers whose prices they consider to be excessive.

This trend could come to an end in 2023, with many major German telecommunications companies already predicting at the end of the year under review that prices in the mobile communications sector will rise. At the start of 2023, Telefónica Deutschland announced that it would be increasing its basic prices for new mobile customers by an average of 10 percent. Other network operators have also refused to rule out the possibility of price rises. After mobile companies spent many years trying to keep retail prices stable, this is the first signal of price increases in Germany. One reason for this development is the pressure on network operators caused by high energy prices, increased spending on network investments and rising labour costs. The German government's aid packages and rising prices for mobile communications services should help to mitigate these negative effects. It is still fundamentally reasonable to assume that the mobile communications market in Germany will remain rational and predictable.

TV/video market

The share of TV households that receive linear television via the Internet (IPTV/OTT technology) is expected to continue rising in 2023, with other broadcasting methods (cable, satellite, antenna) set to become slightly less important. In particular, the use of cable as a broadcasting method is likely to decline further once the right of landlords to pass on operating costs for cable connections (Nebenkostenprivileg) is eliminated by mid-2024. Almost two-thirds of the roughly 12.5 million cable households are affected by this Nebenkostenprivileg. According to estimates, up to 20 percent of these households are prepared to switch to an IP-based way of receiving a TV signal in the future. This represents absolute market potential on a scale that would previously have been almost impossible to address at 2.5 million households. In addition, the TV households are increasingly well equipped for using Internet TV (high-performing Internet connections, Internet-enabled TV sets). Of course, the preference for Internet TV among younger consumers will also drive more extensive use of this broadcasting method over the next few years. Although linear television is significantly less important to this generation than to consumers over the age of 50, it will remain an integral part of everyday life in Germany even in the future, with the popularity of streaming services set to increase further across the entire population at the same time. Nevertheless, the streaming market will remain competitive, resulting in constant adjustments to its supply structure that will see advertising-based and partly free streaming services (known as AVoD) establish themselves in the market. Likewise, it is apparent that previously pure streaming content is being marketed via channels offering programming in a linear format (known as FAST channels). This blurring of the lines between linear and non-linear content is set to continue. As a result, the Executive Board of freenet AG believes that aggregating different content and channels on a single platform will become increasingly relevant.

In addition to fees for receiving content, the sale of advertising space makes the biggest contribution to the revenues of providers in the TV and video market. Programmatic advertising will play an increasingly important role in this regard in the future. This term refers to the fully automated and personalised process of selling advertising space in real time. This process usually lasts a matter of milliseconds and is increasingly replacing the conventional sale of TV advertising space. The aim is to broadcast personalised advertisements to specific target groups. Given the unicast nature of their relationship with customers (high transparency with regard to demographic characteristics, TV consumer behaviour, etc.), Internet TV providers are in the best position within the linear television market to implement this kind of advertising in the future.

2023 guidance reflects growth ambitions of the medium-term outlook to 2025

The guidance for financial year 2023 is based on the expectations and assumptions regarding macroeconomic and sector-specific developments. This includes the assumption of a minimal decline in GDP, continuing high levels of inflation, a positive outlook for the ITC sector and the further shift in TV broadcasting methods towards IPTV/OTT technology. Generally speaking, the developments forecast do not provide any grounds for changes that would have a significant effect on the current business models of freenet's two operating segments.

The potential future impact of high inflation on the business activities of freenet is being constantly monitored. Any calculable risks have been included in the guidance. Additional risks may only arise if the general environment deteriorates significantly. These risks are included in the risk inventory accordingly (see "Report on opportunities and risks").

Other assumptions considered material for deriving forecasts for freenet AG's financial and non-financial key performance indicators are:

- Existing customers' loyalty and satisfaction remains constant, particularly in the Mobile Communications segment
- Minimum expected price stability due to announcement of price increase (Telefónica Deutschland)
- Slight market growth in the otherwise saturated mobile communications market
- Internet-based television (IPTV/OTT technology) continues to increase its market share among (linear) television broadcasting methods
- Cost savings are proving largely sustainable, although higher inflation and wage cost increases could mitigate their positive effect

Further sustained and profitable growth is expected for financial year 2023, reflecting the financial growth target of average annual EBITDA growth of more than 4 percent by 2025 compared to 2020 communicated at the 2021 Capital Markets Day. The expectations for financial year 2023 are set out below and are based on the assumption of a comparable Group structure. All statements are formulated in relation to the previous year, while the following scale applies to qualitatively comparative forecasts: significant decrease, marked decrease, moderate decrease, stable, moderate growth, solid growth, significant growth.

The financial performance indicators are expected to develop as follows:

- Revenue for 2022 financial year was in line with expectations at 2,556.7 million euros (previous year: 2,556.3 million euros). Revenue is again projected to remain stable in 2023. This expectation is based on moderate revenue growth in the TV & Media segment and stable performance in the Mobile Communications core business. The Executive Board of freenet AG expects the quality of revenue, i.e., the proportion of subscription-based revenue in total revenue, to improve further.
- At 478.7 million euros in past financial year, EBITDA was 7.0 percent higher than the previous year (447.3 million euros), reaching the upper end (480 million euros) of the guidance raised during 2022. The Executive Board expects EBITDA to increase further within a range of 480 to 500 million euros in financial year 2023. This forecast includes known effects from an expected high level of inflation and a rise in wage cost. Starting from EBITDA in 2020 (425.9 million euros) and based on the midpoint of the EBITDA guidance for 2023, this would correspond to the target of average annual EBITDA growth of more than 4 percent announced at the 2021 Capital Markets Day.
- At 249.2 million euros, free cash flow also came in at the upper end of the guidance of 230 to 250 million euros. For financial year 2023, the Executive Board expects free cash flow of between 250 and 270 million euros. Based on the midpoint, free cash flow is thus expected to be higher than in the year under review, and the cash conversion ratio (CCR) is expected to remain high at ≥ 50 percent.
- Postpaid ARPU remained stable during the past financial year at 17.9 euros (previous year: 18.1 euros). Stable performance is also expected for financial year 2023. Positive effects from possible further price increases are not expected in relation to the total customer base.

Table 19: Guidance for 2023 – financial key performance indicators

In EUR millions/ as indicated	2022 reference value	Guidance for 2023	Comment
Financial performance indicators			
Revenue	2,556.7	stable performance	
EBITDA	478.7	480 – 500	Mid-guidance compared to 2020: >4.0 percent CAGR
Free cash flow	249.2	250 – 270	>50 percent EBITDA-to-FCF conversion compared with the respective midpoint of 2023 guidance
Postpaid ARPU (in EUR)	17.9	stable performance	

The non-financial performance indicators are expected to develop as follows:

- The number of postpaid customers will grow moderately.
- Customer numbers in the TV and Media segment are generally expected to increase based on considerable growth in waipu.tv subscribers.
- The number of freenet TV subscribers (RGU) is likely to decrease markedly year-on-year.

Table 20: Guidance for 2023 – non-financial key performance indicators

In millions	2022 reference value	Guidance for 2023
Non-financial performance indicators		
Postpaid customers	7.274	moderate growth
freenet TV subscribers (RGU)	0.686	marked decrease
waipu.tv subscribers	0.970	significant growth

Overall, the guidance is based on the understanding of potential macroeconomic developments in Germany at the time this annual report was prepared and on the other assumptions regarding the sector's development stated above. Any poorer-than-expected economic developments, events of global economic significance or unforeseen government or regulatory interventions could have an impact on the guidance issued for the Group's financial and non-financial performance indicators (see Report on opportunities and risks).

Overall assessment by the Executive Board of freenet AG's expected development

The Executive Board of freenet AG presented the strategic direction of the company and its medium-term financial ambitions until the 2025 financial year at the 2021 Capital Markets Day. The key message is: freenet is growing steadily in the Mobile Communications segment, continues to pursue its successful digital lifestyle strategy, and will grow significantly and profitably in the TV and Media segment.

The Group is aiming to achieve the following growth in its financial performance indicators between the 2020 financial year and 2025:

- EBITDA: average growth rate of > 4 percent to ≥ 520 million euros
- Free cash flow: > 260 million euros
- Customer management: transformation from sales expert to demand-driven customer base manager

We took a further step towards meeting our medium-term ambition during the 2022 financial year. The guidance for the performance indicators that we issued at the start of 2022 and raised in parts during the year was achieved in all respects. The Executive Board of freenet AG is confident of being able to continue its growth in the 2023 financial year to move ever closer to fulfilling its medium-term ambition.

This confidence is also reflected in the guidance, which anticipates growth in the middle of the target range for both EBITDA and free cash flow. The overall subscriber base (postpaid customers, freenet TV subscribers (RGU), waipu.tv subscribers) is also expected to increase.

The actual development of freenet AG and its segments may deviate from this guidance either positively or negatively due to the circumstances stated in the report on opportunities and risks or in the event that the expectations and assumptions prove to be incorrect (see Report on opportunities and risks).

Non-financial group statement *

About this non-financial Group statement

Subject matter and scope

This non-financial Group statement (hereinafter referred to as "non-financial statement") has been published by the freenet AG (hereinafter referred to as "freenet AG", and "freenet" for the Group), headquartered in Büdelsdorf, [GRI 2-1] in compliance with its reporting obligations under the German Act Implementing the Corporate Social Responsibility Directive (CSR-RUG), which came into force on 19 April 2017 (sections 315b and 315c, in conjunction with section 289b-e German Commercial Code (HGB). The disclosures made in the non-financial statement concerning concepts, plans, measures, activities and KPIs relate 2022 financial year, i.e. to the period from 1 January 2022 to 31 December 2022 and apply to both freenet AG and the Group. With a view to aligning non-financial reporting with financial reporting, the KPI disclosures made in this report are now only presented for the current and prior-year periods and no longer for two previous years.

This non-financial statement summarises the material aspects and circumstances relating to environmental matters, employee matters, social matters, respect for human rights and anti-corruption and bribery matters. The identified material topics reflect the organisation's current specific understanding regarding sustainability. They are reported with reference to the applicable standards of the Global Reporting Initiative framework (GRI Standards 2021) (see Further information – GRI Content Index). The content and preparation of this report is coordinated centrally by the Investor Relations and ESG department, which is the contact for questions regarding the non-financial statement and reports directly to the Executive Board member responsible for ESG reporting (CFO) (see Imprint and contact). Responsibility for the content of the various sustainability aspects lies with the respective departments [GRI 2-3].

Unless otherwise noted, the statement covers all fully consolidated companies included in the consolidated financial statements (see Notes to the consolidated financial statements, note 35). Given the business-specific structure of the TV and Media segment and Media Broadcast Group GmbH included in that segment, the presentation of material topics sometimes includes separate information on this entity [GRI 2-2].

This non-financial statement, including GRI disclosures and disclosures relating to the EU Taxonomy, has been voluntarily subjected to a business review pursuant to ISAE 3000 (revised) to obtain limited assurance (see Further information – Independent assurance practitioner's report). Further disclosures on the internal audit process, the parties involved in the audit, and the results of the review of the non-financial statement are included in the report of the Supervisory Board (see To our shareholders, Report of the Supervisory Board) [GRI 2-5, GRI 2-14].

Disclosures on the business model

The operating activities of freenet AG, which has been listed at the Frankfurt Stock Exchanges since 2007, and its subsidiaries are limited mainly to private customers and to the German market. For this reason, disclosures are not broken down by region in which freenet operates, but rather – where necessary – only by the operating segments, Mobile Communications and TV and Media. An extensive description of freenet's business model is set out in the Group management report (see Business model and organisational structure) [GRI 2-1].

freenet's approach to sustainability and ESG ratings

Doing business sustainably and responsibly is part of freenet's corporate culture as well as the driver of our success and the foundation for our future. Our day-to-day business follows economic principles, because the organisation's financial success is a fundamental requirement for making a reliable and measurable contribution to all freenet stakeholders. Sustainability and non-financial considerations are also to be incorporated into every decision with the aim of giving them the same weight as economic decision-making criteria. The goal is to influence the social and environmental sustainability of freenet's business activities at all possible points along the value chain wherever the ability to exert an influence is not restricted by regulatory requirements or specific market conditions.

* 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.

To implement this goal throughout the Group and further strengthen the role of sustainability within the organisation, the Supervisory Board in September 2022 appointed Nicole Engenhardt-Gillé (formerly: Head of Group HR at freenet) to the Executive Board with effect from 1 January 2023, assigning her the newly created executive portfolio of HR and ESG. This decision of the Supervisory Board underlines the importance of this topic for the company. Nicole Engenhardt-Gillé was also appointed Director of Labour Relations pursuant to section 33 of the German Co-Determination Act, in which role she will strengthen participation in HR work from January 2023 by actively involving internal stakeholders such as the workforce and Works Council.

Active dialogue is also pursued with external stakeholders (such as suppliers, investors, sustainability/financial analysts or customers). This helps to analyse and further develop the sustainability efforts made by freenet as a continuous and targeted process while accounting for the informational needs of these stakeholders. ESG scores given by independent rating agencies increase transparency for all our stakeholders with respect to categorising and weighting the sustainability activities practised by the organisation. freenet is in regular contact with the rating agencies identified as being relevant: Sustainalytics, MSCI, ISS and CDP.

Table 21: Results of relevant ESG ratings

Rating agency/ rating	Rating scale	2022	2021	2020
Sustainalytics ESG risk rating	Negligible risk (0-10) to Severe risk (40+)	Medium ESG risk, MED (22.6)	Medium ESG risk, MED (25.0)	Medium ESG risk, MED (25.2)
MSCI ESG rating	Leader (AAA, AA) to Laggard (B, CCC)	A	AA	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	D

Materiality analysis as the basis for determining material topics

freenet’s material sustainability issues, as reported on in this non-financial statement, are based on a materiality analysis completed in 2021 in line with the provisions of CSR-RUG (section 289c (3) HGB).

A multi-step materiality analysis process involving the key stakeholders the non-financial topics significant for the understanding of business performance, results or position, and for the impact of business activities on the sustainability aspects specified in the law were discussed. Further information about determining the material topics and the process used for the 2021 materiality analysis can be found in freenet’s 2021 Annual Report (see freenet AG 2021 Annual Report, non-financial statement).

Effectively, there have been no changes in freenet’s overarching material topics vis-à-vis the initial materiality analysis used to prepare the 2017 non-financial statement. Since 2021, the only additions have been network quality and product innovations for customer needs, as well as sustainable packaging for environmental performance in the enterprise. In the 2022 financial year, there were no material changes in terms of business activities or as regards business relationships in comparison with the previous year. The materiality analysis and the identified material topics therefore continue to be valid and relevant. With the involvement of external stakeholders, which includes regular dialogue with investors, sustainability/financial analysts or customers, freenet analyses and benchmarks its sustainability activities and develops these on a continuous basis. Interested parties are informed about the management and governance approach, as well as targets and actions taken in relation to the identified material topics, in the non-financial statement published as part of annual reporting [GRI 3-1, GRI 3-3].

Table 22: 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/Carbon 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

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 human resources strategy

The (future) success of freenet, which operates in the fast-paced and highly competitive mobile communications, Internet and TV entertainment market, depends largely on the performance and commitment of our employees who effectively put their expertise and skills to use for the company's benefit. To support these efforts as best as possible, the company has established a number of different measures and programmes, which are supplemented by measures aimed at creating and maintaining a healths and safe working environment. The aim is to achieve a harmonious, secure, healthy and performance-oriented working environment that reflects the diversity of our society and avoids all types of discrimination.

freenet's HR strategy covers four key areas:

1. Organisational development
2. Employer attractiveness
3. Leadership
4. New Work

(1) Organisational development involves preparing plans for organisational change that actively support managers in implementing them, address topics relating to the promotion of diversity, and create the environment for modern working

[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).

models. In terms of (2) employer attractiveness, employee retention is a key focus. The most important fields of action in this context are continuing professional development (CPD) and learning. At the same time we want to address the challenges of a highly competitive applicant market by implementing targeted measures. freenet considers good (3) leadership to be an essential prerequisite for the pursuit of goals. Good leadership involves strategic, entrepreneurial and employee-focused action. By focusing on the (4) new world of work, we analyse and introduce digital transformation issues and new working practices.

Group Human Resources, whose managers report directly to freenet's CEO, is responsible for designing, implementing and managing these measures. Effective 1 January 2023, the creation of the new executive portfolio of HR and ESG assigns overall responsibility to the company's previous Head of Group HR, Nicole Engenhardt-Gillé. This new Management Board role covering HR and ESG (CHRO) expands her previous remit to include responsibility for all aspects of sustainability (ESG). Since 2016, the Human Resources Development and Recruiting department has acted as an in-house centre of excellence for Group-wide issues and questions of strategy involving personnel recruitment and organisational development. The successful implementation of strategic objectives is reviewed quarterly in strategy workshops. The results are communicated directly to the CEO or, if relevant, to the applicable Executive Board member.

