

# Ordinary Annual General Meeting of freenet AG - Speech by the Christoph Vilanek (CEO)



**May 8, 2024, Congress Center Hamburg (CCH),  
Hamburg**

*The spoken German word prevails.*

*The following speech is a convenient translation. In case of doubt, the German version shall prevail.*

Ladies and gentlemen,

Dear shareholders,

On behalf of the Executive Board and all employees of freenet AG, I would like to welcome you to today's Annual General Meeting. This is my 16th Annual General Meeting of freenet AG in my role as Chairman of the Management Board and I can tell you that routine is comforting, but I look forward to this day every year.

With this in mind, I would like to thank you for coming here to Hamburg once again: The years of the coronavirus pandemic have permanently changed the way we live and work together. As a company that focuses on 'digital first', we at freenet are of course helping to shape these changes, but we firmly believe that direct dialog between people is still irreplaceable. This should also apply to our meeting today - that is my wish.

Creativity, discourse and progress arise where people meet and literally engage with each other - we believe in a minimum level of presence and will continue to represent this viewpoint within the company.

Despite all the changes in my 16 years as CEO of freenet AG, one thing has remained the same: At this point, I have always been able to draw positive conclusions about our work - regardless of the global pandemic and the various financial and economic crises that we have successfully overcome together in the past, and it is the same today. In the first part of my presentation, I will therefore give you a brief overview of the past financial year, which was another successful one, before my colleague on the Executive Board, Ingo Arnold, follows with a detailed presentation and analysis of the key financial figures.

In the second part of my presentation, I will report on the fruits borne by the strategic decisions and concrete steps we have taken in recent years in our core mobile communications business and in the TV and media business field. Finally, as in previous years, I will focus on our very special corporate culture.

Please allow me to make a note in advance: in some places I only use the generic masculine when referring to people - you have probably already noticed this. I do this solely to make my presentation as fluid as possible for you. Diversity is important to me. In my view, a company works successfully when diversity is a matter of course. I say this as the CEO of a company whose workforce was made up of over 60 nationalities at the end of 2023.

### **Successful financial year 2023**

Ladies and gentlemen, let us now turn to the past financial year. It was a milestone in freenet's development: for the first time, we generated earnings of half a billion euros - with a slight increase in sales. To be precise, our EBITDA amounted to 500.2 million euros. That is an increase of over 4% compared to 2022.

On the one hand, we met our guidance - which was raised during the year - of between 495 and 505 million euros. On the other hand, we are still on track for our growth plan until the end of 2025, which we presented to you two years ago under the heading 'freenet 2025' - as you will certainly remember, ladies and gentlemen. It envisages that, starting from the reference year 2020, we will increase EBITDA to at least 520 million euros by the end of 2025. This corresponds to an average EBITDA growth rate of over 4% per year. The result for the 2023 financial year has already brought us closer to achieving this ambition. Nevertheless, much remains to be done to achieve the 2025 target and set the course for further growth in the following years.

At the time, we had set a free cash flow target of over 260 million euros for 2025. In fact, we achieved 262.6 million euros last year, i.e. in 2023 - once again providing a strong financial distribution base. We are therefore recommending an increase in the dividend to EUR 1.77 per share at today's Annual General Meeting. With this somewhat odd figure, we are implementing exactly the financial policy we have communicated and distributing 80% of the free cash flow to you, dear shareholders. This is a record payout per share and once again makes the freenet share one of the strongest stocks in Germany in terms of dividend yield.

We are targeting another milestone for the current financial year - in terms of the number of subscribers. After increasing their number by over 450 thousand to almost 9.5 million in 2023, we are now targeting the 10 million mark by the end of the year. This strong growth is being driven in particular by our IPTV product waipu.tv. I will go into this in more detail in a moment. With 10 million customers, every 7th German resident over the age of 18 would be a customer of our company - I think that's quite impressive.

None of this is a sure-fire success! Neither in the highly competitive TV segment nor in our core business of mobile communications. We have therefore declared the current financial year as a "year of transition" in which we will invest in both segments. Accordingly, we expect EBITDA in the range of 495 to 515 million euros and free cash flow of between 260 and 280 million euros for 2024.

