Ordinary Annual General Meeting of freenet AG - Speech by Ingo Arnold (CFO)

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.

Thank you very much, Christoph.

Dear Shareholders,
I would also like to welcome you to our Annual General Meeting today at the CCH.

In addition to Christoph Vilanek's comments, I would now like to present the key financial developments in the 2023 financial year. As Christoph already mentioned, we not only once again fully achieved the targets we set at the beginning of 2023 with regard to the key financial indicators, but also met our EBITDA guidance, which we adjusted upwards during the year. In short: the 2023 financial year was a complete success! We generated EBITDA of half a billion EUR for the first time, gained almost 400 thousand net new customers at waipu.tv and - measured in terms of total shareholder return - achieved an increase in value for our shareholders of 32%. These figures underline the fact that freenet is able to defend its good position on the mobile communications market and at the same time has successfully established itself on the TV market. It is also clear that our investors are honoring our performance in the same way. As a result, we can once again propose the payment of a record dividend of €1.77 per share for the past financial year.

I would like to explain in detail below how this success is expressed in figures.

Profitability increases disproportionately to revenue
Group revenue increased by 2.8% year-on-year to EUR 2.63 billion in the 2023 financial year. The moderate increase in revenue in the Mobile Communications segment by 1.4% to EUR 2.28 billion is mainly due to the year-on-year increase in service revenue with mobile customers, which consequently improved the profitability of revenue in the Mobile Communications segment. At the same time, sales revenues from pure hardware, which result in particular from the Gravis business, decreased.

In the TV and Media segment, revenues increased by 10.2% year-on-year to EUR 345.4 million, which is mainly due to the strong net new customer growth at waipu.tv. Meanwhile, Media Broadcast's revenues remained at the previous year's level.

Overall, we were able to meet our guidance of stable Group sales revenue.

At 500.2 million euros, EBITDA in the past financial year was well above the previous year's level of 478.7 million euros and reached the half-billion-euro mark for the first time in freenet's history. EBITDA is therefore right in the middle of our forecast range of 495 to 505 million euros, which was raised during the year. Fortunately, both operating segments contributed to this result. In the core business of mobile communications, EBITDA increased by 3.7% to 417.4 million euros. Our growth segment TV and Media increased segment EBITDA by 4.5% to EUR 110.2 million and now contributes over 20% to Group EBITDA. The strong customer growth at waipu.tv and the consistent expansion of the infrastructure business at Media Broadcast mentioned by Christoph are the main reasons for this. The lower EBITDA growth in the TV and Media segment compared to revenue is attributed to extensive investments in waipu.tv's brand awareness in order to benefit as much as possible from the abolition of the ancillary cost privilege ("Nebenkostenprivileg") in mid-2024. As soon as the phase of these extensive brand investments is completed, this should result in rising segment EBITDA.

Our core business in mobile communications is growing steadily, while developments in the TV and media segment continue to show a strong growth trend.

Business model remains free cash flow strong

The strength of our operating business is also reflected in an increase in free cash flow. In the past financial year, we generated a free cash flow of 262.6 million euros, thereby meeting our guidance, which we specified during the financial year as being in the range of 260 to 270 million euros. Compared to the 249.2 million euros achieved in the previous year, this represents an increase in free cash flow of 13.3 million euros or 5.3%.

To assess the Group result, the effects in connection with the realignment of our brand strategy decided in the previous year must still be taken into account. As part of the brand transformation, the "mobilcom-debitel" brand used since 2009 has been gradually replaced by the "freenet" brand since the beginning of the 2022 financial year. As a result of the implementation, the brand reported in our balance sheet as an intangible asset was fully amortized by 30 June 2023. This resulted in additional amortization of € 98.5 million and additional deferred tax income of € 14.3 million for the 2023 financial year. The consolidated net profit of EUR 156.3 million reported for the 2023 financial year must be adjusted for these two effects in order to enable comparability with the previous year. This results in adjusted consolidated net income of 240.5 million euros, compared to 248.4 million euros in the same period of the previous year. The decline is mainly due to higher deferred tax expenses, which are, however, non-cash items.

Healthy balance sheet and debt reduction

I would now like to discuss the key balance sheet figures for the 2023 financial year. Total assets at the end of 2023 amounted to 3.41 billion euros, a significant decrease of 213.9 million euros compared to the previous year's reporting date. This is due to various effects, which I would like to explain to you below.

On the assets side, intangible assets decreased by €125.1 million, mainly due to the aforementioned amortization of the "mobilcom-debitel" trademark right until mid-2023 and the scheduled amortization of the exclusive distribution right with Media-Saturn Deutschland GmbH. In addition, leased assets decreased by 56.9 million euros due to scheduled depreciation and revaluations.

The decrease in inventories by 27.3 million euros is due in particular to improved working capital management. The reduction in cash and cash equivalents by 18.2 million euros to 159.8 million euros resulted primarily from the dividend payment of 199.7 million euros made in May 2023, the scheduled repayment of two promissory note loan tranches amounting to 113.5 million euros and the raising of a promissory note loan tranche amounting to 35.0 million euros, while free cash flow of 262.6 million euros was generated.

On the liabilities side, equity fell by 32.4 million euros to 1.44 billion euros. With an unadjusted consolidated net profit of 156.3 million euros, this reduction is primarily due to the dividend payment of 199.7 million euros.