Employer attractiveness

Management approach: A central pillar of the freenet human resources strategy is employer attractiveness, i.e., creating a work environment that helps to attract and retain employees and improve both their capabilities and their satisfaction. The focus above all is partnership and relationships built on trust at all levels of the Group. We intend to strongly factor in the life circumstances of each employee and avoid issuing blanket rules so that we can provide a better work-life balance in the interests of both the company and our employees. The aim is to increase the attractiveness of the company as an employer, internally and externally, and to secure access to qualified technical and managerial staff, which is vitally important for the company's success.

Governance: In order to measure internal and external employer attractiveness, various indicators are collected and managed centrally. The most important performance indicators for measuring the attractiveness of freenet as an employer are employee turnover and external new hires. We also constantly evaluate relevant employer rating platforms for companies. Since 2022, we have conducted employee surveys to record the general mood and satisfaction. This approach is intended to establish an open feedback culture in the company and to identify action areas for increasing employer attractiveness. Since 2019, exit surveys have also been conducted Group-wide among employees (with the exception of Media Broadcast), as well as target group- and topic-specific employee surveys within the shops and stores. The results are analysed continually so that the company can take appropriate measures to counter undesirable developments.

In the interest of viewing the experiences gained from new ways of working during the coronavirus pandemic as an opportunity, the Executive Board, senior management and the HR department have held in-depth discussions to define attractiveness as an employer more precisely than before in terms of the flexibility with which we deal with various employee needs going forward. As a result a "Statement recognising the way all of our lives are changing" was issued back in August 2020 that outlined existing and new principles for the work environment at freenet.

In 2022, freenet again received several awards for its employer brand:

- "TOP Karrierechancen" ("TOP Career Opportunities") seal from the Institute for Management & Economy Research (IMWF) and Focus Money: A total of 22,500 major corporations headquartered in Germany were surveyed for this award.
- "Germany's Best Workplaces for Training" seal from Die Welt and ServiceValue. This is an independent seal of quality presented to companies with appealing training options. Of the roughly 800 businesses taking part, freenet AG was adjudged to have very attractive training programmes.
- "eLearning Award" from eLearning Journal. freenet was first-placed here in the category of learning management systems.
- Media Broadcast was again voted among the ten most family-friendly employers in Germany's telecommunications industry in a report by Freundin magazine and kununu, and took third place in a ranking of Germany's top employers entitled "Most Wanted Employer 2022" drawn up by the Zeit publishing house.

In 2022, a total of 449 new employees were recruited (previous year: 313 employees). Staff turnover in the Group (excluding shops and stores) rose slightly to 12.8 percent in 2022 (previous year: 12.1 percent). In shops and stores, this figure rose more sharply year-on-year from 24.1 percent to 28.3 percent in the 2022 financial year, while remaining below the pre-Covid level (2019: 30.8 percent). This increase in churn as affecting the chain of shops can be largely attributed to the stronger interest in changing jobs observed in the overall German labour market in 2022.

Actions: In this era of skills shortages and demographic change, a high level of employee satisfaction is especially important as a means of retaining qualified personnel within the company. Consequently, freenet took the step of conducting a comprehensive assessment of employee mood with the "mood barometer" survey completed in the 2022 financial year. In accordance with applicable data protection safeguards, this was performed as an anonymous and voluntary survey, and initially excluded the companies Media Broadcast, EXARING and The Cloud (together representing roughly 19.8 percent of the Group workforce). There are plans to extend this survey to the entire Group; as a first step, Media Broadcast will be included in 2023. Making use of a questionnaire structure based on both fixed and variable questions, the mood barometer not only records overall satisfaction, but also satisfaction in relation to teamwork, the degree of freedom allowed in terms of working conditions and the recommendation rate. Overall satisfaction as one of the mood barometer results is especially relevant for management and specifies the percentage of employees generally satisfied with freenet as an employer (response “very satisfied” or “satisfied”).

Two such surveys were conducted in the 2022 financial year. With an average response rate of 46.0 percent, an average of 67.2 percent of respondents stated that they were satisfied with freenet as an employer. In the future, this survey will be conducted several times a year. For 2023, the goal is to increase the response rate while keeping overall satisfaction at least at the level achieved in 2022.

Table 23: Employee satisfaction

In %/as indicated	2022	2021
Number of surveys	2	0
Response rate (average)	46.0	—
Employee satisfaction (average)	67.2	—

In 2022, freenet took various internal and external actions to promote its attractiveness as an employer. One step was the successful reworking of digital employer branding owing to the brand transformation, with the former main brand mobilcom-debitel being replaced by the freenet umbrella brand. This was targeted to maintain our appeal to prospective employees of freenet AG as an authentic and approachable employer. In addition, 2022 also saw the launch of “#friendsforfreenet” – a recommendation-based recruiting programme offering attractive bonuses to employees of freenet AG endorsing family members, friends or acquaintances for a vacancy. In August, the Rookie Afterwork programme was launched, giving employees who had joined freenet during the pandemic the chance to get to know their colleagues personally and help them integrate better with the company. The onboarding process itself was also expanded to include a Welcome Day – an in-person event open to the entire Group where participants could get to know one another and network in an informal setting. Offering a mix of keynotes, introductions to divisions and departments in various activity rooms, along with games and interviews, new employees were able to gain insights into the various facets of life at freenet. Positive feedback from attendees confirmed the wisdom of plans to use this format as an integral part of onboarding in the future. In addition to experience, communication and transparency are important factors for boosting employer attractiveness. “Ask Christoph” (“Frag Christoph”) is a forum where any employee can ask the CEO of freenet AG questions directly and anonymously and have them answered promptly and personally on the intranet. Town halls have been held since 2020, during which the CEO via video call provides information on current issues. Employees can also submit their questions interactively.

The recognition of part-time and flexible working models also contributes to meeting the diverse needs of employees to have a good work-life balance. Options that have been available for several years include flexible shift models in our shops and logistics operations, working from home in various areas of the Group and mobile working in many locations. These models have become ever more important and visible. On the whole, the “Statement recognising the way all of our lives are changing” prepared in August 2020 contributes to increasing awareness of responsibility and ownership on the part of both the company and employees. During the coronavirus pandemic and the ensuing rise of remote work, we gained a slew of experience in new forms of collaboration, which have informed a more hybrid working culture at freenet.

Section 15 of the German Federal Parent Allowance and Leave Act (Bundeselterngeld- und Elternzeitgesetz) grants all parents the right to parental leave, so they can offer the care and support needed during their child's first three years of life. At freenet, many employees make full use of this legal entitlement [GRI 401-3]. One measure to position ourselves as an attractive employer included setting up and expanding a scheme whereby mothers and fathers employed by freenet AG who are on parental leave are regularly provided with information about their team and the company by one of their team colleagues, who also invites them to important meetings. freenet also offers its employees the use of parenting rooms at its Hamburg and Büdelsdorf locations to help them to balance work and family [GRI 401-3].

Beyond these measures, freenet believes that an attractive remuneration package overall, including fringe benefits, is needed to reward employees appropriately. Aside from fixed remuneration, the remuneration system for almost all employees includes variable salary components that depend on the company's success. This is usually based on the same performance indicators that apply to the remuneration of the Executive Board. In addition, freenet provides subsidies for a company pension plan beyond the legally prescribed level and has been offering occupational disability insurance with a simplified health check since 2016 [GRI 401-2]. The following benefits are also offered to workers, depending on the location: Wellness and massage, food subsidies, discounts on freenet tariffs and services, and bicycle leasing and company car arrangements. At the end of the 2022 financial year, freenet elected to make use of an option to pay staff an inflation bonus, adjusted in line with employee salary. No distinction is made between full-time and part-time employment when granting benefits. Depending on the service level, they are pro-rated based on employment status, or based on the part-time wage or full-time salary amount.

Table 24: New hires and employee turnover [GRI 401-1]

Number of employees	2022			2021		
	Total	**Men**	**Women**	**Total**	Men	Women
New hires freenet (without shops/stores) [1]	**225 (9.7%)**	**134 (8.5%)**	**91 (12.2%)**	**138 (5.7%)**	**80 (4.9%)**	**58 (7.6%)**
thereof <30 years	71 (27.4%)	33 (21.3%)	38 (36.5%)	47 (16.6%)	26 (15.2%)	21 (18.8%)
thereof 30–50 years	126 (10.5%)	81 (10.9%)	45 (9.8%)	82 (6.4%)	50 (6.2%)	32 (6.6%)
thereof >50 years	28 (3.2%)	20 (2.9%)	8 (4.4%)	9 (1.1%)	4 (0.6%)	5 (3.0%)
New hires Shops/stores [1]	**224 (20.9%)**	**173 (21.3%)**	**51 (19.6%)**	**175 (16.0%)**	**138 (16.7%)**	**37 (13.8%)**
thereof <30 years	159 (39.8%)	123 (40.9%)	36 (36.4%)	120 (29.5%)	90 (29.4%)	30 (29.7%)
thereof 30–50 years	62 (10.2%)	48 (10.4%)	14 (9.6%)	55 (8.8%)	48 (10.2%)	7 (4.6%)
thereof >50 years	3 (4.7%)	2 (4.1%)	1 (6.7%)	0 (–)	0 (–)	0 (–)
Employee turnover freenet (without shops/stores) [2]	**298 (12.8%)**	**202 (12.8%)**	**96 (12.9%)**	**293 (12.1%)**	**180 (10.9%)**	**113 (14.7%)**
thereof <30 years	54 (20.9%)	31 (20.1%)	23 (22.1%)	53 (18.7%)	23 (13.5%)	30 (26.8%)
thereof 30–50 years	167 (13.9%)	110 (14.8%)	57 (12.4%)	180 (13.9%)	108 (13.4%)	72 (14.7%)
thereof >50 years	77 (8.9%)	61 (8.9%)	16 (8.8%)	60 (7.1%)	49 (7.3%)	11 (6.6%)
Employee turnover Shops/stores [2]	**303 (28.3%)**	**227 (27.9%)**	**76 (29.3%)**	**263 (24.1%)**	**198 (24.0%)**	**65 (24.2%)**
thereof <30 years	173 (43.3%)	128 (42.4%)	45 (45.8%)	147 (36.1%)	109 (35.6%)	38 (37.6%)
thereof 30–50 years	121 (19.9%)	92 (19.9%)	29 (19.8%)	112 (17.9%)	85 (18.0%)	27 (17.6%)
thereof >50 years	9 (14.1%)	7 (14.4%)	2 (13.1%)	4 (6.6%)	4 (8.7%)	0 (–)

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

Upgrading skills

Management approach: The pace of change in the information and communications industry and increasingly digitalised workflows and processes pose new challenges and place new demands on employees of freenet. Therefore, it is essential to reinforce and cultivate their skills. The demand-driven development of employees is a central ingredient for freenet's progress and fitness for the future. A key aim is to expand independent learning and promote knowledge transfer within the Group in order to contribute to a general learning culture that supports learning from one another.

Aside from developing the skills of our people, freenet takes its responsibility to society and the future generation seriously. It offers diverse training opportunities that are an important step towards ensuring a sufficient supply of young talent. Likewise, regular support for high performers and exceptional talent is essential to cultivate skills and stimulate creativity and the capacity for innovation in our company.

Governance: The primary responsibility with respect to the professional and interdisciplinary development of employees is assumed by the managers of freenet, who provide needs-based coaching and support. Group Human Resources is responsible for the infrastructure and management of the learning process.

The Group-wide competency model, which has been firmly established in the company since 2016, guides the strategic development of Group employees. It focuses on cooperation and collaboration, developing an effective persona, entrepreneurial thought and action, driving change, and authentic leadership. Based on the competency model, binding performance reviews are held annually by managers with their employees. In addition to evaluating the employee's competencies, another priority is identifying individual areas of focus and development activities. In 2022, the participation rate stood at 94.9 percent (previous year: 93.6 percent) [GRI 404-3].

In addition to the standard range of training programmes available to executives for employee development, self-learning is another building block used for upgrading employee skills. The Weiterentwicklung@freenet online education portal launched in 2018, which was expanded into a learning management system (LMS) in 2021, is an important basis for this. The system provides one-stop shopping for training and CPD opportunities, whether in-person or online. The LMS offers all eligible employees access to a comprehensive catalogue of independent study and CPD options that caters to different learning types and cases. Our declared goal is to continually increase the average formal training hours completed per employee. It goes without saying that time spent on training during regular business hours is considered work time. After all, the company's overall business success depends on the training and professional development of individual employees. At the same time, training courses were offered to all senior managers to strengthen them in their role as personnel developers.

A separate training unit is responsible for providing continuing education to employees of the freenet shops and GRAVIS stores due to their specific requirements and customer-facing business. This unit provides the shop and store employees with various training courses, e-learning options, programmes and individual coaching sessions. Plus, the mauiCAMPUS learning platform offers a modern, target group-specific system that all shop and store employees can use via an app.

The LMS was used by 1,428 employees in 2022 (previous year: 1,234 employees). Overall, 21,846 skills training hours (previous year: 19,196 hours) were completed across the Group (excluding shops and stores), of which 50.1 percent involved digital learning programmes (previous year: 52.0 percent). The average formal learning time in the Group amounted to 8.6 hours per employee (previous year: 7.2 h per employee).

Shop and store employees attended a total of 45,043 hours of specially tailored training and CPD sessions (previous year: 33,752 hours). This came to an average of 39.0 hours of training (previous year: 28.4 hours per employee). In total, the shop and store employees completed 67.4 percent (70.9 percent) in digital qualification settings [GRI 404-1]. The variety of subjects covered by this training and CPD runs from product and sales events to topics such as fraud and occupational health and safety, which are delivered in various formats like video, podcasts, e-learning courses, and online and classroom training sessions [GRI 404-2].

Actions: The transfer of knowledge within freenet is crucial for upgrading employee skills. The short-form "Information in 30 Minutes" ("Wissen in 30 Minuten") channel has covered relevant issues presented by employees for employees since 2018. Much of the content on the campus portal is also presented by in-house experts. The aim here is to transfer expertise within the Group to other employees and therefore help build a general training culture that supports learning from others. In 2022, specific role-based training courses were developed in relation to agile working for the Agile Master and System Owner roles, and structured as a developmental support programme. The Campus Portal portfolio was largely expanded with e-learning courses on strategic topics such as generational change and sustainability.

To upgrade the skills of our managers, 2022 again saw a strong focus on various events and formats addressing the concepts of virtual and hybrid leadership. In a related development, the team-building and departmental/divisional development programme was expanded to cover the Team Charter, with the aim of more successful teamwork achieved by a joint approach to designing rules, frameworks, roles and targets. During 2022, many "work dates" were also held – events that involved employees drawing lots to attend digital meetings where they could talk about specific topics of mutual interest. This virtual dialogue format lets employees from many different departments get to know one another and build useful networks.

In 2022, the freenet entrepreneur programme, run annually since 2015 to promote high achievers and high potentials, was offered for the last time in its current format. This programme has been reviewed based on the results of a survey requesting ideas for improvement conducted among first- and second-level management. A programme redesign is planned for 2023. With its Top Advisor programme, freenet Shop GmbH has also offered a format for promoting talented sales consultants since 2018. The goal is to meet the demand for skilled sales advisors, increase the quality of advice, facilitate lateral entry and offer further opportunities for development [GRI 404-2].

In the field of vocational training and studies combining theory and practice ("dual studies"), more than 100 training places are made available by freenet every year; these consist of a total of 25 training courses at more than 156 training locations. The trainees receive support from focused onboarding, trainee camps and in-house courses. Successful college and university graduates can participate in freenet's companywide, one-year specialist trainee programme. In 2022, five participants successfully completed this programme (previous year: seven). The number of students participating in "dual studies" was 27 (previous year: 28), and a total of 266 employees were in training (previous year: 292 employees).

Table 25: Key figures on training and education [404-1]

Unit as specified	Unit	2022	2021 (adjusted) [1]
Implementation of annual performance reviews	**%**	**94.9**	**93.6**
Qualification activities within the Group (without shops/stores)	**Number of learning hours**	**21,846**	**19,196**
thereof in a digital format	Number of learning hours	10,937	9,981
Formal learning time per employee in the Group	**Avg. number of learning hours/ employee**	**8.6**	**7.2**
thereof in a digital format	Avg. number of learning hours/ employee	4.3	3.7
Qualification activities at shops/stores	**Number of learning hours**	**45,043**	**33,752**
thereof in a digital format	Number of learning hours	30,338	23,936
Formal learning time per employee at shops/stores	**Avg. number of learning hours/ employee**	**39.0**	**28.4**
thereof in a digital format	Avg. number of learning hours/ employee	26.3	20.1
Vocational trainees	**Number**	**266**	**292**
thereof dual students	Number	27	28

[1] The Group's qualification hours (without shops/stores) for the 2021 financial year have been restated retrospectively due to an overstatement of the number of learning hours. All information relating to this has also been corrected accordingly.

Diversity

Management approach: Diversity is firmly embedded as a fundamental value at freenet, illustrating that all our employees are offered the same opportunities regardless of their ethnic or social origin, nationality, marital status, sex or gender identity, religion, or sexual orientation. Diversity is an important value of cooperation at freenet that highlights the importance of this aspect for the company: diversity means diverse approaches, knowledge, ideas, and open communication where each person feels valued. By promoting and demanding heterogeneous teams and the development of all our people, new opportunities for innovation and creativity arise. These ensure we will remain competitive in the future while reflecting the history and success of freenet. This investment pays off by enhancing our employer brand.