I would now like to go into a little more detail about the operating business in the two segments, dear shareholders.

## **"Assisted Personalized Shopping" (APS) as a central element of our progress**

Mobile communications represents a solid and crisis-resistant business model. It is based on an indispensable product with long-term, subscription-based customer relationships and our unique sales interface. Nevertheless, we have made massive efforts in recent years to work even better and more efficiently. We have restructured our organization and processes, created corresponding responsibilities on the Management Board and simplified the operating model. We have eliminated redundancies and drastically reduced the complexity of products and processes.

The basis and core of our positioning is the sustainable focus on the customer lifetime value of our customers. The intended win-win situation works for both sides: The customer benefits from fully personalized offers, and we record growth in new customers, transactions in our existing business and revenue from our digital lifestyle offering.

Two further projects round off the process of continuous improvement: firstly, the alignment of as many products as possible with the 'freenet' umbrella brand. And secondly, the optimal integration and harmonization of our own offline and online sales channels - under the label 'Retail 25'. Customers receive the same offer in the store as on the website and therefore the greatest possible transparency and flexibility when selecting and purchasing our products. The experience of shopping and receiving advice on site is thus combined with the advantages of online retailing.

The groundbreaking result for the retail sector is 'Assisted Personalized Shopping' – “APS” for short. We are not only making life easier for the customer, but also for the employee on site, i.e. more time for sound advice, more choice and service and, from the customer's point of view, a real incentive to go into the store - the same prices with personal advice. The basic prerequisites for this are simplified and more efficient

processes as well as relevant automation. We are also making a contribution to sustainability - more digitalization, less paper, less logistics and less waste.

The concept has proved very successful in selected pilot stores, and we will be rolling it out to all stores in August of this year.

Our realignment to the 'freenet' umbrella brand - which we implemented last year - has also proved successful. Our previous main brand 'mobilcom-debitel' has disappeared as part of this, and we have redesigned our approximately 500 stores accordingly. The new umbrella brand offers a number of advantages: it creates greater identification among customers and employees alike and promotes synergies in sales and retail, marketing and customer communication. To this end, we launched a successful campaign last summer with our new claim "freenet.fertig.los! We are convinced that this claim accurately reflects our identity. The fact that our brand awareness has doubled since the launch shows that the claim works.

The result of all these initiatives is impressive: The number of postpaid customers increased by around 145 thousand to more than 7.4 million in 2023. In the previous year, the increase amounted to just under 100 thousand. And the number of users of our app-based tariffs freenet FUNK and FLEX also increased by more than 7%- to over 121 thousand.

waipu.tv is growing at an impressive rate - which brings me to the 'TV and Media' segment.

### **waipu.tv asserts itself on the German market**

The IPTV product from our subsidiary EXARING AG, in Munich, offers around 270 channels, almost all of them in HD quality, as well as its own video library with around

30,000 films of various genres, TV series and shows. Users can watch live TV or access films and recordings flexibly at any time, at attractive conditions on up to four devices simultaneously. There is no question that we are talking about the most modern television experience on the market.

The growth rates of waipu.tv are correspondingly rapid: shortly after the start of 2023, we welcomed our one millionth customer to the platform, by the end of the year we already had 1.37 million customers and we are now over the 1.5 million mark. My personal ambition is to reach the two million mark by the end of the current year. This would bring us close to the critical mass we are aiming for. Nevertheless, the current figure of 1.5 million customers already makes us more relevant for content providers, leads to significantly greater marketable reach for advertising and further strengthens our competitive position in the market segment.

The target of two million waipu.tv subscribers is ambitious. But as we all know, a small revolution for German cable TV customers is coming in the middle of this year: The so-called ancillary cost privilege will no longer apply. According to estimates, eight million of the twelve million cable TV households are tenants who will no longer be obliged to use cable TV, which can be billed by the landlord as a service charge. Instead, they can decide freely about their TV access. According to a survey by waipu.tv, every second user wants to cancel their cable connection and the majority want to switch to IPTV.