The equity ratio increased from 40.5% to 42.1% at the end of 2023, thus remaining well above the lower limit of 25.0% set by us.

Alongside equity, financial liabilities remain the largest item on the liabilities side and were reduced by EUR 78.7 million to EUR 430.8 million as a result of the aforementioned net repayment of promissory note loans.

Ladies and gentlemen, following the significant debt reduction undertaken in previous years, our company is in a more than healthy financial position thanks to the good operating result for the 2023 financial year and the further loan repayments.

The leverage factor as the ratio of net financial debt to EBITDA generated in the last twelve months corresponds to 1.2 times EBITDA at the end of the 2023 financial year and was therefore further reduced compared to the previous year's figure of 1.5. The leverage factor is still well below the upper limit we have defined of 3.0 times EBITDA.

Dividend continuity also in 2024

Dear shareholders, the past stock market year 2023 continued to be characterized by the prevailing geopolitical and economic crises. Despite this challenging environment, the freenet share achieved a total shareholder return, i.e. the sum of the change in share price and the dividend payout, of 32%. Our company performed significantly better than our benchmark indices MDAX and TecDAX, which stood at +8% and +14% respectively.

For the past financial year, we remain a reliable partner for you and will continue the dividend continuity of previous years. Consequently, we continue to promise you a payout ratio of 80% of free cash flow. This is also the basis for today's proposal to the Annual General Meeting to approve a dividend of EUR 1.77 per share for the past financial year 2023. This means that we can once again offer you a very attractive dividend yield of 7.0% compared to the market - based on the closing price of the freenet share on December 31, 2023.

Sustainability as a key component of reporting

Before I come to the business outlook for 2024, I would now like to say a few words about sustainability, particularly with regard to reporting. Christoph already mentioned that Nicole joined our freenet AG Executive Board team at the beginning of 2023 with a special focus on HR and sustainability. This is right and also important in light of the fact that companies are increasingly being held accountable for their performance in this area - and not just by the capital market.

The requirements for the sustainability report are also increasing. Similar to financial reporting, a high degree of transparency, reliability and comparability of information is also expected here. As external pressure and previous regulation have clearly not triggered the desired alignment mechanism between companies to achieve this, new rules have applied to capital market-oriented companies in the EU since the beginning of the year.

The European Sustainability Reporting Standards - ESRS for short - now form the basis for sustainability reporting for all companies concerned and come with a wealth of disclosure requirements. Together with the new sustainability standards, the integration of the sustainability report into the Group management report will become mandatory, as will the limited assurance engagement. The latter is nothing new for us. We decided early on in 2017 to take this path in order to send a signal to the outside world that we take reporting seriously and see it as part of our accountability to you, our shareholders.

In recent months, we have already tackled a number of issues in this context. For example, we have carried out the double materiality analysis required by ESRS with the involvement of relevant stakeholders to identify the material sustainability issues that freenet AG is required to report on. On the one hand, it was necessary to assess the impact of our business activities on society and the environment and, on the other hand, the financial opportunities and risks for freenet AG arising from the topic of sustainability. In addition, we have started to go through the required report content with the specialist departments and to develop the content, complete our climate balance sheet, particularly with regard to the value creation activities upstream and downstream of our business, carry out a climate risk analysis and compare our previous ESG key figures with the new requirements and adjust them where necessary. The latter is particularly necessary in order to provide those responsible with a suitable tool that enables them to manage the issues and pursue the goals we have set ourselves. Last but not least, I am of course also particularly interested in the information needs of our investors. We therefore actively address the topic of sustainability in our investor meetings and a few weeks ago we even had the first pure ESG meeting at a capital market conference. As you can see, a lot is already happening at freenet in terms of sustainability reporting, but this is just the beginning of a long journey.

After this perhaps somewhat lengthy digression, let me now turn back to the financial perspective and present the forecast for the 2024 financial year.

2024 will be a transition year for more growth

We have declared 2024 as the "Year of Transition": We intend to position ourselves even better for the future! As Christoph already reported, we want to invest massively in the waipu.tv brand in order to fully benefit from the momentum of the abolition of the service charge privilege. As a result of the brand investments, EBITDA and free cash flow growth will be rather subdued in 2024 - in order to then benefit from customer growth in the IPTV sector in the years thereafter!

The entire Management Board has made a conscious decision to forego earnings growth in the short term in favor of accelerated, medium-term customer growth.

We will also continue to drive forward the further development of our products, services and partnerships. Quality, service and strategic partnerships will continue to serve to increase our valuable customer base, which forms the basis for meeting our financial targets. We expect moderate growth once again for postpaid customers. For customer figures in the TV and Media segment, we expect an overall increase based on a significant increase in the number of waipu.tv subscribers and a noticeable decrease in freenet TV subscribers.

On this basis, we are aiming for stable Group sales in the 2024 financial year, which should lead to EBITDA in the range of EUR 495 million to EUR 515 million. We also expect free cash flow of between 260 and 280 million euros.

Irrespective of these rather cautious growth expectations for 2024, we are sticking to our ambition of achieving EBITDA of at least EUR 520 million by the end of 2025. Our dividend payout also remains unaffected, meaning that our shareholders can also expect a stable dividend trend in the "year of transition".

I will hand this back to the Chairman of the Supervisory Board, Marc Tüngler.