Governance: Responsibility for practising and establishing diversity rests with every manager in the Group. Executives setting examples in their conduct, generally applicable principles of conduct and attentive cooperation – supported by Human Resources – further serve to ensure that there is no discrimination, especially when it comes to hiring, promoting, paying and training and educating staff. Explicit attention is paid to possible grounds for discrimination under Article 3 of the German Constitution, such as age, disability, ethnic origin, marital status, race, religion, gender, sexual orientation, social origin and other personal characteristics.

Gender diversity is a focus topic because freenet AG is subject to the German Act on Equal Participation of Women and Men in Executive Positions (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen). By 31 December 2026, freenet has set itself the following targets in accordance with this law: the percentage of women in executive positions should be 25 percent and 30 percent in the first and second management tiers, respectively. The Corporate Governance Statement details the achievement of the 2022 targets as well as the new targets (fn.de/cgstatement) [GRI 405-1]. Of the Group's salaried employees, 29.6 percent were women in 2022, roughly equal to the previous year (2021: 29.8 percent). freenet's workforce currently comprises employees of 60 different nationalities (previous year: 56), who speak a variety of languages, come from a range of cultural backgrounds, treat each other with respect and promote diversity within the Group. As in the previous year, there were no cases of discrimination in the Group to be addressed in 2022 [GRI 406-1].

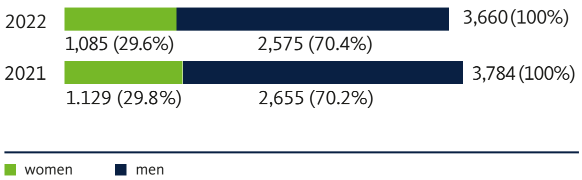
Actions: Diversity comes alive in our company even in our hiring process and then is reflected in our daily work through various programmes, management tools/courses and training events. To nurture and challenge the diversity of our workforce, an approach to the development of employees is pursued that continues to equip the Group with skills, competencies and strengths. With the continued growth of the central campus platform for Weiterentwicklung@freenet and the expansion of our digital services, employees can access and participate in flexible training and CPD.

Specific actions were taken in relation to the promotion of women in 2022:

- Event series #women@freenet, with a total of 156 participants at four conferences held on topics such as networking, visibility and professional self-marketing, success strategies for women and inner motivation, all held as in-person events
- Establishment of the popular informal network freenet Women
- Work dates for women
- Full documentation of statistics on women in the workplace on the intranet
- Pilot project for the specific targeting of women in job advertisements in particular, with the aim of attracting female candidates for vacancies and thereby increasing the proportion of women in the Group

Figure 15: 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 16: Male employees by age as of 31.12. [GRI 405-1]

Unit as specified

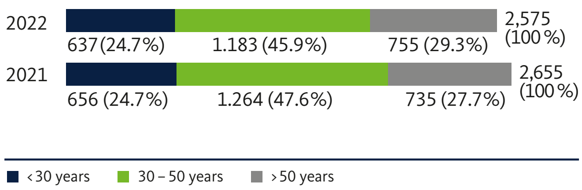
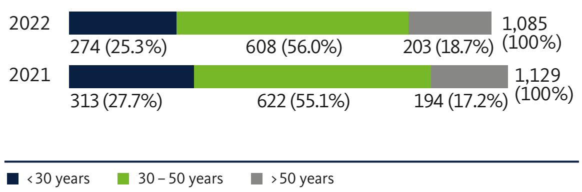


Figure 17: Female employees by age as of 31.12. [GRI 405-1]

Unit as specified



Occupational health and safety

Management approach: The health of freenet employees is one of our key priorities. This predominantly involves creating and ensuring a safe work environment for all our people by adopting a preventive approach, which promotes physical health and raises awareness of emotional wellbeing. Occupational safety is a particularly relevant topic for Media Broadcast due to its specific, high-risk business activities. Members of the service team at this freenet subsidiary are entrusted with performing maintenance work – including repairs, as necessary – on transmission masts and antennas that may be several hundred metres tall. Compliance with strict safety standards and protocols is especially critical in this field as an accident would have a serious impact on a worker's health.

Governance: The decentralised HR departments at each of our locations are mainly responsible for occupational health and safety management. The overall responsibility lies with Group Human Resources. Occupational safety committees have also been established across the Group companies as mandated by law. The respective committee is made up of the employer or an employer representative, two Works Council members, the occupational health physician, a workplace safety specialist and a security officer. Workers who are not employees but whose work and/or workplace are controlled by the organisation (hereinafter: staff not employed by freenet) are also represented by these committees [GRI 403-1]. Based on the legal requirements, members fulfil their duty of care towards employees and regularly provide managers at each location with occupational safety training, with the support of external service providers. They meet four times a year, monitor and analyse measures implemented in relation to the physical and mental health and safety of the company's workforce and workers who are not employees, and develop concepts for continuous improvement in these fields. freenet's risk assessment includes employee surveys which it uses to manage the health and safety measures we take and enhance the workplace environment [GRI 403-4].

Pursuant to section 13 of the German Occupational Safety and Health Act (Arbeitsschutzgesetz), Media Broadcast has assigned its employer obligations to safeguard health and safety at work to a reliable and qualified person. The person responsible for handling this duty of care is authorised to instruct all employees in relation to topics such as the prevention of accidents, occupational illnesses and work-related health hazards. In 2022, Media Broadcast reorganised its field service operations. As a result, the previous field service structure has been subdivided into several Regional Service Operations (RSO), each assigned a "responsible qualified electrician". This person reports directly to the RSO Manager responsible for site safety. The occupational health and safety committee meets every quarter to advise on matters of occupational health and safety. Regional occupational health and safety committees hold meetings annually.

Indicators for assessing occupational safety and health include the absentee rate, industrial accidents and commuting accidents, and the number of fatalities due to work-related injuries and work-related injuries with serious consequences. The absentee rate[2], which is reported monthly to the Management Board, rose from 4.7 percent in the previous year to 6.7 percent in the 2022 financial year. This rise is largely attributable to the discontinuation of protective measures for Covid, resulting in a greater spread of respiratory disorders and the common cold in particular.

As a result of the increased return of staff to company premises compared with the previous year and less use of short-time working, industrial and commuting accidents rose across the Group (excluding Media Broadcast) in 2022 to 22.5 accidents per 1,000 employees (previous year: 11.4 accidents per 1,000 employees). The vast majority of these incidents were industrial accidents involving minor injuries (laceration, fall and impact injuries). At Media Broadcast, the volume of industrial and commuting accidents also rose year-on-year to the figure of 17.0 accidents per 1,000 employees (previous year: 11.0 accidents per 1,000 employees). Most of these incidents involved commuting accidents (bicycle and motor vehicle accidents). As in the previous year, there were no deaths in the Group in 2022 due to work-related injuries (2022: 0.0 percent, 2021: 0.0 percent) and no work-related injuries with serious consequences (2022: 0.0 percent, 2021: 0.0 percent). These figures also include workers who are not employees [GRI 403-9].

Table 26: Industrial accidents and commuting accidents

Per 1,000 employees	2022	2021
Group (without Media Broadcast)	**22.5**	**11.4**
thereof industrial accidents (accident reports/notes)	15.4	6.9
thereof commuting accidents	7.1	4.5
Media Broadcast	**17.0**	**11.0**
thereof industrial accidents (accident reports/notes)	5.7	5.5
thereof commuting accidents	11.3	5.5

Actions: To ensure the health of our employees, regular courses are held in first-aid and fire safety training, and HR development offers special modular training courses for managers on "Dealing with employee illness and absence" and "Healthy management". The latter aim to enable senior managers to ensure not only a safe, but also a healthy workplace [GRI 403-5]. To promote and maintain the general health of the workforce, health days are usually held annually across our locations. For employees working in retail, health programmes have been organised together with a health insurer. In addition, all freenet employees are offered medical examinations related to health and safety, such as an annual G37 eye exam or free influenza vaccinations, as well as additional G25 and G41 medical check-ups for logistics and field sales teams. Appointments for these healthcare services can be made on the intranet [GRI 403-3]. Another action to promote the health of our workers is a two-year pilot known as the Employee Assistance Program which is running at our location in Hamburg. The anonymous helpline is operated

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

by an external consulting firm, and it empowers workers to overcome professional and personal challenges, making them healthy and fit for work, even during difficult times.

In addition, walk-throughs are conducted at our locations to identify potential methods to improve working conditions. A separate communications channel was launched in 2020 named "aktiv & gesund" ("active & healthy"), which employees could use to access exercise sessions and tips and tricks on general health topic and more specifically remaining healthy while working remotely. Since 2021, the campus platform has also had its own "active & healthy" section, which motivates employees to discover topics such as mindfulness and dealing with stress. To verify the effectiveness of these actions, the procedure for obtaining the German Corporate Health Quality Mark was successfully completed during the last financial year at the Büdelsdorf premises of freenet DLS GmbH, with the site awarded a silver-level mark.

A key measure relating to occupational health and safety at Media Broadcast is a risk assessment. It describes hazards during maintenance and repair work, and construction and dismantling activities, lists safety measures, and is routinely reviewed. For its part, Media Broadcast supplements its risk assessment procedure with written safety plans and corresponding safety provisions, with appropriate training being given to affected employees and subcontractors. The topic of occupational safety for work above ground level (radio and transmission masts) is of paramount importance. Accordingly, precautions are taken to comply with the stringent safety requirements to protect workers. All affected employees are individually equipped with protective gear and safety equipment that always complies with the currently applicable occupational safety and accident prevention regulations and European standards (Regulation (EU) 2016/425, Directive 2014/34/EU, Directive 85/374/EEC). In addition, the employees are subject to regular check-ups carried out by company doctors and, once every year, take part in the prescribed climbing and rescue exercises. Every three years, they attend follow-up seminars concerning the subjects of fall protection and rescue measures. Since 2022, the occupational safety briefings required for legal and regulatory compliance have been conducted at Media Broadcast centrally as obligatory e-learning courses on the lawpilots platform [GRI 403-5].

The coronavirus pandemic once again clearly highlighted our occupational health and safety responsibilities to each and every employee. freenet responds promptly to amendments made to occupational safety legislation: the Crisis Team meets regularly to discuss the respective situation, with actions derived from these meetings then implemented by the local HR team on site. A range of communication channels continues to be used to keep employees informed and up-to-date. Risk assessments with respect to the Covid-19 situation and hygiene plans are regularly updated for each of our locations. Employees are also provided with medical face masks and will continue to have free access to rapid testing at their respective location. Staff are also offered opportunities to get Covid vaccinations during working hours.

Digital responsibility

Management approach: The surge in the reporting of cyberattacks on business and the misuse of customer data demonstrate that the threat of cybercrime is increasing dramatically. According to a study published by the Bitkom digital association, data theft, espionage and sabotage now affect almost all parts of the German economy, with cyberattacks from China and Russia showing sharp upticks in recent months. Against the backdrop of the growth of digital society, the focus of business and society is starting to turn towards data privacy and data security more than ever before. These two topics have been highly relevant to freenet for a long period as it operates within the information and communications sector and needs to meet strict legal requirements when it comes to data privacy and information security which are part of a continuously updated regulatory framework. It is also an aspect of self-interest because of our own ambitions to greatly digitalise our business processes, and because of the millions of customers who entrust freenet with their personal data for our contractual relationship. Responsible behaviour thus is a must for customer loyalty, our reputation and lastly, the success of freenet. Therefore, data privacy and security are central principles which are embedded in freenet's IT strategy.

Governance: Under the leadership of the CTO, the IT function at freenet provides all of its services (e.g. workplace equipment or IT infrastructure) necessary for business operations in a central location. In 2018, an information security policy was issued for the first time, which has since been the point of departure for how we handle data, systems and all the information required in a digital workplace. A security organisation with defined roles and responsibilities and a dedicated, binding security incident management process are based on this policy. The key roles within the security organisation are assumed by the Security Board as a decision-making body, the IT Security Coordinator, who centrally coordinates all security measures, and decentralised security officers in each individual IT department. The Security Board is made up of the CTO, the Head of Infrastructure and the IT Security Coordinator. The Board is advised by the Head of Group Audit, Risk and Control. Aside from designing the security model and authoring the security policies, the Security Board also makes decisions about actions deemed necessary to comply with these provisions. The Security Board also acts as an escalation level when handling IT security incidents.

The Group's network traffic is subject to continuous technical analysis for security incidents so that countermeasures can be established at an early stage. Security incidents are initially visualised by a dashboard, then analysed by the core security team and finally coordinated by security incident managers. External partners provide support for ad-hoc incident response in the event of a cyberattack and conduct forensic analyses. The freenet IT department has a regularly updated crisis and emergency plan and a recovery plan for the company's IT infrastructure and software applications to keep potential failures or restrictions to a minimum.

The IT function and management tiers at freenet see data privacy as a critical duty alongside information security. The data protection officers, who are firmly established in the Group, work in our organisation to ensure compliance with the laws and regulations on data protection by providing independent advice and monitoring without instruction. They are also tasked with monitoring the proper use of programmes for processing personal data. All issues and projects which are relevant for data protection purposes are agreed beforehand with the data protection officer of the Group. For all IT measures relating to employee data, the IT control committee of the Works Council is consulted. Furthermore, the Executive Board and Supervisory Board or the latter's committees are regularly informed of the relevant developments and requirements in the field of data protection. When service providers are appointed by freenet's IT department, they are bound by both the Group's customers' data protection requirements when processing orders as well as statutory data security requirements. Data protection audits are carried out at service providers and sales partners to check the implementation of data protection requirements. If customer data are used for analysis purposes or for product design purposes, an approval process ensures in each case that such data are adequately pseudonymised or anonymised.

Given the company's approximately 8.9 million subscribers with fixed-term contracts and around 3,600 employees, freenet received only a very small number of data protection complaints in 2022, as in the previous year. The Data Protection department works to ensure the assertion of legally guaranteed rights by customers and third parties, and the prompt fulfilment of claims. Essentially, this work involves queries about the fulfilment of duties of disclosure pursuant to article 15 of the EU General Data Protection Regulation (GDPR) or requests for data erasure pursuant to article 17 GDPR. As in the previous year, no sanctions in the form of fines resulting from data protection infringements were imposed on companies of freenet AG in 2022 [GRI 418-1].

Actions: To ensure information security, security patch management has been part of normal IT operation in all IT functions since 2018. In this way, freenet is able to respond quickly and in an appropriate manner to changes in threat scenarios. The entire IT system landscape as well as the security level in the Group's own data centre also meet the legal requirements and are kept up to date with the current state of the art. Online portals are equipped with additional protection by adding intelligent threat detection and automated defences. In May 2022, email services of freenet subsidiary freenet.de were awarded the IT security mark by the Federal Office for Information Security (BSI). This mark confirms freenet AG's commitment to its customers to comply with Germany's most stringent IT security standards governing email communications.

Media Broadcast, which is part of freenet, has also been certified according to ISO 27001 since 2013. It has implemented an Information Security Management System (ISMS) establishing procedures certified according to ISO 27001 to ensure information security in the case of outsourced data processing.

To check the data security protocols, external security experts regularly carry out penetration tests of the exposed IT systems on behalf of the Internal Audit department. The reliability and security of the Group's infrastructure and processes are also regularly subjected to routine testing by regulators focusing on different areas. In 2019, the most recent spot test was conducted by the Federal Commissioner for Data Protection and Freedom of Information (BfDI) which did not result in any material objections. In addition, the German Federal Network Agency (BNetzA) audited freenet's IT security policy in 2021 in accordance with section 166 of the German Telecommunications Act (TKG) and found no grounds for objection.

Beyond its own operational IT security processes, Media Broadcast is involved with KRITIS – a joint initiative of the Federal Office of Civil Protection and Disaster Assistance (Bundesamt für Bevölkerungsschutz und Katastrophenhilfe – BBK) and also of the Federal Office for Information Security (Bundesamt für Sicherheit in der Informationstechnik – BSI) to protect critical infrastructure: As a platform operator for TV and radio, Media Broadcast takes its mission of keeping broadcast systems crisis-proof very seriously, given that this has implications for the whole of society, and in 2019 assumed the chairmanship of the "Media and Culture" industry working group. In 2020 Media Broadcast became one of the first companies in Germany to be named an operator of critical media and culture infrastructure as part of the National Strategy for Critical Infrastructure Protection (CIP Strategy).

With regard to data protection, freenet implemented the comprehensive requirements of the EU General Data Protection Regulation (GDPR), which came into force in May 2018, throughout the Group and defined and introduced policies and processes for dealing with them. freenet customers should be able to obtain extensive transparency regarding the processing of their personal data. freenet AG ensures this by providing comprehensive information on this topic on the “Privacy policy” section of its websites. Content is regularly evaluated for comprehensibility and adjusted as necessary, taking account of customer enquiries from the Customer Care Center. In addition, every customer can request information regarding the data stored about them and can request them to be corrected or erased. This enables customers to decide for themselves what should happen with their data. freenet’s customer-facing website also offers every customer the possibility to inspect their own stored data and consent granted as well as change them as necessary.