It goes without saying that the total of twelve million households represent an incredibly interesting target group for us. However, in order to win them over to waipu.tv, at least in part, they need to know about our attractive offer and be convinced to subscribe.

We are therefore now investing more in marketing and sales activities in this area - which is also why I referred to 2024 earlier as a "year of transition".

Dieter Bohlen continues to be the advertising figure for waipu.tv and he seems to be paying off - with dramatically lower advertising spend than Deutsche Telekom spends on its Magenta TV - we managed to acquire almost twice as many new customers as this competitor in 2023.

Our second subsidiary in the TV and media segment - Media Broadcast - is also providing promising growth impetus. And this is in the B2B area. Allow me to mention a few outstanding projects from the past year:

- At the beginning of 2023, our Cologne-based subsidiary carried out a professional TV production via a private 5G network for the first time at a soccer match.

This was followed in the course of the year by

- an order from Antenne Bayern for the continued FM feed and investments in new infrastructure,
- a contract extension with WDR to broadcast Bundesliga 1 and 2 matches from its 36 stadiums,
- an eight-year contract from MDR to build and distribute a broadband network between six production sites, and finally
- the completion of the modernization of Bayerische Medien Technik bmt's feed network for local TV stations in Bavaria.

In addition, Media Broadcast has continued and now largely completed the expansion of the transmitter network for the first national digital radio multiplex at dozens of German locations in recent quarters. Our subsidiary is thus continuing its outstanding



work as an infrastructure service provider in the high-tech sector and is making itself irreplaceable in certain areas.

Our second TV product - Media Broadcast's freenet TV, which can be received via antenna - continues to form a solid basis for the profitability of the TV and Media segment. This is despite declining user figures - which were and are generally to be expected given the developments in TV consumption described above. With the hybrid stick launched in the first quarter of 2024, we are combining the two technologies from freenet - freenet TV and waipu.tv - in a joint technical solution for the customer.

Media Broadcast also owns 50% of Antenne Deutschland GmbH in Munich, which operates six successful nationwide radio stations under the Absolut brand - Antenne Deutschland currently reaches an average of around 400 thousand listeners per hour and is the fastest growing radio company in the DAB environment.

If I may summarize, ladies and gentlemen, freenet has a very attractive portfolio of offerings: stable, high-yield mobile communications on the one hand and the fast-growing IPTV business on the other, supported by equally high-yield traditional television via antenna and the infrastructure business of Media Broadcast. We are also successful in other areas: we sell more than 100 thousand electricity contracts per year, equip schools and institutions with WiFi, serve several million customers with e-mail and information services and have around 30 thousand customers in our stores every day.

### **Despite efforts: Closure of Gravis**

However, an efficient portfolio requires more than just new investments with the launch of attractive products and initiatives. Consequences must also be drawn if parts of the portfolio cause serious problems or even losses. We owe this to you as freenet

shareholders. This brings me to a topic that recently caused a stir in the industry: In March, we had to announce the end of our subsidiary Gravis - one of Germany's largest Apple retailers. Unfortunately, we will have to close the 37 stores this year.

The background to this was reported extensively in the press. The clearest insight was provided by the then Gravis founder Archibald Horlitz, who has not been with the company since 2013. He places the main blame for the development on Apple: because they obviously believe that independent retailers are no longer needed. Gravis and the few other specialist retailers have been at an extreme disadvantage for years when it comes to supplying new Apple products. And in addition to the ongoing non-delivery or poor delivery of products, especially at market launch, there are also comparatively poor margins. "Apple has clearly decided in recent years that specialist retailers have no place in Apple's sales structure in the future," concludes Horlitz.

I have nothing to add to that, ladies and gentlemen! In any case, we at freenet have made great efforts over the past months and quarters to ensure the survival of Gravis.

I personally also held intensive talks to try and ensure Gravis' survival: firstly with Apple to negotiate better sales conditions and margins. And at the same time with competitor retail chains in order to arrange possible cooperations or takeovers and thus secure the jobs of the employees concerned. Ultimately, however, all efforts were unsuccessful.