All freenet employees are also required to comply with both data protection requirements and freenet’s regularly updated confidentiality instructions. They can access a comprehensive wiki and online training on data protection and data security at any time for their own training. In addition, teams who deal with issues relating to data protection and privacy on a regular basis receive task-specific training from the respective data protection officer. At Media Broadcast, all employees have received mandatory annual training on the topics of data protection and information security since 2022. All employees must complete this training, which is offered by way of centralised e-learning courses that culminate in a final examination and the issuing of a certificate. All major company departments maintain a list of all data processing activities that is regularly reviewed to ensure that it is up to date. In addition, for the processing of customer data, regular analysis of the level of protection are carried out to identify appropriate measures.

Customer matters

Overarching approach and governance

Acquiring new clients and retaining existing ones is essential for the success of freenet. This is why 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 also transform the needs of our customers and the expectations they have of us. In line with its company vision, freenet aims to be the right choice for all stakeholders and for its customers in particular. The Group value proposition therefore comprises the provision of needs-based, customer-focused advice. Dialogue with customers takes place across a range of touch points. As a learning organisation, freenet AG always optimises existing products and services while developing new offers in accordance with legal requirements and its own high internal standards, so as to continue to occupy a successful position in the market. This is essential for Germany's saturated mobile phone market where building and maintaining excellent customer relationships is becoming increasingly important.

Customer-focused behaviour which is designed to meet the needs and interests of our customers is at the heart of freenet. The aim is to consistently align the brands and products with the respective needs and expectations of customers in order to strengthen customer acquisition and loyalty. This also includes treating customer data as confidential and complying with data protection regulations (see Digital responsibility), and strict implementation of consumer protection legislation.

Consumer protection is part of freenet's day-to-day business throughout the entire contractual term, and also includes used device takeback and disposal. The new German Telecommunications Act, which entered into force on 1 December 2021, aims to strengthen consumer protection for customers in Germany. The right to terminate has been amended and additional items of information are now required before contract conclusion. Amendments to the act required extensive process- and system-related changes, which freenet implemented in a timely fashion. Alongside the provisioning of product literature on each tariff plan offered, freenet is also required to provide its telecommunications customers with a compact and understandable summary of contractual conditions that clearly sets out the contractual details before the contract is concluded.

To ensure the proper and correct disposal of used devices and avoid negative consequences for people and the environment, freenet ensures that all products ordered (such as smartphones or accessories) are provided to customers with the manufacturer's original user manual, which contains a description of the product plus advice on proper disposal. freenet customers can also use company shops, stores or websites to find out about the environmentally friendly options for handing back their used devices to their contractual partner or a recognised collection point. Alongside professional recycling, freenet also refers customers to buyback platforms for used devices (see Sustainable product solutions and product innovations) [GRI 417-1].

In the course of the materiality analysis, the following customer-related topics were identified by freenet AG as material for ensuring a positive customer experience, customer satisfaction and, in turn, for the positive development of the Subscribers non-financial KPI:

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

The overarching responsibility for direct customer interaction and the presentation of products and services lies with the Chief Executive Officer (CEO). The Customer Service Management (CSM) business unit reports regularly to the CEO and monitors customer satisfaction in relation to the quality of service received from the customer support team. The Chief Customer Experience Officer (CCE) is responsible for all activities from attracting new customers through maintaining relationships with existing customers to winning back former customers as well as reinforcing a customer-focused corporate culture. Two central units have been established in the executive portfolio to implement these projects: (1) Market Research & Customer Advocacy and (2) Customer Management. The former is mainly responsible for market research and customer surveys, while the latter unit manages planning, monitoring and the execution of every interactive process in the customer cycle.

Service quality

Management approach: The quality of support is viewed as a strategic asset for the success of freenet AG's business, which has around 8.9 million subscribers. Meeting customer expectations enhances customer loyalty and enables us to tap into cross-selling and up-selling potential. The service model of freenet AG incorporates customer support, our shops and stores, and a comprehensive range of digital customer touchpoints. To improve the quality of our customer service, the regular and systematic analysis of the main (customer support) drivers of contact is a necessary and meaningful element. The findings of the analysis enable the continued improvement of the customer experience by enhancing our support aimed at achieving the economic goal of extending the customer life cycle and actively preventing customer churn.

Governance: Regular customer satisfaction analyses (CSAs) as well as external market research are key performance indicators for service quality. Our CSAs generate information about satisfaction, expectations and potential for improving the customer experience. This enables us to specifically measure perceived service quality over the entire customer life cycle at all service touchpoints. In addition to continually updating the customer experience, achieving long-term customer retention and loyalty is a key aspect of the CSA.

The customer service CSA (service CSA) builds on an established KPI and target system for this purpose and therefore enables us to make determinations about service quality. It covers recurring, changing and open questions. The Market Research & Customer Advocacy and CSM functions are in regular contact regarding customer satisfaction trends to evaluate any opportunities for development and determine suitable measures.

In line with the idea of an integrated approach not merely limited to customer service, customer satisfaction in the Mobile Communications segment is analysed regularly by the Market Research & Customer Advocacy department at defined points in time along the customer journey – such as of contract conclusion, at the end of the customer development phase or following a contract extension. The results of the Service CSA are also included in this assessment. The scope of the CSA is restricted to customers with 24-month contracts who have consented to ads and have a valid email address. Customers rate their satisfaction using a scale ranging from 1 (very satisfied) to 5 (very dissatisfied).

Results are aggregated monthly as an average value while incorporating various weightings of the measurement points in time under the KPI Customer satisfaction in Mobile Communications. The KPI as reported on here corresponds to the mean of the monthly satisfaction rating given by customers surveyed. With a value of 2.4, this can be interpreted as indicating an above-average level of satisfaction for the 2022 financial year (rating scale 3.0 = customer neither satisfied nor dissatisfied). This key figure is reported on for the first time in this non-financial statement and replaces the KPIs cited in previous years. As a departmentally neutral control mechanism, the CSA forms an effective part of customer satisfaction management. There are plans to extend the customer satisfaction analysis survey to the company's TV business.

Actions: In the interest of remaining viable and competitive in the future with regard to offering phone-based customer service in particular, freenet in 2017 outsourced customer service to Capita Customer Services GmbH (Germany). The CSM function manages and supports our collaboration with this partner. A comprehensive management structure and ongoing analysis of customer contact guarantee that agreed performance indicators are met on the basis of a bonus-malus system and that service quality is continually improved. Our partner regularly conducts employee training and monitors compliance with interview guidelines, whose contents is routinely agreed and approved in consultation with CSM. In December 2022, an early extension to our business process outsourcing partnership was negotiated, with a further seven years being added to the contractual term.

To ensure customer service during the Covid-19 pandemic, freenet AG had signed an agreement on "Alternating telecommuting to provide customer service" in 2021. The agreement was continued in 2022 in order to maintain an important competitive advantage in a labour market characterised by a shortage of skilled workers. Compliance with data protection requirements has been guaranteed and these are reflected in the aforementioned agreement.

Since 2018, freenet has focused on enhancing its digital dialogue with customers. In 2022, we updated the "Mein Konto" (freenet-mobilfunk.de) and "mein klarmobil.de" customer service portals and expanded the functionality of the corresponding smartphone apps. In the 2022 financial year, the proportion of freenet mobile customers (with fixed-term contracts) having access to the "My account" self-service portal (freenet-mobilfunk.de) was increased to 61 percent (previous year: 59 percent). At the same time, the proportion of freenet contract customers having access to the "freenet Mobilfunk" customer app rose to 29 percent (previous year: 27 percent). Customers can use the self-service portals to set third-party provider blocks, make changes to their personal data, review their invoices or check their current data usage. During the past financial year, functions for deleting online accounts and changing email addresses were also added to the "freenet Mobilfunk" smartphone app. From July 2022, freenet customers now also have the option of using an online termination button to cancel "contracts for the performance of a continuing obligation" (including fixed-term mobile contracts).

The automation rate in the WhatsApp communication channel rose year-on-year from roughly 27 percent in 2021 to around 30 percent in 2022. In cases where the customer query involves a complex issue that cannot be answered automatically by the chatbot, customers are offered the option of talking to a Customer Service agent by phone, so that their inquiry can be clarified quickly and to ensure that the case can be closed. The automation rate should continue to rise in 2023 with the implementation of other business processes. Although planned for 2022, the rollout of a web-based chat solution did not happen, as the service provider commissioned to do so needed to complete expansion work on its technical infrastructure in 2023. This rollout is therefore now rescheduled for 2023, in parallel with the implementation of the above-mentioned infrastructure project.

In addition, freenet is also expanding its retail services portfolio. Alongside well-established services such as help with phone activation and SIM card blocks, freenet also started issuing replacement SIM cards at its shops in July 2022.

Network quality

Management approach: Whether private sector, public institution, cable network operator or TV broadcaster – modern ways of working and profitable business activities only function with resilient and sustainable networks. Ensuring the availability and quality of the services offered by freenet AG via a diverse network infrastructure is therefore critical to customer satisfaction. In the field of mobile communications, we only have limited influence, as the responsibility in this respect lies with the mobile network operators from whom freenet AG obtains its services as a mobile communications service provider. Media Broadcast in turn plans, builds and operates networks and is the market leader in digital terrestrial TV and radio broadcasting (DVB-T2 and DAB+) in Germany. Over the past decade, it gained this ideal positioning by being innovative, taking risks and being competitive. As an experienced IT and service partner for contribution and distribution, Media Broadcast develops individual solutions for nationwide, regional and local network operations. Network quality is therefore critical for the quality of its products, which has more significance and influence for the TV and Media segment than for the Mobile Communications segment.

Governance: The IP backbone is critical for providing Media Broadcast solutions. This software-defining networking architecture connects Germany's broadcasting and media industry in a high-speed secure and closed environment. The networking infrastructure is used to develop flexible services and solutions to meed the specific needs of customers. This architecture also meets customer demand for flexibility, high security and availability. High levels of security are offered for all services, which are guaranteed by the dedicated data centres, a closed network structure with fully redundant signal transmission and 24/7 monitoring. Across Media Broadcast, network planning, design and monitoring are the responsibility of three functions located in the Product Management unit, which reports directly to the company's executive management.

The KPI for assessing production quality is "downtime minutes per year". This key performance indicator reflects network stability and the functionality of operating processes. The KPIs "number of SLA violations per year" and "compliance with recovery time per year" show how the requirements for production quality are met with regard to service-level agreements (SLAs).

Actions: Work to enhance quality and expand transmitter networks, innovative technologies (e.g., small scale DAB+ or tunnel supply) and the development of more user-friendly applications is ongoing. 5G or even 6G broadcasting technology are promising as a long-term successor candidate of DVB-T2. The long-term preservation of frequency allocations to broadcasting is an essential factor for the future success of 5G technology in this respect. Therefore, in the area of 5G broadcasting technology, the company is involved in various committees, working groups and pilot trials.

Furthermore, processes for continuing to improve production quality have been established for elements including transmitters, antennas, infrastructure, contribution/distribution networks and network hardening. An established network performance monitoring system monitors elements such as transmitters, antennas, infrastructure (e.g., space, power, heat dissipation or access), contribution/distribution networks and platforms (DVB-T2 and DAB+) via various parameters.

As a critical infrastructure service provider, Media Broadcast must also meet special requirements in terms of reliability, security and confidentiality. The standards for this are set by the German IT Security Act (IT-SiG) and the German Federal Network Agency. To satisfy the requirements, robust system integration including a safety and a comprehensive network management concept is necessary. Media Broadcast satisfies these requirements, which are subject to routine controls and monitoring through internal and external audits. An accredited information security management system in accordance with ISO 27001 has also been in place since 2014. Quality requirements for the network structure are defined by customer expectations as well as relevant legal and regulatory requirements, and these are subject to a continuous improvement process through the accredited quality management system (ISO 9001).

Sustainable product solutions and product innovations

Management approach: Price is no longer the main consideration when choosing a product; increasingly consumers are looking for sustainable products. This makes it even more important for companies to include these aspects in their portfolio or product innovations and communicate them accordingly to their customers. According to a representative survey conducted by Bitkom e.V., 87 percent of the German population keep at least one unused phone or smartphone at home, with numbers for used laptops and legacy tablets being 47 percent and 20 percent, respectively. For a working circular economy, such devices, if unused for a long time, should ideally be reused or recycled properly. Strengthening sustainable product solutions and services in our portfolio is therefore important for freenet AG to address the needs of customers who also opt for sustainability in their telecommunications behaviour. We do this to allow consumers to contribute to resource conservation when choosing a smartphone, for example, or extending its useful life. freenet AG therefore intends to offer more sustainable products and services, making them more transparent for customers in the process. It also wants to inform customers more comprehensively about the consideration of sustainability aspects in composing its portfolio.

Governance: Sustainability aspects are now increasingly relevant for product buying decisions. At freenet AG, the pre-selection of potential new mobile products such as smartphones and accessories is handled by Category Management, which is part of Customer Management and reports directly to the Chief Customer Experience Officer (CCE). Before stocking a new product, the department puts together a product-specific list of criteria that also include sustainability aspects, such as the public profile and corporate philosophy of the potential supplier. In terms of product features, criteria such as product lifetime, material composition and packaging are critically reviewed as part of the buying decision. The product is also tested extensively beforehand in terms of its quality, visual appeal and technical design. The final decision on the pros and cons of including the product in the portfolio is made in close consultation between Sales and Purchasing in order to account for all relevant perspectives (sustainability and marketing aspects, plus conditions). The existing product portfolio is also subject to routine monitoring and is adjusted as and when necessary.

Products are especially attractive to us if they are environmentally friendly and enhance the product lifecycle. However, we have neither established a policy with fixed criteria nor a defined process for the selection of products or suppliers. The minimum requirements for our suppliers outside of environmental aspects are laid down in our Supplier Code of Conduct (see Supply chain and human rights due diligence).

Actions: In November 2021, freenet started selling the “rephone” – the first smartphone produced as a sustainable, carbon-neutral device in Germany. This exclusive marketing deal extends the portfolio of sustainable smartphones in addition to the sales partnership launched in 2016 with Fairphone B.V. The rephone’s modular design means individual components can be replaced easily and quickly. The product also comes with a recycling reward. Every customer who returns the rephone within five years receives a refund of 25 euros in addition to the current value of the phone. This is intended to create an incentive for the device to either be reused by the customer or through an accredited recycling process at the end of its service life.

GRAVIS has also been marketing a sustainable alternative for certified Apple accessories under its own Networx Greenline brand since 2021. The mix of materials used for the products saved over 30 percent plastic compared to the previous own-brand equivalent. To keep their carbon emissions at a minimum, these products are shipped to Germany by rail. In 2022 financial year, Networx’s top 20 sales products were transferred to Greenline as planned, further boosting sustainability of the portfolio. GRAVIS has also partnered with the reforestation initiative ReviewForest: for each Google review left by a GRAVIS customer, a tree is planted in the Mexican rainforest. Last year, GRAVIS was awarded a quality label for sustainability in recognition of this commitment to sustainable business. In October 2021, freenet also started a cooperation with Green MNKY, specialists for sustainable screen protectors. The Green MNKY high-precision cutter is used in the freenet AG shops to make precision cut-outs of screen protectors for smartphones, tablets and other devices, eliminating around 97 percent of packaging waste. This service is very popular with freenet customers and the product has been sold more than 100,000 times since the start of this partnership.

freenet also enables resource efficiency for the customer through innovations such as freenet FUNK and freenet FLEX products. These two app-based only tariffs – apart from sending a 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, is also based on the same principle. Internet access can be managed flexibly and almost completely digitally by the customer via app.

Aside from sustainable products, freenet also offers a range of services that aims to ensure customers can achieve sustainability within their digital lives. The sale of refurbished products including smartphones has been a focus for freenet since 2020. The buyback service freenet offers for mobile devices such as smartphones and tablets also makes a further contribution towards conserving resources and reducing electrical waste. The company works with external providers (Foxway and also DIS-CONNECT since 2022) to determine a competitive buyback price for the used device, which is paid out to the customer in the form of a voucher or cash. To generate customer interest in using the buyback service, freenet also organises various buyback campaigns in addition to the regular buyback price offered. For 2023, the company is planning to integrate the buyback service within its online ordering process to raise customer awareness about the responsible return of used devices. Refurbishment of the devices bought back involves wiping the data with certified software so that legacy data can no longer be accessed. The aim is to increase the proportion of freenet shops offering a buyback service to around 90 percent by the end of 2023.

Devices that can no longer be resold are scrapped and the raw materials recycled by a certified specialist company. Customers can also benefit from proper disposal by returning old electronics (such as smartphones or tablets) free of charge or by dropping them off directly in specially designed recycling boxes in our stores.

Not only does it purchase old equipment, freenet also contributes to extending the life cycle of user equipment by offering repair services, with shops and stores acting as repair points. Furthermore, the offer of subscription/rental models, e.g., for smartphones, tablets, or laptops, promotes the idea that devices can be used for longer, which conserves resources.

This range also includes services that meet customer requirements for solutions in the field of data protection, where freenet offers a comprehensive range of security software and is involved in initiatives such as “trustedDialog” 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 for their daily e-mail communications.

Digital participation

Management approach: Digitalisation is penetrating all aspects of life like never before, from activities to processes. Smartphones and other devices which connect to the Internet are becoming increasingly important in daily life, making it easy to participate in society. Digitalisation opens many doors and is seen as a significant way to progress faster. But everyone must be given the chance to participate in digital life, so that digitalisation does not result in social exclusion. By offering a broad portfolio of tariffs and services in both the mobile communications and TV and media business, freenet strives to provide virtually everyone with access to the digital world.

Governance: freenet is continually enhancing its portfolio of customer-focused mobile and TV tariffs as well as its telecommunication-related services based on systematic market and customer analyses. Relationships with the three German network operators enable freenet to structure a mobile communications and Internet product portfolio ranging from discount to premium tariffs. This diversified brand and portfolio approach enables the company to serve many customer segments and meet a wide variety of customer needs.

Actions: One of the hurdles associated with participation in digital life is the cost. With its collection of low-price tariffs, freenet also offers low-income earners or socially disadvantaged groups a portfolio of mobile phone and broadcasting technology. Since 2004, freenet has also made it possible for customers with a bad credit score who have failed the credit check for fixed-term offers to participate in digital life via a special deposit model [3]. Apart from financial constraints, poor digital media skills can hinder people in their attempts to participate in digital life (e.g., the elderly). Trained employees offer freenet customers a broad range of services at freenet shops and GRAVIS stores to help them set up and get to grips with their smartphone after purchase. Face-to-face contact is important to break down barriers but it’s not the right solution for everybody. Therefore, freenet maintains a variety of other channels that enable customers to boost their digital media skills or get in touch with the company.

Since 2018, freenet has focused on strategically enhancing its digital customer dialogue, with the introduction of chat features or its app-based self-service, for example. A positive side effect is that people with physical or mental disabilities also have equal and equivalent access to services offered by freenet AG. This is important, because accessibility is now also hindered by barriers to our digital lives and communications. In this context, the company intends to improve its customer services for people with hearing loss in 2023. In Germany, millions of people are living with various degrees of hearing loss. From the second half of 2023, freenet intends to offer an interpretation service provided by Tess Relay Dienste on a separate hotline number. The hotline number will be published in the FAQs and prioritised handling will be ensured for callers. Another service targeting young consumers in particular is the digitalrepublic.de content platform, which offers digital lifestyle features and entertainment, as well as news, tutorials, advice and answers to questions about tariffs and technical issues. For 2023, freenet is also planning to further expand its media literacy portfolio with the introduction of the digital “freenet phone helper” service that aims to give freenet customers assistance with technical challenges.

[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.

By providing other products and services, freenet AG also aims to contribute to the digitalisation of educational institutions. The “GRAVIS macht Schule” initiative was established by GRAVIS to help schools select suitable equipment, implement it in daily life and keep it maintained. In turn, The Cloud, another freenet AG subsidiary, supports schools in planning, setting up, installing and maintaining WiFi networks under the German government’s DigitalPakt Schule programme (digital pact for schools). By year end 2022, around 450 schools (2021: 286) have already benefited from The Cloud’s products and expertise. In Büdelsdorf, where freenet AG is headquartered, the Group is also involved in the “Büdelsdorf goes multimedia” initiative in partnership with Büdelsdorf local government to teach school children how to use modern media and the Internet responsibly. freenet has made a total of 675 thousand euros available for the development of network infrastructure and the purchase of hardware and software since 2001.

freenet believes that encouraging the participation of young people in digital life also means protecting them. With that goal in mind, freenet is expressly committed to the Code of Conduct of German Mobile Communications Providers, has installed youth protection officers in the Group and is a dedicated member of JusProg e.V., a non-profit organisation that aims to enhance the protection of minors online.

Corporate environmental protection

freenet’s business activities in the fields of mobile communications, Internet and TV entertainment generate carbon emissions and thereby contributes to climate change, albeit only to a small extent. Business activity also impacts the availability of resources.

In the Mobile Communications segment, energy and resource consumption is limited mainly to the German administrative and logistics sites, the vehicle fleet and the more than 500 shops and stores due to the service provider model. The Group’s largest user of energy is the Media Broadcast GmbH as an operator of digital TV and radio infrastructure (TV and Media segment). For supplying its broadcasting and transmission technology, it consumes energy at 779 transmitter sites and radio towers, thus accounting for 83 percent of the Group’s total electricity consumption in 2022.

Using resources and energy efficiently is important for economic success, particularly amid the current energy crisis and rising energy prices. freenet AG recognises the negative impact on the environment caused by its business activities and intends to minimise its carbon emissions by setting specific targets and taking effective measures and a strategic approach to controlling this process.

This will ultimately meet the ever-growing expectations of society, regulators and investors with respect to structured disclosure and environmental targets. freenet therefore explicitly supports political and societal expectations and initiatives in terms of climate protection and climate and carbon neutrality.

In addition to reporting in its non-financial statement, freenet has also been an advocate of the Carbon Disclosure Project (CDP) since 2018. CDP provides companies worldwide with a rating system that allows them to voluntarily measure and manage, and transparently communicate environmental impacts. With the annual disclosure of climate data, especially carbon emissions, freenet AG has increased transparency on the environmental impact of its activities. In the current CDP climate action ranking, the company again achieved a C grade – as in the previous year.

Energy consumption and carbon emissions

Management approach: The efficient and economic use of energy and fuel with the aim of reducing long-term carbon emissions across the Group has a high priority for freenet. In the 2021 financial year, we set the goal of becoming carbon neutral by 2030, and we have been developing a detailed plan of action and timeline since then. Our goal is to reduce controllable carbon emissions (Scope 1 and Scope 2 emissions) to zero by 2030 compared to the 2015 baseline year. From freenet’s point of view, the reduction of Group-wide energy consumption by increasing energy efficiency, purchasing energy from renewable sources, electrifying our vehicle fleet and integrating the goal in the remuneration of the Executive Board and our employees are important starting points.

Governance: The Group Facility function is responsible for purchasing energy resources (electricity and gas contracts) for the administrative and logistics sites and shops and stores. The Fleet Management department is responsible for managing the fleet of vehicles across the Group. Both report in turn to the HR department of the Executive Board. Due to its high energy consumption, Media Broadcast has its own Real Estate Management (REM) system and an Energy Management Officer who reports directly to Media Broadcast management via the General and Administration unit. freenet subsidiaries EXARING and The Cloud also enter into decentralised energy agreements.

Energy management at Media Broadcast is part of an integrated management system aligned with the requirements of ISO 50001 that is used to manage and monitor quality, occupational safety, security and data protection as well as environmental protection. An ISO 14001-certified environmental management system (EMS) was introduced in 2008 to manage the latter. The backbone of the EMS is the environmental protection and energy policy, which defines its importance, goals, activities and their implementation, and audits. Furthermore, internal regulations stipulate that only ISO 14001-certified suppliers and waste disposal companies may be hired, e.g. to demolish or dismantle transmission systems, so as to provide employees and customers with maximum safety and security. In addition, activities such as transmission system and antenna servicing involve hazardous materials to some extent, which entails a particular duty to provide information and notify employees of this issue. Media Broadcast is required to instruct all employees on this topic annually and provide evidence it has done so. Training is tool-based in accordance with the latest legal and regulatory laws and regulations and with every employee being required to obtain a certificate upon completing training. A legal register is maintained to regularly evaluate Media Broadcast's compliance with environmental standards. This is used to document the results of internal and external audits and systematically monitor the implementation of their recommendations. To date, no monetary fines or non-monetary sanctions have been issued to the company for non-compliance with environmental protection laws or regulations.

Given its business model, freenet is ideally placed to leverage technological optimisation and digitalisation to achieve greater energy efficiency. This is illustrated, for example, by the transition to the new HD standard DVB-T2 in the TV business and the replacement of analogue radio with the more energy-efficient DAB+ standard in Media Broadcast's broadcasting business segment. As a crucial sustainability aspect, energy efficiency is also embedded in the purchasing policy and the Supplier Code of Conduct. The latter encourages suppliers to be conscious about their use of energy and limited resources and to use them sparingly (see Supply chain and human rights due diligence).

freenet also sees effective measures for fuel consumption reductions in electrifying the company fleet and developing a low-consumption and low-emissions vehicles portfolio, and providing strategic incentives for climate-friendly travel to work. freenet pursues the goal of increasing the share of the Group's hybrid or electric vehicles to more than 20 percent of the overall vehicle fleet by the end of 2024. In 2022, the share of EVs and hybrid vehicles was approximately 8.5 percent (previous year: 4.6 percent). This small increase of just under four percentage points is primarily due to significantly longer delivery times for EVs in the reporting period.

Employees entitled to a company car commit to using hybrid vehicles electrically for at least half of their mileage as part of the Group-wide EV policy – otherwise a malus system applies. This is to ensure environmental and economic benefits are harmonised. To achieve the goal of electrifying our fleet, the charging infrastructure at all locations concerned will continue to be developed and expanded over the next few years.

Actions: Statutory energy audits pursuant to sections 8-8d EDL-G (Act on Energy Services and Other Energy Efficiency Measures) are carried out at freenet on a regular basis, but at least every four years. Recommendations for improving energy efficiency are considered after weighing up the costs and benefits in accordance with the requirements of DIN EN 16247-1. During the 2022 financial year, a Group-wide energy audit (including Media Broadcast) was commissioned and performed by an external appraiser (DEKRA).

As before, the conversion of freenet shops and GRAVIS stores to energy-efficient LED lighting systems is about 95 percent complete. The vast majority of sales areas in the shops and stores have already been converted, with the conversion of lighting to LEDs in various backroom areas still pending or already planned for 2023.

At our logistics centre in Oberkrämer, the conversion of fluorescent tube lighting to energy-efficient LED lights was successfully completed, thereby achieving our target of a 100 percent changeover of site lighting to LEDs by the end of 2022. In Büdelsdorf, the ordering and commissioning of an LED lighting changeover project was completed during the last financial year, laying the groundwork for a complete switchover of all freenet logistics centres by 30 June 2023. This action aims to achieve energy savings of approximately 40 percent in comparison with the use of conventional lighting systems.

Conversion work on the company-owned office and administration building in Büdelsdorf was completed at year-end. The main focus of this comprehensive refurbishment was sustainability and energy usage. Alongside the energy-efficient thermal insulation of the building facade and roof, the installation of modern building service systems was also a priority. This included the installation of an energy-efficient ventilation plant operated by a new control system, and the replacement of the two previous gas boilers with an environmentally friendly heat pump. An automated LED lighting system was also installed in the administrative building. The installation of additional charging stations for electric vehicles, planned for the first quarter of 2023, was also prepared.

To further reduce Group fuel consumption and make additional progress in fleet electrification, freenet continued with its rollout of strategic incentives in 2022. Aimed at promoting climate-friendly travel to the workplace, a total of 101 bicycles and e-bikes were ordered for employees using the (electric) bike leasing scheme during the past financial year. Since the leasing scheme launched in August 2021, 177 bicycles have been ordered Group-wide, with 68 percent of these being electric bikes. Additionally, freenet subsidises the use of public transport and contributes to the costs of setting up a private EV charging station at the homes of employees who are entitled to a company car. Ten charging stations were subsidised for this purpose in the 2022 financial year (previous year: eight). To incentivise the use of electric vehicles at company premises, freenet is making every effort to provide an appropriate charging infrastructure wherever possible. In 2022, a total of three additional charging stations (six charging points) were brought into service, with requirements met for six more charging stations (twelve charging points) by mid-2023. Charging stations for electric vehicles are also to be provided by the lessor of the Media Broadcast premises in Cologne and Eschborn. The overall number of EV charging points is therefore expected to rise by at least 50 percent to at least 36 charging points in the 2023 financial year (2022: 24 charging points). Alongside this infrastructure, a corresponding number of EVs will also be procured. In 2022, employees were offered a vehicle portfolio comprising five electric vehicle models from a range of manufacturers, with the aim of ensuring employees are able to pick an electric vehicle as part of the employee vehicle scheme. As a result of ordering and production bottlenecks, only a few EV models were then available from the second quarter to the end of the year. In comparison with the previous year (25 registrations), the number of EVs registered in the Group overall did not rise significantly (30 registrations) as a result of widespread supply chain problems. This number is estimated to double in 2023.

Furthermore, the company also intends to increase its own pool of EVs used for business trips. In the future, the freenet logistics team aims to provide carbon-neutral delivery to the Group's shops and stores as part of its central logistics services. This will therefore involve the electrification of some of the truck pool during 2023. A project also planned for 2023 will look at the use of electric vehicles in selected field sales teams with the aim of achieving long-term reductions to the carbon emissions produced across the Group.

In 2022, freenet AG was able to further reduce its Group-wide energy consumption from 81.1 GWh in the previous year to 80.5 GWh, owing to lower overall electricity consumption (2022: 69.2 GWh, 2021: 70.3 GWh). In contrast, fuel consumption rose slightly, which is largely attributable to the expiry of measures introduced during the pandemic and a return to normal travel patterns. Overall, the company further reduced its market-based carbon emissions (Scope 1 and Scope 2) in 2022 to 5,022.1 t CO_2eq (previous year: 6,504.1 t CO_2eq) and considers itself well-positioned to achieve its declared target of reducing carbon emissions (Scope 1 and Scope 2) to zero by the year 2030. During the 2022 financial year, this was largely due to green electricity once again rising as a proportion of overall electricity consumed from directly monitored procurement (2022: 99.0 percent, 2021: 65.6 percent) [GRI 305-5].

In light of the Covid pandemic, and the resulting lockdowns and travel restrictions in 2020 and 2021, travel activities at freenet AG had also showed a sharp decline compared with the baseline year of 2019. Although this trend reversed slightly in the 2022 financial year, it was still markedly below pre-Covid levels. Overall, freenet AG produced 591.1 t CO_2eq from its travel activities in the reporting period (previous year: 304.6 t CO_2 eq). This figure includes emissions from flights, rail travel and hire car use as well as hotel accommodation. Travel bookings are completed according to a standard process based on a travel policy that, among other things, explicitly advises employees to prioritise virtual events over in-person meetings. In the future, efforts to achieve travel-related carbon emission savings will continue to be primarily driven by reminding employees that sustainability aspects should also be considered when making travel bookings. To achieve this, specific activities are planned, such as displaying the carbon footprint for each trip planned or including hotels with green credentials in the Group travel booking system.

Table 27: Energy consumption and carbon emissions [GRI 302-1, 305-1, 305-2, 305-3, 305-4, 305-5]

	Unit	2022	2021	2020	2015 (base year)[1]
Energy consumption (total)	**GWh**	**80.5**	**81.1**	**84.6**	**156.0**
Electricity consumption (Scope 2)[2]	GWh	69.2	70.3	72.0	134.0
thereof media Broadcast	GWh	57.6	58.6	59.4	116.2
Fuel consumption (Scope 1)[3]	GWh	11.3	10.9	12.5	21.9
Electricity from renewable energy sources (total electricity consumption)	**GWh**	**65.8**	**64.2**	**33.2**	**46.8**
Share of electricity consumption from renewable energy sources in total electricity consumption[4]	%	95.1	91.4	46.1	34.9
Share of electricity consumption from renewable energy sources through controlled sourcing in total electricity consumption	%	99.0	65.6	n/a	n/a
Carbon emissions (Scope 1, 2, 3) – market-based after offsetting	**tCO_2eq[5]**	**8,085.4**	**9,312.5**	**33,001.5**	**75,146.2**
Carbon emissions (Scope 1, 2, 3) – location-based after offsetting	**tCO_2eq**	**34,717.0**	**30,967.6**	**34,989.2**	**78,633.1**
Direct carbon emissions (Scope 1)	tCO_2eq	2,582.2	2,443.4	2,875.2	4,632.3
Indirect carbon emissions (Scope 2) – market-based[6]	tCO_2eq	2,439.8	4,060.7	26,887.8	67,151.3
Indirect carbon emissions (Scope 2) – location-based[6]	tCO_2eq	29,071.4	25,715.8	28,875.5	70,638.2
Further indirect carbon emissions (Scope 3) before offsetting (restated)[7]	tCO_2eq	3,310.5	3,172.2	3,238.6	3,362.6
Further indirect carbon emissions (Scope 3) after offsetting (restated)[7]	tCO_2eq	3,063.4	2,808.4	3,238.6	3,362.6
Carbon intensity (Scope 1, Scope 2 market-based)	**tCO_2eq/ million revenue**	**2.0**	**2.5**	**11.6**	**23.0**
Carbon intensity (Scope 1, Scope 2 location-based)	**tCO_2eq/ million revenue**	**12.4**	**11.0**	**12.3**	**24.1**

[1] 2015 = base year, as this is the first year for which retrograde, consolidated reporting of energy consumption and carbon emissions has been carried out.
[2] Electricity consumption is calculated by also taking into account appropriate estimates and extrapolations.
[3] Fuel consumption comprises consumption in the form of diesel and petrol for the fleet of company cars as well as the direct purchase of natural gas. The conversion factors of the British Ministry for the Environment, Food and Rural Affairs (DEFRA) have been used for converting fuel consumption in GWh and carbon emissions.
[4] Calculated by taking into account the German electricity mix plus actual energy purchases from renewable energy sources.
[5] $CO_2eq = CO_2$, CH_4 and N_2O.
[6] To determine indirect, market-based carbon emissions, the amount of electricity from renewable energy sources is assumed to be carbon-neutral; all other amounts of electricity are converted using the same conversion factor as for the location-based method. Electricity consumption is converted into indirect, location-based carbon emissions by applying a uniform Group-wide conversion factor, irrespective of the actual purchase of renewable energy (emission factor source: German Federal Environment Agency).
[7] Indirect emissions (Scope 3) include emissions from (1) the employee vehicle model, (2) travel activities (flights, rail travel, overnight hotel stays, car rental bookings), (3) payment services, (4) production of standard contract documents in customer communications, and (5) parcel shipping (logistics). Scope 3 emissions from (2) travel activities were restated retrospectively for the years 2021 and 2020 due to an expanded recording system. In 2020, only carbon emissions from (1), (2) and (5) are considered and in the base year only carbon emissions from (1). Carbon emissions for items that have been offset are included as carbon neutral in the "after offsetting" figure.