Our subsidiary's losses have increased in recent quarters. This was no longer acceptable in your interests either, dear shareholders.

The financial market obviously sees it the same way. Shortly after the announcement of the end of Gravis, the freenet share reached an annual high of 26.80 euros on April 3rd. We are currently in talks with the Gravis workforce and their representatives in

order to make the departure of around 400 full-time positions from the Group as socially acceptable as possible. After all, the care and social security of our employees is a natural part of our corporate culture. Just like our flat hierarchies with open doors, encouragement and challenge, continuous learning and scope for action with responsibilities and creative freedom for each individual employee.

### **Employee satisfaction as an employer reference**

And that brings me to the third and final part of my presentation, ladies and gentlemen - our special corporate culture. The fact that this is not just an empty slogan, but is actually put into practice, may be demonstrated by a current project last year.

I mentioned earlier the repositioning and rebranding of our previous main brand 'mobilcom-debitel' to 'freenet'. We did not make this decision "top-down" - in other words, it was decided at management level and passed down through the ranks. Instead, our employees were involved first and foremost in order to create the basis for the repositioning: How do they perceive their company's brand and identity, what are clear differentiators from the competition? The end result of this complex, multi-stage process was very successful and impressive all round - as I mentioned earlier.

However, we don't just demand such commitment from our employees. We also encourage them accordingly - and show encouraging growth in this area as well: if all qualification and further training measures in the Group are taken together, we have over 45 thousand hours in the past financial year. In the previous year, the figure was around 34 thousand hours. This equates to almost 13 hours per employee - incidentally, we had set ourselves a target of eleven hours for the past financial year.

We reward the success we achieve together accordingly: as in the previous year, we increased the minimum wage at freenet in 2023 - it now amounts to over 14 euros per

hour. This puts us 15% above the statutory minimum wage, and the minimum income at freenet will rise to at least 30 thousand euros per year. In July last year, we also paid all employees an inflation adjustment bonus. This gives the lower income groups in particular, as well as some commission-dependent employees, a little extra security in times of a sharp rise in the cost of living.

Thanks to our HR policy, we once again earned new awards last year. These included:

- the 'eLearning Award' - with first place in the Learning Management System category

and also the seals:

- 'BEST PLACE TO LEARN' from Aubi Plus GmbH,
- 'Employer of the Future' by the German Innovation Institute for Sustainability and Digitalization and
- 'Top Career Opportunities' by Service Value GmbH together with FOCUS Money.

Last year, however, we received the greatest award from the employees themselves: In their survey in three waves, general satisfaction with our company was two-thirds - that is a very good result as a benchmark. And over 80% of the employees surveyed would recommend their manager and the company as an employer to others. I would like to take this opportunity to thank you, dear colleagues, for this vote of confidence - and even more so for your invaluable daily commitment.

Ladies and gentlemen, allow me to briefly address the topic of sustainability - ESG for short - within the Group. At the beginning of last year, my colleague Nicole Engenhardt-Gillé was appointed to the Management Board of freenet in the newly created 'ESG

and Human Resources' department. Among other things, she assumed overall responsibility for the further environmentally and social orientation of our company.

Under Nicole's aegis, an ESG strategy was formulated together with various specialist departments and its implementation anchored centrally in a likewise newly created ESG management team. You can read about the specific initiatives and progress we made in the area of ESG in 2023 in the extensive sustainability section of the annual report. Of course, Ms Engenhardt-Gillé will also be happy to answer any detailed questions you may have in person: she is fully committed to all matters relating to environmental and social aspects, our social responsibility as a company and corporate governance requirements.

Finally, I would like to say a big thank you:

- First of all, once again to all our colleagues for our great work together,
- then to our customers and business partners for their continued trust in our products and services;
- We would also like to thank you, dear shareholders, for your trust in the management team of freenet AG.
- And last but not least, I would like to thank all those attending today's Annual General Meeting for their valued attention.

I would now like to hand over to my colleague Ingo Arnold.