Resource consumption

Management approach: freenet has anchored a digital-first strategy in its mission statement. In internal communications and external communications with customers and business partners, the use of digital channels and platforms should be a priority, and these should continue to be extended. This leads to a reduction in the use of materials (e.g., paper) and shipping volumes. In logistics, the topic of environmental sustainability is becoming ever-more important as the value chain is starting to be viewed as a whole, rather than disparate parts. freenet strives to continue to reduce the use of resources in logistics.

Governance: The management of the operational use of resources is the responsibility of various functions, which are attached to the Chief Technical Officer (CTO) and the Chief Financial Officer (CFO). For example, Billing and Customer Management are responsible for digitalisation projects in customer communications. Processes to reduce the use of resources in logistics are the responsibility of the Supply Chain Management department under the leadership of the Chief Financial Officer. By partnering with diverse transport providers, central logistics staff are trying to make shipments more climate-friendly in the coming years. The company now ensures that logistics partners maintain verifiable certificates demonstrating environmental compliance with the minimum requirements set out in ISO 14001, in addition to the obligations for optimum customer service provision in ISO 9001.

Minimising resource consumption at freenet mainly involves the electronic dispatch of standard contract documents (invoices and daily mail) and cover letters (delivery notes and returns labels) plus digital networking for sales channels. Other measures include material savings in packaging (cardboard and fillers) and using climate neutral shipping services for the transport of hardware (smartphones, SIM cards, accessories) between our locations and to our customers.

Actions: In the 2022 financial year, freenet continued to expand the digitalisation of its business activities with respect to internal processes and customer communications. With the aim of further improving point-of-sale digitalisation, a scanning tool was implemented that facilitates the in-store scanning of ID documents from freenet customers, thereby avoiding a large volume of documents that would otherwise need to be sent by post.

Digital invoicing is another area where paper can be saved. In the mobile communications business, the proportion of invoices issued digitally was further increased to 93.5 percent (previous year: 91.3 percent). In 2022, the sending of around 2 million postal items was avoided, largely by moving more customers to digital invoicing services as well as ensuring customers can make use of a digital mailbox as soon as the contract has been concluded. Digital invoicing services were also implemented for business customers during the last financial year, which will avoid the need for mailing up to 400,000 physical letters in 2023. In the TV and media sector, virtually all subscriptions are exclusively digital and standard contractual documents are also sent to our customers electronically. This applies equally to freenet TV and waipu.tv customers. These initiatives therefore target the further automation and digitalisation of customer transactions (see Service quality).

Table 28: Proportion of online invoices

In %	2022	2021
Online invoice	**93.5**	**91.3**
thereof freenet Mobilfunk	91.9	89.7
thereof klarmobil	97.7	95.7

Unavoidable carbon emissions from customer communications during the production and delivery of standard contract documents and payment processing are offset in the mobile communications business in cooperation with service providers via accredited climate action projects. Regarding customer communications, this affected shipments in double-figure millions for main brands freenet Mobilfunk and klarmobil in the 2022 financial year. We calculated carbon emissions of around 247 t (previous year: around 363 t). This approach is to be rolled out to other brands over the next few years, with the aim of ensuring Group-wide climate-friendly production and delivery of standard customer communications contracts. In mobile service payment processing, carbon emissions totalling 0.387 t were produced in 2022 (previous year: 0.588 t), all of which were successfully offset to net zero.

Shipments of packages to customers produced 544.0 t of carbon emissions in the 2022 financial year (previous year: 590.7 t). This figure includes carbon emissions from warehousing, packaging, goods outwards and package delivery to customers (but excludes carbon emissions from energy consumption and stock transfers). In 2022, freenet logistics continued implementing various measures to improve the environmental sustainability of packaging materials, for example, and further optimise or reduce internal shipping volumes. This includes regular reviews of standardised carton dimensions in relation to various types of articles. Although delays affected the implementation of a software solution for controlling and optimising packaging sizes originally planned for 2022, this project got underway in early 2023.

As in the previous year, the proportion of recycled plastic in logistics filling materials was about 50 percent. The planned target of increasing this proportion of recycled plastic to 100 percent by the end of 2022 was not achieved. Reasons for this include strong market demand for recyclable filling materials as well as the investments required for the technically demanding conversion of machine infrastructure in logistics.

In the context of the composition of the packaging materials used, external suppliers are being made more accountable in this respect, while ensuring that the valid and necessary transportation safety standards are met. Since 2020, in addition to economic and safety factors, sustainability aspects have been included in tenders for fillers and closure materials with a weighting of 40 percent for awarding contracts.

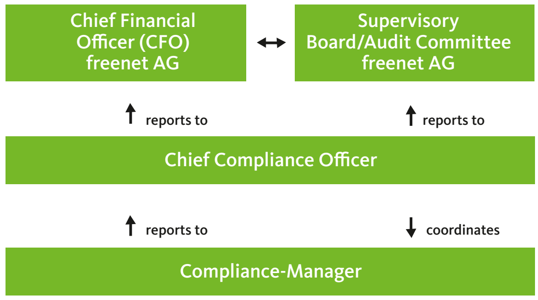
Compliance and integrity

Management approach: freenet is committed to the applicable laws and standards as well as the underlying ethical principles: Integrity and legal compliance are the most important pillars for social and economic relationships. To secure the trust of all our stakeholders, freenet ensures compliance with legal requirements and internal policies. If they are not upheld, it could have a negative impact on the reputation of freenet and it would not inspire trust, resulting in long-term damage to our relationships with business partners and customers. In the case of criminal offences, the company naturally pursues a zero tolerance policy. The Executive Board underlines the company's strict attitude by way of a "tone from the top", which is also communicated to all areas of the organisation by downstream managers. The Works Councils of freenet also support all compliance policies. Compliance is a strong element of the corporate culture, and is expressed by the actions and support of all parts of the company. The aim is to minimise compliance risks to preserve and strengthen the trustworthiness of freenet in the long term.

Governance: Compliance management is of great importance to freenet. In order to be able to successfully address general compliance risks, the company has implemented a compliance management system (CMS) which has created uniform standards for compliance matters such as combating corruption throughout the Group. The content of compliance measures is the responsibility of the Chief Compliance Officer (CCO) and are implemented and controlled continually for compliance in close and constructive collaboration with the Internal Audit, Human Resources and Legal departments. Preventive and investigative measures are coordinated by the Governance Board, which comprises the CFO, CCO and the Head of Group Audit, Risk and Control. The measures intended by the company's executive management are regularly reviewed based on new forensic findings or changes to the law.

The CCO reports directly to the CFO and advises the CFO as the person responsible for compliance with the law and for monitoring compliance risks in the implementation of the relevant legal requirements. The CCO also reports regularly, at least once per financial year, on the implemented processes, developments and notable 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 severe risks arise that may endanger the continued existence of freenet AG as a going concern. In 2022 financial year, as in the previous year, freenet AG was not aware of any confirmed cases of corruption [GRI 205-3].

Figure 18: Compliance management structure



Actions: Regular risk analyses are carried out to identify the areas of activity that entail a particularly high risk of compliance violations. In relation to corruption as a typical economic crime, this occurs mainly where the briber can have an impact on large cash flows for their own benefit with small means. At freenet, this risk therefore exists in the context of high-revenue contract partners, both on the customer and supplier side, for example. Based on our risk analysis, this risk is assessed to be low, because the companies in question are all entities heavily involved in compliance issues, i.e. mobile network operators doing business in Germany, suppliers of smartphones and prominent electronics retailers.

When managing corruption risks, freenet AG generally uses several approaches, which are characterised by prevention, identification and reaction in each case. The Group's efforts in this area focus on specific employee information for prevention purposes. Customised training, one-on-one discussions and generally binding policies provide the company's employees with a stable framework with which they can align themselves. The corporate culture we embody promotes the continual exchange of information among employees and between employees and senior managers regarding the legal risks associated with their activities.

Furthermore, clear policies and requirements have been defined for the most important compliance issues in employees' day-to-day work. In this context, the gift, purchasing and signature policies have a vital role to play, e.g. in fighting corruption. For this reason, these are part of the audit universe and are risk assessed annually and selectively included in Internal Auditing's audit plan. The gift policy is designed to prevent the undue influence of both internal and external business dealings. It requires all employees to submit a report every quarter to the Compliance unit via their superiors with regard to all gifts worth more than 20 euros given and received, so that gifts, invitations and benefits can be checked in order to establish whether they are correct and legally proper. At freenet, receiving and giving gifts is only permitted if the possibility that a business decision has been influenced can be unequivocally ruled out.

The signature policy ensures that only selected individuals can enter into transactions and, in the case of important declarations of intent, authorised representatives from different departments and divisions are always required to act as co-signatories. In addition, the purchasing policy ensures that the best suppliers are objectively procured using clear procedural parameters and by requiring the specialist department undertaking the procurement to involve the Purchasing department as a neutral party in significant transactions. As a rule, payments from customers and to suppliers are not settled in cash. Only when dealing with end customers does freenet accept cash at customary levels in order to keep the risk of money laundering to a minimum. In addition, the Compliance unit offers a hotline which enables it to always provide legal and content-specific advice in order to enable possible uncertainties in daily work to be resolved quickly. A multiple-channel approach is also used for identifying any legal infringements. Possible violations of regulations are followed up by the Internal Audit and Central Fraud Management departments in particular.

If workers witness misconduct or an infringement of the law or internal policies, they have a duty to report this immediately to the Compliance function. For this purpose, a 24/7 whistleblower system is available to our workers and external parties (such as franchisees or suppliers), which complies with the requirements set out in 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 report can be submitted either anonymously or by disclosing one's identity. All whistleblowers will be afforded protection from negative consequences because of their report, in line with the EU Whistleblower Directive. The whistleblower committee reviews incoming tip-offs and conducts additional investigations where appropriate. The composition and working practices of the committee are explained in more detail in the corporate governance statement (fn.de/cgstatement).

One aspect which has continued to gain in importance in recent years is corporate responsibility for human rights and sustainability infringements in the supply chain. freenet AG takes this responsibility seriously, and several years ago we implemented a Supplier Code of Conduct and also made it a core subject within our contractual B2B relationships. For further information on supply chain management, see the Supply chain and human rights due diligence section in this non-financial statement.

Supply chain and human rights due diligence

Management approach: freenet is aware of its corporate environmental and human rights responsibilities and therefore values the protection and compliance with these aspects within its business and procurement processes. German legislators have also recently emphasised the importance of such issues by passing the LkSG. The law aims to improve the situation of global human rights by stipulating requirements for responsible supply chain management for specific companies.

Aside from its suppliers, the goal of freenet is to request smartphone manufacturers and network operators to also leverage their influence on and position in the value chain. We ask them to ensure compliance with human rights due diligence and to guarantee the exclusion of conflict minerals in the production of telecommunications hardware and accessories. freenet's ability to exert influence on its main suppliers with respect to sustainability topics is limited given the Group's share in the total business volumes of its suppliers and its positioning in the value chain.

Governance: freenet's constantly developing base of suppliers comprises around 1,500 suppliers from various countries. The following main suppliers account for more than 90 percent of the purchasing volume in terms of value in the Mobile Communications segment:

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

The Partner Relationships department of the Executive Board is mainly responsible for organising procurement activities. Cooperation with the mobile network operators listed above, device/accessory manufacturers and service providers in customer support are handled by separate purchasing units. All other suppliers are managed centrally by the Indirect Purchasing unit (corresponds to the indirect purchasing volume). Media Broadcast has its own purchasing unit because the inputs it needs to source are highly specific.

With the entry into force of the LkSG on 1 January 2023, corporate responsibility for complying with human rights and environmental due diligence in the supply chain is now regulated at national level. In this context, freenet AG will redouble its efforts, not only working to improve its existing risk management but also conducting systematic risk analyses for environmental and human rights-related risks while anchoring preventive strategies within the Group.

The company estimates its overall risk exposure to be low in terms of its direct supply chain structure: Around 95 percent of suppliers that were newly commissioned in 2022 (or around 95 percent of indirect purchasing volumes) are domiciled in Germany, another EU member state or the European Economic Area. Suppliers are thus subject to similarly strict legal (transparency) regulations with respect to environmental and human rights aspects as freenet AG itself. In the context of the LkSG, this means that the risk of infringing legal rights protected by the Act can be estimated to be very low overall in terms of freenet's direct suppliers.

Actions: Irrespective of the risk assessment, freenet has established various measures to demonstrate the accountability it aims to achieve in the procurement process. In 2018, for example, a Group-wide Supplier Code of Conduct was drawn up, which is regularly revised in line with market requirements. The Code lays out minimum standards for the areas of human rights (including zero tolerance of forced or compulsory labour), society (including wage payments in accordance with legal requirements), environmental protection, safety, health and compliance. It is usually included in every new procurement contract/procedure. Alternatively, strategic suppliers are required to declare that their standards at least correspond to those of freenet. Suppliers are also generally committed to complying 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 Principles and Rights at Work of the International Labor Organization (ILO) via the General Terms and Conditions of Purchase.

In the event of violations of the Supplier Code of Conduct, freenet reserves the right to suitably address the issue or impose sanctions depending on the severity of the violation. This includes, but is not limited to, requesting immediate remediation of the violation, asserting claims for damages or even terminating the respective contract. If suppliers or their employees suspect a violation of applicable law or freenet's standards, the Code of Conduct provides for direct contact for business partners to freenet's Compliance department, which initiates investigations if required. Getting in touch with freenet can also be done anonymously.

In 2017, sustainability topics were included among the decision-making parameters in freenet's purchasing policy to help it achieve its goal of becoming more accountable. The idea is to raise awareness among the responsible workers so that sustainability is explicitly considered when making purchasing decisions. Accordingly, information on sustainability topics has been obtained in advance for all tenders since 2020, in addition to aspects relating to the financial situation, if this appears meaningful or necessary due to the specific circumstances of the particular case. In this context, all suppliers and service providers will be required to agree to the Supplier Code of Conduct prior to doing business with freenet.

Media Broadcast's separate purchasing policy focuses to a greater extent on aspects of environmental protection and energy efficiency as this freenet subsidiary consumes a large amount of electricity due to its broadcasting infrastructure. Assuming that all other criteria are equivalent, the company prefers suppliers who consider these aspects more prominently. Since 2021, with respect to the procurement of all our technical equipment, it is standard for electricity consumption to be assessed as one of the most important criteria in the technical analysis of tenders.

To date, the Group-wide, systematic (as part of routine audits, for example) screening of suppliers for compliance with the provisions of our Supplier Code of Conduct has not been undertaken. However, initial actions have already been implemented or initiated in parts of the Group, especially in relation to the new legal framework set out by the LkSG. As one example, Media Broadcast has conducted an extensive analysis of all suppliers with a procurement volume larger than EUR 5,000. This aimed to discover the extent to which the sustainable business policies implemented by the respective supplier correlate to the minimum requirements from the Supplier Code of Conduct. In the future, this will be conducted as both a routine and on-demand check. In this context, the freenet subsidiary also plans to roll out an automated reporting system to monitor supplier compliance with the minimum requirements of the Supplier Code of Conduct in the course of 2023.

EU Taxonomy report

Subject matter and purpose of the EU Taxonomy

The main goals of the European Commission's action plan on financing sustainable growth are reorienting capital flows towards sustainable investment and ensuring market transparency. The objective is to transform Europe's economy into a carbon-neutral economy by 2050. With the EU Taxonomy, the European Commission has established a key management tool in order to achieve this goal and support 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: the "Taxonomy Regulation" or the "EU Taxonomy") on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088. According to Art. 8 of the Taxonomy Regulation in conjunction with Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 (hereinafter: delegated act pursuant to Art. 8 of the Taxonomy Regulation), non-financial undertakings are required to disclose the proportion of their revenue (called "turnover" in the Taxonomy), the proportion of their capital expenditures (CapEx) and the proportion of their operating expenses (called "operational expenditures" in the Taxonomy) (OpEx) associated with economic activities classifiable as environmentally sustainable within the meaning of the Taxonomy Regulation.

For 2022 financial year, this information is only required for the (economic) activities which the EU has defined for the first two environmental objectives ("climate change mitigation" and "climate change adaptation") out of a total of six such environmental objectives specified in Art. 9 of the Taxonomy Regulation. The relevant activities have not yet been defined for the other environmental objectives.

freenet AG's economic activity

Principles and definitions

The EU Taxonomy distinguishes between taxonomy-eligible and taxonomy-aligned activities. An economic activity is taxonomy-eligible if it is listed in one of the (currently existing) delegated acts[4] which supplement the Taxonomy Regulation and specify the environmental objectives. It is not necessary for this activity to fulfil one or all of the technical screening criteria indicated in the delegated acts. Conversely, any economic activities which are not listed in the supplementary delegated acts have taxonomy-non-eligible status.

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

- It makes a significant contribution to one or more environmental objectives, demonstrated by compliance with the substantial contribution criteria defined by the EU,
- It does not significantly harm the other environmental objectives (DNSH: Do No Significant Harm)
- It upholds minimum social safeguards.

To date, the above-mentioned requirements and criteria have been defined for the environmental objectives of "climate change mitigation" (Annex 1) and "climate change adaptation" (Annex 2).

Businesses are responsible for interpreting the activities described in the EU Taxonomy as the definitions are open to interpretation and there is a shortage of legal commentary published by the regulator, academia, or other suitable practitioners. In compiling the information required under the EU Taxonomy, freenet AG has given adequate consideration to the guidance provided for the interpretation of the Taxonomy Regulation as well as the delegated acts and the FAQs published by the European Commission on 19 December 2022. The mandatory reporting below reflects the current status of the interpretations. However, the European Securities and Markets Authority (ESMA) emphasises that further amendments are still to be expected regarding the collection and assessment of taxonomy-eligible and taxonomy-aligned activities.

[4] Commission Delegated Regulation (EU) 2021/2139 Annex 1 of 4 June 2021 (hereinafter: delegated act pursuant to Art. 10 of the Taxonomy Regulation (Annex 1)) and Commission Delegated Regulation (EU) 2021/2139 Annex 2 of 4 June 2021 (hereinafter: delegated act pursuant to Art. 11 of the Taxonomy Regulation (Annex 2)) as well as Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending the above-mentioned Delegated Regulation.

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

To implement the requirements of the EU Taxonomy, a core project team was assembled with the involvement of Controlling, Investor Relations & ESG, Accounting and Legal. First of all, the taxonomy-related requirements were discussed and a uniform understanding of the reporting obligations was developed. To identify taxonomy-eligible economic activities, interviews were conducted with the experts from each function, in order to analyse in detail how individual business activities are affected by the EU Taxonomy and in order to structure the identified topics. The Mobile Communications and TV and Media segments determined according to IFRS 8 and their primary revenue-generating activities constituted the starting point for this analysis.

In its Mobile Communications segment, freenet AG mainly provides services as a mobile communications service provider. Its primary revenue-generating activity is the purchasing and sale of mobile communications services, primarily to private customers. freenet does not operate a mobile network of its own and instead uses the network infrastructure provided by the network operators established in Germany. In its TV and Media segment, freenet's key revenue-generating activity is the broadcasting of third-party television and radio programmes using its own infrastructure or leased infrastructure. In this respect, freenet AG also markets to private customers technological access to linear television via antenna (DVB-T2) or IPTV. freenet AG's primary revenue-generating activities are allocable to the (NACE) sector "information and communication" which falls under the scope of the EU Taxonomy. The EU Taxonomy is thus applicable at a general level.

The findings of the detailed impact analysis at the level of individual activities were summarised in an impact matrix and are presented below. For 2022 financial year, the initial analysis from 2021 was re-assessed in the light of the transactions and activities which had actually taken place in the past financial year. In principle, even taking the supplementary delegated acts of 9 March 2022 into consideration, this has not led to any significant changes from the point of view of the assessment of the initial impact on freenet.

In addition, the core project team analysed the taxonomy-alignment requirements in relation to the individual taxonomy-eligible economic activities and evaluated the extent to which these requirements had been fulfilled. The findings are presented in the following sections.

Taxonomy-eligible economic activities

According to the current understanding of the EU Taxonomy, it is not merely a question of whether an economic activity directly serves to generate revenue and is thus the actual economic activity of the undertaking. In fact, any activity performed in the undertaking can be taxonomy-relevant.

freenet AG relies on suppliers' products and services in order to provide its own services. In the context of the EU Taxonomy, this involves the purchase of the output of taxonomy-eligible activities or the implementation of individual measures to improve energy efficiency which are covered by the EU Taxonomy. This relates, in particular, to infrastructural issues such as the leasing of vehicles (Section 6 – Transport) as well as buildings (Section 7 – Construction and real estate activities). This also includes activities with respect to data centres (Section 8 – Information and communication). All of the activities of relevance for 2022 financial year are listed and described in Table 29.

Table 29: Taxonomy-eligible economic activities

No.	Economic activity	Description related to freenet AG
Transport macro-sector		
6.5	Transport by motorbikes, passenger cars and light commercial vehicles	Vehicle fleet consisting of company and service cars
Construction and real estate activities macro-sector		
7.2	Renovation of existing buildings	Renovation of the office building at the Büdelsdorf site
7.3	Installation, maintenance and repair of energy efficiency equipment	Installation of energy-efficient LED lighting at own and rented premises as well as shops and stores
7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings	Establishment of a charging station infrastructure at the office sites
7.7	Acquisition and ownership of buildings	Construction phases completed at the Büdelsdorf site after renovation
Information and communication macro-sector		
8.1	Data processing, hosting and related activities	Operation of the Group's own data centre and two rented colocation sites including power supply and air conditioning (right-of-use assets accounted for in accordance with IFRS 16), equipped with own IT

These activities focus on the "climate change mitigation" objective. freenet did not pursue any measures with the objective of "climate change adaptation".

In addition, the following activities of relevance for "information and communication" were assessed for the above-mentioned Mobile Communications and TV and Media core business areas:

- Activity 8.2: Data-driven solutions for GHG emissions reductions (Annex 1)
- Activity 8.3: Programming and broadcasting activities (Annex 2)

In both cases, the core project team's detailed analysis and interpretation of the activity descriptions has established that freenet's core business areas cannot be allocated to these activities. Accordingly, its primary revenue-generating activities are currently not covered by the EU Taxonomy.

Moreover, in relation to activity 8.2 (Annex 1) the FAQs recently published by the European Commission clarified that while general electronic (tele)communications networks are an important and necessary prerequisite in order to realise the ICT solutions listed under this activity, they are not primarily operated in order to reduce emissions. General telecommunications networks, such as mobile networks, are not therefore covered by this activity. Accordingly, freenet AG's economic activity of providing customers with access to mobile communications is likewise not covered by activity 8.2 (Annex 1).

Taxonomy-alignment of the identified taxonomy-eligible economic activities

Under the expanded reporting obligations within the scope of the EU Taxonomy for 2022 financial year, the taxonomy-alignment of the identified economic activity must be analysed and indicated. The assessment has determined that none of the above-mentioned activities is taxonomy-aligned.

In relation to data centres (activity 8.1), the criteria which the EU has defined for a substantial contribution to the environmental objective of "climate change mitigation" are not fulfilled. The global warming potential (GWP) of the refrigerants used in the cooling system in freenet's three data centres exceeds the defined maximum limit of 675, but meets the requirements of Regulation (EU) No 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases. Given that the maximum limit is exceeded and in view of the sequential nature of the three-step test set out in Art. 3 of the Taxonomy Regulation, no further review of the other criteria and requirements was carried out.

According to the delegated act pursuant to Art. 8 of the Taxonomy Regulation, the other activities are associated with the purchase of the output of taxonomy-eligible economic activities and individual measures ("category (c)" in point 1.1.2.1. and point 1.1.3.1. of the delegated act pursuant to Art. 8 of the Taxonomy Regulation) which enable reductions in the greenhouse gas emissions produced by the primary (taxonomy-non-eligible) revenue-generating activities of freenet AG. The current position held by relevant expert committees is that proof of the taxonomy-alignment of the purchased output is to be provided jointly by the respective supplier/owner and the reporting company. Since many companies are themselves in the process of assessing their alignment and freenet AG is unable to include their findings on grounds of time, it is not currently possible to provide any information regarding the degree to which the requirements are fulfilled by these services purchased from third parties. In addition, many companies are not subject to a reporting obligation under the EU Taxonomy. Accordingly, no taxonomy-alignment can be noted in relation to these other activities.

Taxonomy indicators and reporting principles

According to Art. 8 of the Taxonomy Regulation, the reportable key performance indicators (Taxonomy KPIs) comprise a revenue KPI, a CapEx KPI and an OpEx KPI. Besides the taxonomy-eligible proportion of their revenue, CapEx and OpEx, non-financial undertakings are also required to report the taxonomy-aligned proportion of their revenue, CapEx and OpEx. In the absence of taxonomy-aligned economic activities, freenet AG has reported the latter subcategory as zero.

The delegated act pursuant to Art. 8 of the Taxonomy Regulation (Annex 1) specifies the content, methodology and presentation of KPIs to be disclosed by non-financial undertakings. freenet AG has determined the data required for the reporting year in accordance with the definitions and specifications which are set out in this delegated act and are explained below.

The financial data used to calculate the KPIs derive directly from the Group's accounting system. Double-counting is excluded by directly allocating relevant transactions to the respective taxonomy-eligible activity.

Table 30: Quantitative disclosures, EU Taxonomy 2022

Taxonomy KPI	Total (KPI denominator)	Non-taxonomy-eligible portion		Taxonomy-eligible portion		Taxonomy-aligned portion	
In EUR millions/as indicated							
Revenue	2,556.7	2,553.1	99.9%	3.6	0.1%	0	0
CapEx	182.3	176.7	96.9%	5.5	3.0%	0	0
OpEx	32.1	26.1	81.1%	6.1	18.9%	0	0

Revenue KPI

The proportion of consolidated revenue accounted for by taxonomy-eligible economic activities was calculated on the basis of the proportion of net revenue deriving from goods and services associated with taxonomy-eligible economic activities (numerator) divided by the consolidated revenue of freenet AG (denominator); in each case, for the financial year from 1 January to 31 December.

The consolidated revenue serving as the denominator matches the net revenue of the Group reported in accordance with IAS 1.82. Further details of the reporting principles for the recognition of revenue may be found in note 2.1. The consolidated revenue matches the Group's net revenue according to the consolidated income statement and note 4.

The numerator for the revenue KPI matches the net revenue deriving from goods and services associated with taxonomy-eligible economic activities. Accordingly, as in the previous year only the proportion of revenue generated by freenet's own data centre, in the amount of 3.6 million euros (activity 8.1. (data processing, hosting and related activities)), which results from services provided to external third parties has been reported here.

CapEx KPI

The CapEx KPI is defined as the taxonomy-eligible CapEx (numerator) divided by overall CapEx (denominator).

The denominator covers the additions to property, plant and equipment (called "tangible assets" in the Taxonomy) and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, and excluding fair value changes. Of the CapEx categories listed in the delegated act pursuant to Art. 8 of the Taxonomy Regulation, the capital expenditure population applied here comprises the gross additions to property, plant and equipment (IAS 16) and intangible assets (IAS 38) and the additions to long-term right-of-use assets (IFRS 16). Additions from business combinations (IFRS 3), where applicable, also form part of the denominator. Additions to goodwill are not included, since they do not fulfil the definition of an intangible asset (IAS 38). Further details of the reporting principles in relation to capital expenditures may be found in notes 2.2 and 2.3. Total CapEx comprises the sum total of the additions to property, plant and equipment (IAS 16) and intangible assets (IAS 38) in note 37 and the additions to lease assets (IFRS 16) in note 2.5.1.

Notes on the makeup of the numerator may be found in the section "Notes on the CapEx and OpEx KPI numerator".

OpEx KPI

The OpEx KPI is defined as the taxonomy-eligible OpEx (numerator) divided by overall OpEx (denominator) according to the definition in the EU Taxonomy.

The denominator covers direct non-capitalised expenses that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenses relating to the day-to-day servicing of assets of property, plant and equipment to ensure the continued and effective functioning of such assets. This includes the following:

- Research and development expenses have not affected the consolidated income statement in either the financial year or the previous year.
- Short-term leases relate to the expenses determined in accordance with IFRS 16 in note 2.5.1.
- Maintenance and repair expenses and all other direct expenses associated with day-to-day servicing of assets of property, plant and equipment have been determined by means of an individual account analysis and can be allocated to various items (such as maintenance of administration buildings, systems technology or IT systems) of the other operating expenses (see note 10). Building renovation measures are also included.
- Personnel expenses associated with the above-mentioned areas are likewise included. The EU Taxonomy does not explicitly state that they may not be included. In addition, the personnel costs attributable to maintenance and repair of the technical infrastructure were taken into account in accordance with the employees' allocation to cost centres.

The corresponding consolidated accounts were used for population of operating expenses.

Notes on the makeup of the numerator may be found in the section "Notes on the CapEx and OpEx KPI numerator".

Notes on the CapEx and OpEx KPI numerator

The EU Taxonomy does not cover the above-mentioned primary revenue-generating activities of freenet AG. Accordingly, no CapEx or OpEx relating to assets or processes associated with taxonomy-eligible (taxonomy-aligned) economic activities ("category (a)" in point 1.1.2.1. and point 1.1.3.1. of the delegated act pursuant to Art. 8 of the Taxonomy Regulation) have been included in the respective numerator for these activities. Only those CapEx and OpEx which are attributable to cross-sectional activity 8.1 (own data centre) and can be associated with an external revenue-generating activity can be allocated pro rata to category (a). Accordingly, only taxonomy-eligible CapEx/OpEx have been reported in this respect. There is currently no CapEx plan for the transformation of the taxonomy-eligible activity 8.1 (own data centre) into a taxonomy-aligned economic activity ("category (b)" in point 1.1.2.1. and point 1.1.3.1. of the delegated act pursuant to Art. 8 of the Taxonomy Regulation).

The other taxonomy-eligible CapEx/OpEx included in the numerator are entirely attributable to the purchase of output from taxonomy-eligible economic activities and individual measures enabling the target activities to become low-carbon or to leading to greenhouse gas reductions ("category (c)" in point 1.1.2.1. and point 1.1.3.1. of the delegated act pursuant to Art. 8 of the Taxonomy Regulation), and are associated with the activities listed in table 29. Further details of the individual activities may be found in the non-financial statement (see Corporate environmental protection).

For the purpose of the allocation of the CapEx and OpEx to the activities, the transactions and measures have been identified and clearly classified. The taxonomy-eligible proportion of the CapEx (numerator) is 3.0 percent (previous year: 4.4 percent) of the overall CapEx (denominator); of this amount, 83.8 percent (previous year: 69.7 percent) is attributable to gross additions to property, plant and equipment (IAS 16) as well as intangible assets (IAS 38) and 16.2 percent (previous year: 30.3 percent) to additions to long-term right-of-use assets (IFRS 16). Activity 7.2 accounts for the overwhelming proportion of taxonomy-eligible CapEx (69.5 percent). Compared to CapEx, the specific and narrow OpEx understanding in the EU Taxonomy is the reason for the overall OpEx (denominator) being significantly lower than the overall operating expenses of the freenet Group. Including the above-mentioned personnel expenses, this results in a taxonomy-eligible proportion of the OpEx (numerator) of 18.9 percent (previous year: 15.9 percent); of this amount, 40.3 percent is attributable to personnel expenses (previous year: 53.8 percent), 25.1 percent to maintenance and repair costs (previous year: 23.8 percent) and 34.6 percent to other costs including short-term leases (previous year: 22.4 percent). Activity 8.1 accounts for the overwhelming proportion of taxonomy-eligible OpEx (76.3 percent).

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

Revenue

Table 31: Proportion of revenue from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute turnover (3) kEUR	Proportion of turnover (4) in %	Climate change mitigation (5) in %	Climate change adaptation (6) in %	Water and marine resources (7) in %	Circular economy (8) in %	Pollution (9) in %	Biodiversity and ecosystems (10) in %
A. Taxonomy-eligible activities									
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
—	—	0	0	—	—	—	—	—	—
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**	**—**	**—**	**—**	**—**	**—**	**—**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Data processing, hosting and related activities	8.1.	3,615.5	0.1						
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**3,615.5**	**0.1**						
Total (A.1+A.2)		**3,615.5**	**0.1**						
B. Taxonomie-non-eligible activities									
Turnover of Taxonomy-non-eligible activities(B)		**2,553,098.3**	**99.9**						
Total (A+B)		**2,556,713.7**	**100.0**						

DNSH criteria										
Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of turnover year N (18) in %	Taxonomy-aligned proportion of turnover year N-1 (19) in %	Category (enabling activity) (20) E	Category (transitional activity) (21) T
–	–	–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
							–	**–**	**–**	**–**
							–	**–**	**–**	**–**

CapEx

Table 32: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute CapEx (3) kEUR	Proportion of CapEx (4) in %	Climate change mitigation (5) in %	Climate change adaptation (6) in %	Water and marine resources (7) in %	Circular economy (8) in %	Pollution (9) in %	Biodiversity and ecosystems (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**	**–**	**–**	**–**	**–**	**–**	**–**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	452.9	0.2						
Renovation of existing buildings	7.2.	3,853.2	2.1						
Installation, maintenance and repair of energy efficiency equipment	7.3.	150.6	0.1						
Installation, maintenance and repair of charging stations for electric vehicles in buildings	7.4.	12.0	0.0						
Data processing, hosting and related activities	8.1.	1,075.7	0.6						
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**5,544.4**	**3.0**						
Total (A.1+A.2)		**5,544.4**	**3.0**						
B. Taxonomie-non-eligible activities									
CapEx of Taxonomy-non-eligible activities(B)		**176,742.4**	**97.0**						
Total (A+B)		**182,286.8**	**100.0**						

DNSH criteria										
Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of CapEx year N (18) in %	Taxonomy-aligned proportion of CapEx year N-1 (19) in %	Category (enabling activity) (20) E	Category (transitional activity) (21) T
–	–	–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
							–	**–**	**–**	**–**
							–	**–**	**–**	**–**

OpEx

Table 33: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria					
Economic activities (1)	Code(s) (2)	Absolute OpEx (3) kEUR	Proportion of OpEx (4) in %	Climate change mitigation (5) in %	Climate change adaptation (6) in %	Water and marine resources (7) in %	Circular economy (8) in %	Pollution (9) in %	Biodiversity and ecosystems (10) in %
A. Taxonomy-eligible activities									
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
—	—	0	0	—	—	—	—	—	—
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0**	**—**	**—**	**—**	**—**	**—**	**—**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	1,108.3	3.5						
Installation, maintenance and repair of charging stations for electric vehicles in buildings	7.4.	5.1	0.0						
Acquisition and ownership of buildings	7.7.	320.5	1.0						
Data processing, hosting and related activities	8.1.	4,621.3	14.4						
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**6,055.2**	**18.9**						
Total (A.1 + A.2)		**6,055.2**	**18.9**						
B. Taxonomie-non-eligible activities									
OpEx of Taxonomy-non-eligible activities(B)		**26,054.8**	**81.1**						
Total (A+B)		**32,110.0**	**100.0**						

DNSH criteria										
Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of OpEx year N (18) in %	Taxonomy-aligned proportion of OpEx year N-1 (19) in %	Category (enabling activity) (20) E	Category (transitional activity) (21) T
–	–	–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
							–	**–**	**–**	**–**
							–	**–**	**–**	**–**

Corporate governance and other disclosures

Corporate Governance Statement and Declaration of Compliance *

The Corporate Governance Statement in accordance with sections 289f, 315d HGB, freenet AG explains the relevant disclosures about corporate management practices that are applied over and above the statutory provisions. It contains key aspects of freenet AG's corporate governance reporting and more specifically includes:

- the current Declaration of Compliance issued by the Executive Board and the Supervisory Board in accordance with section 161 AktG,
- information on how to access the current remuneration report, the auditor's report and the most recent resolution on remuneration adopted at the Annual General Meeting,
- the relevant disclosures on corporate governance practices applied over and above the statutory provisions,
- the working practices of the Executive and Supervisory Boards and the composition and working practices of the Supervisory Board's committees,
- stipulations for the percentage of women on the Executive Board and on the two management tiers below the Executive Board,
- information on whether the minimum percentage of men and women on the Supervisory Board was complied with in the financial year, or if necessary an explanation of a potential deviation,
- information on whether the company has appointed at least one man and one woman as an Executive Board member, or if necessary an explanation of a potential deviation, and the description of the diversity policy for the Supervisory Board and the Executive Board and its targets, its implementation and the results achieved in the financial year, or if necessary an explanation of why no diversity policy is followed.

The Corporate Governance Statement in accordance with sections 289f, 315d of the German Commercial Code (HGB) and the Declaration of Compliance in accordance with section 161 AktG can be found at fn.de/cgstatement.

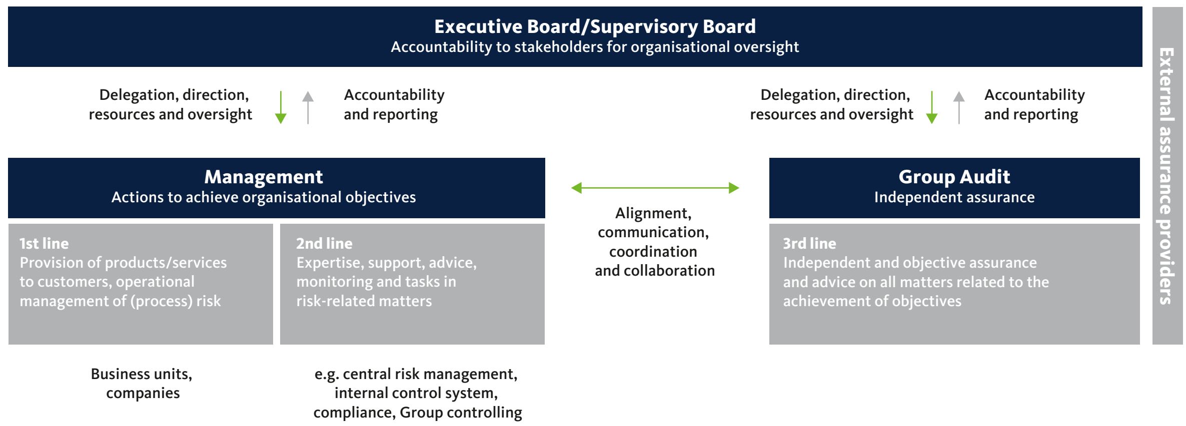
Control and monitoring systems

Design and assessment at freenet

Structure of internal control and monitoring systems *

In the course of establishing internal control and monitoring systems, material processes at freenet were analysed with regard to weaknesses and risks, and key controls and codes of conduct created to ensure that risks along processes are identified and controls and/or codes of conduct specified with a view to preventing harmful effects on financial and non-financial performance. For this purpose, the Executive Board has specified organisational structures, roles and responsibilities that are based on the Three Lines Model of the Institute of Internal Auditors (IIA) and illustrated below.

Figure 19: 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 setting up and regularly monitoring appropriate internal control and monitoring systems, the appropriateness and effectiveness of which are also monitored by the Supervisory Board and/or the Audit Committee of freenet AG. The individual design may differ, depending on the scale of the operating activities and the risk position of the business units and companies.

The operational management of the freenet AG business units and companies (first line) leads and directs actions and the application of resources to achieve the objectives set (e.g. forecasts or "freenet Ambition 2025"). It ensures compliance with internal and statutory requirements in business operations. This process takes into account Group-wide directives (e.g. regarding risk management, data protection, information security, signing authority) and is ideally implemented in the organisational and operational structure through established, standardised and automated workflows and certifications of selected core processes (e.g. ISO 9001, ISO 14001 or ISO 27001). Process-integrated security measures (e.g. transaction and quality controls, segregation of duties, dual-control principle, approval mechanisms and access rights) are also implemented, ensuring the propriety of workflows. Indirect controls in the form of discussions across all levels of management are a central element of freenet's corporate culture. The operational management also maintains regular dialogue with the Executive Board and reports on planned, actual and expected results and the achievement of objectives.

Gatekeepers designated for particularly important freenet business processes identify cross-organisation potential for process improvement and value enhancement and thus also help to safeguard workflows.

The second-line management directs and coordinates the design of the process-integrated control and monitoring systems at an overarching level. The aim is to ensure compliance with internal directives and laws, guarantee information, technology and enterprise security, and set internal control, quality and sustainability standards. The central second-line units perform Group-wide analytical, monitoring and reporting tasks and provide expertise and advice to assist the operating units in achieving the objectives.

freenet's main second-line systems are:

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

The systems' design is based on the Executive Board's specifications and is generally governed by Group-wide policies. Statutory provisions, common ISO standards and frameworks established by standard setters (e.g. Committee of Sponsoring Organizations of the Treadway Commission (COSO), Federal Office for Information Security (Bundesamt für Sicherheit in der Informationstechnik – BSI) and the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e. V. – IDW)) are used as guidance.

Internal control and monitoring systems at freenet are generally interlinked. Scheduled interaction among members of management (e.g. in business reviews, on the Governance Board or the IT Security Board) ensures a cross-system focus and a transparent flow of information. In addition, the second-line management maintains regular dialogue with the Executive Board and the Supervisory Board and/or the Audit Committee of freenet AG and reports on the results, appropriateness and effectiveness of the overarching control and monitoring systems.

Group Audit helps the Executive Board to monitor the freenet AG business units and companies (first line and second line). Through process-independent monitoring activities in the form of regular risk-based and ad hoc audits, it provides independent and objective assurance over the organisational and operational structure in the business units and companies as well as at process and system level. Group Audit also maintains regular dialogue with the Executive Board and the Supervisory Board and/or the Audit Committee of freenet AG and reports on the audit findings, which regularly include comments on the appropriateness and effectiveness of internal control and monitoring systems.

In addition, freenet AG's statutory auditor audits accounting-related workflows and systems in the course of the annual audit of the consolidated financial statements and provides an independent assessment of those workflows and systems.

The design of the process-integrated control and monitoring systems and the process-independent internal audit system at freenet enables management and the Executive Board to give adequate consideration to any remaining risks in managing the business and making decisions.

Summary assessment of appropriateness and effectiveness *

As of 31 December 2022, the Executive Board of freenet AG did not have any information indicating that the internal control system (including the compliance management system) and the risk management system were materially ineffective or inappropriate.

In the case of comments on the appropriateness and effectiveness of internal control and monitoring systems, it must generally be borne in mind that no system – even it has been assessed as being appropriate and effective – can guarantee that it will be possible to detect in advance and manage all emerging risks or prevent any (process) breaches with certainty.

The summary 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 first- and second-line management as well as the Executive Board and Governance Board meetings where the managers responsible reported on their activities and findings. Audit findings of Group Audit and the group auditor that relate directly or indirectly to the aforementioned systems do not result in a different assessment. Neither are there any indications from the Audit Committee of the freenet AG Supervisory Board that internal control and monitoring systems would have been 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)

The design of freenet's accounting-related internal control and risk management system is based on the internationally recognised COSO framework. It comprises all guidelines, processes and measures aimed at guaranteeing the effectiveness, efficiency and accuracy of the accounting and compliance with the applicable legal regulations.

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

The business units involved in the accounting process analyse these controls and measures continuously with regard to new legal requirements and other standards to be observed, and on this basis develop adjusted internal standards and trainings for the responsible employees.

The accounting for the single-entity financial statements of freenet AG's subsidiaries is generally centralised in accounting systems manufactured by SAP (SAP FI). Uniform accounting and measurement methods for the group according to IFRSs are stipulated in a group accounting manual to keep the scope of discretion in the measurement, recognition and presentation of consolidated financial statement items to a minimum. The SAP EC-CS module is used at highest group level to consolidate the single-entity financial statements into consolidated financial statements. The individual disclosures in the Group management report and the notes to the consolidated financial statements are each generated from standardised reporting packages and established coordination processes as part of the internal control and reporting system. The Group consolidation department is responsible for consolidation. As a rule, the processes established for accounting aim at mostly automated determination and control of all material data relevant for accounting.

The objective of the controls implemented in the internal control system for the accounting process is to guarantee that the financial statements conform to standards and to ensure that the accounting is accurate. Approval processes for issuing access rights protect the IT systems used in the accounting process from unauthorised access. Internal controls ensure the correct function of the interface between SAP-FI and the SAP EC-CS consolidation module, as well as the reconciliations of the standardised reporting packages of the subsidiaries right through to the consolidated financial statements of freenet AG. The automated monitoring measures integrated into processes are supplemented by manual plausibility checks of the relevant interim results and spot checks by management or Controlling, among others.

The appropriateness and effectiveness of the accounting-related control system is assured, among other things, through process-independent monitoring. At freenet, Group Audit is responsible for process-independent, internal monitoring. Conducts regular order-based, risk-oriented audits and ad hoc audits to verify the appropriateness and effectiveness of the internal control system by way of spot checks and initiates optimisations when necessary in cooperation with management.

* 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 auditor of freenet AG's consolidated financial statements also audits the effectiveness of the internal control system for accounting purposes during the annual audit of the consolidated financial statements and in doing so, in particular checks the interface and reconciliations between the single-entity financial statements (SAP FI) and the consolidation module (SAP EC-CS) using a risk-based audit approach.

The risk management system is in parts linked to the internal control system and covers not only operational risk management, but also the systematic early identification, control and monitoring of risks throughout the Group. For further explanatory notes about the risk management system, please refer to 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 subscribed capital

The subscribed capital (share capital) of freenet AG amounts to 118,900,598 euros. It is divided up into the same number of no-par-value registered shares. Each share entitles its owner to one vote at the Annual General Meeting.

Restriction on share transfer or voting rights

The Executive Board is not aware of any restrictions affecting the voting rights or the transferring of shares.

Equity interests exceeding 10 percent of the voting rights

On the basis of the existing notifications of voting rights pursuant to Section 21 ff. WpHG, no shareholder holds a direct or indirect equity interest exceeding 10 percent of the voting rights in freenet AG as of 31 December 2022.

Shares with special rights and powers of control

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

Type of voting rights control when employees hold an interest in share capital

If employees have an interest in the company's capital as shareholders, they cannot derive any special rights from this.

Appointment and dismissal of the members of the Executive Board, changes in the articles of association

The appointment and dismissal of the members of freenet AG's Executive Board shall be governed by sections 84 and 85 AktG and section 31 MitbestG in conjunction with section 5 (1) of the articles of association. The relevant provisions governing changes to the articles of association are sections 133 and 179 AktG and section 16 of freenet AG's articles of association.

Powers of the Executive Board to issue shares

The Executive Board, with the approval of the Annual General Meeting, has been authorised by a resolution of the Annual General Meeting of 17 May 2018 to increase the share capital by issuing new shares against contributions in cash or in kind on one or more occasions, up to a maximum of 12,800,000.00 euros until 3 June 2023 (Authorised Capital 2018).

The Executive Board, with the approval of the Annual General Meeting, has also been authorised by a resolution of the Annual General Meeting of 27 May 2020 to increase the share capital by issuing new shares against contributions in cash or in kind up to a maximum of 12,800,000.00 euros until 2 September 2025 (Authorised Capital 2020).

In addition, on 27 May 2020, the Annual General Meeting adopted a resolution regarding a conditional capital increase involving up to a total of 12,800,000.00 euros, consisting of 12,800,000 new no-par-value registered ordinary shares (Conditional Capital 2020). The purpose of the conditional capital increase is to enable registered no-par value shares to be granted to the holders or creditors of convertible and/or bonds with warrants which are issued on the basis of the authorisation as adopted by the Annual General Meeting of 27 May 2020 under agenda item 8.1) and which provides a conversion or option right in relation to the registered no-par-value shares of the company or which establishes a conversion or option obligation in relation to these shares. The Executive Board has been authorised to determine the further details for carrying out a conditional capital increase.

Powers of the Executive Board to buy back shares

Pursuant to the resolution of the Annual General Meeting of 5 May 2022, the Executive Board was authorised, until 4 May 2027, to acquire own shares equivalent to up to 10 percent of the current share capital or – if lower – 10 percent of the share capital existing at the time at which the authorisation is exercised. This authorisation can be exercised by the company, by its subsidiaries, or by third parties for the account of the company or for the account of its subsidiaries. Acquisition of such shares shall be carried out at the discretion of the Executive Board through the stock market, by way of a public offer of purchase, through a public invitation to submit offers for sale, by issuing tender rights to the shareholders or by using equity derivatives (put or call options or a combination of the two). There is also the possibility of purchasing own shares in accordance with sections 71 et seq. AktG.

Detailed information on the share buyback programmes are available at fn.de/sharebuyback.

Change of control

A change of control might have an impact on the repayment claims resulting from the syndicated loan agreement between the freenet Group and a syndicate of banks as well as the promissory note loan issued by freenet AG. In such a case, these loans might be called in either in part or in their entirety without freenet being able to influence such a move. Such a change of control, irrespective of whether it precedes the takeover offer, might exist in the event of the acquisition of more than 50 percent of the voting rights in freenet AG or if one or more persons acting in concert have the right to determine the majority of members of the Supervisory Board of freenet AG. In such a case, freenet would be exposed to the risk that subsequent financing for settling the repayment claims might not be agreed or might only be agreed subject to less favourable conditions.

Compensation agreement of the company

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

Report on post-balance sheet date events

There were no events of material significance for freenet AG after the balance sheet date.

Büdelsdorf, 9 March 2023

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)