2022
Annual report

freenet

Mobile communications. Internet. TV entertainment.

Key figures

Operations

In EUR millions / as indicated	2022	2021	Change	Q4/22	Q4/21	Change
Revenue	2,556.7	2,556.3	0.0 %	667.7	675.5	– 1.2 %
Gross profit	886.7	853.4	3.9 %	229.2	214.3	7.0 %
EBITDA	478.7	447.3	7.0 %	116.4	107.4	8.4 %
Adjusted consolidated profit [1]	248.4	191.2	29.9 %	42.8	47.2	– 9.4 %
Adjusted earnings per share (in EUR) [1,2]	2.07	1.62	27.7 %	0.35	0.38	– 7.4 %

Customer figures

In '000s	31.12.2022	31.12.2021	Change
Postpaid customers	7,273.7	7,178.0	1.3 %
App-based tariffs [3]	113.1	88.0	28.5 %
freenet TV subscribers (RGU)	685.6	796.6	– 13.9 %
waipu.tv subscribers	970.0	722.5	34.3 %
Number of subscribers (total)	9,042.4	8,785.1	2.9 %

Balance sheet

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 flow, investments and depreciation

In EUR millions	2022	2021	Change	Q4/22	Q4/21	Change
Free cash flow	249.2	234.4	6.3 %	62.0	61.5	0.9 %
Net investments (CapEx)	– 60.0	– 45.1	32.9 %	– 20.3	– 16.6	21.9 %
Depreciation and impairment	– 349.3	– 197.3	77.1 %	– 88.6	– 45.9	93.0 %
Thereof amortisation of the mobilcom-debitel trademark	– 194.7	0.0	n/a	– 49.2	0.0	n/a

Share

In EUR/as indicated	31.12.2022	31.12.2021	Change
Market value per share [4]	20.42	23.27	– 12.2 %
Market capitalisation (in EUR millions) [4]	2,313	2,980	– 22.4 %
Dividend per share	1.68 [5]	1.57	7.0 %

Employees

	31.12.2022	31.12.2021	Change
Headcount	3,660	3,784	– 3.3 %

[1] Adjusted for effects from the amortisation of the mobilcom-debitel trademark
[2] Basic and diluted.
[3] Comprises subscribers of freenet FUNK and freenet FLEX
[4] Based on XETRA daily closing price
[5] Payment subject to a resolution adopted by the Annual General Meeting.

For more information on 2022 financial year including statements from our Executive Board members, go to **fn.de/2022fy**

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2022 Highlights

January | mobilcom-debitel becomes freenet

freenet began 2022 by consolidating its brand portfolio and reinforcing the freenet umbrella brand. All products previously sold under the mobilcom-debitel brand now carry the freenet name. The aim of this standardisation is to raise freenet's profile so that it becomes known as an umbrella brand for one of the largest digital lifestyle providers in Germany and creates synergies in sales and retail, marketing and customer communications. The switch is being publicly rolled out with the help of brand ambassador Dieter Bohlen, a campaign that has already significantly increased awareness of freenet as a consumer brand.

April | freenet raises minimum wage considerably

In April, freenet set a good example of social responsibility by increasing its minimum wage for employees to 13.22 euros per hour. freenet employees received higher salaries from April 2022 onwards. The move also enhances freenet's competitive positioning for skilled workers within the lower income range (e.g. warehouse logistics staff). Companies were only required by law to increase their minimum wage to 12 euros per hour from October onwards.

May | Agreement with MediaMarktSaturn extended

At the end of May, freenet announced its decision to extend its successful long-term distribution partnership with Media-Saturn Deutschland GmbH ahead of schedule. The new agreement once again created an excellent framework for this relationship. In particular, this established and exclusive distribution partnership allows freenet to offer its own tariffs across all mobile networks and original tariffs from network operators Deutsche Telekom and Vodafone in all MediaMarkt and Saturn stores as well as across Germany via the company's online channels.

May | Marc Tüngler appointed as new Supervisory Board chairman of freenet AG

In May, the Supervisory Board of freenet AG appointed Supervisory Board member Marc Tüngler as its new chairman. Tüngler, who has served on the Supervisory Board of freenet AG since 2012, succeeds Prof. Dr Helmut Thoma, who stepped down from the Supervisory Board. He has been appointed for four years. In addition to his role as Managing Director of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW – German Association of Private Shareholders), he has been a member of the government commission on the German Corporate Governance Code since 2015. The Supervisory Board has also been bolstered by the appointment of new members Prof. Dr Kerstin Lopatta, Miriam Wohlfarth and Thomas Karlovits.

June | freenet Internet launched

In June, freenet became the first German provider to offer an app-based Internet product as it launched freenet Internet. This new online tariff can be managed flexibly via the app and can be cancelled on a monthly basis. By launching this product, freenet has established the Internet segment as the third pillar of its business alongside Mobile Communications and TV & Entertainment as it continues to consistently broaden the company's digital lifestyle portfolio. This product was expanded to include a broadband product (DSL) in early 2023. The aim is for freenet's Internet product to contribute 15 to 25 million euros to Group EBITDA from the 2025 financial year onwards as part of the company's medium-term financial ambitions.

August | EBITDA forecast raised for 2022 financial year

freenet delivered strong financial results in the first six months of 2022. Despite mounting macroeconomic challenges created by increasing geopolitical tensions, the company continued to improve its profitability in a dynamic yet rational market environment. As a result, the Executive Board raised its EBITDA forecast for the second half of 2022 (460 to 480 million euros; previously 450 to 470 million euros), an increase of 10 million euros (+2.2 percent) compared to the respective midpoints of the original and new guidance.

August | GRAVIS launches innovative and sustainable store model

In August, GRAVIS unveiled an innovative new store model just a few steps from its previous premises in Munich. The new spatial model focuses on the chain's omnichannel approach by seamlessly incorporating online activities into its bricks-and-mortar stores. By offering sustainable products, an in-store purchasing programme for old devices and the chance to offset carbon emissions by planting trees, this new store model embodies GRAVIS's commitment to sustainability. From Munich, the model is likely to be steadily rolled out to other locations.

September | New Executive Board position for Human Resources and ESG

In September, freenet addressed the key issues of the future by creating a dedicated Human Resources and ESG position on the Executive Board. Nicole Engenhardt-Gillé was appointed to freenet's Executive Board on 1 January 2023, having previously been responsible for the company's almost 3,700-strong workforce in her role as Head of Human Resources. Her remit has now expanded to include responsibility for all aspects of sustainability (ESG) as well as all training and continuing professional development within the bricks-and-mortar shop business.

August | Dieter Bohlen extends contract as "CEO" (Chief Entertainment Officer)

After a successful initial campaign with our new "Chief Entertainment Officer" to raise awareness of the umbrella brand, freenet extended its contract with Dieter Bohlen in August. Bohlen became a freenet ambassador in 2021 and has helped to significantly increase awareness of freenet as a consumer brand. The pop titan is once again advertising the digital lifestyle provider's entire range of products and services in his inimitably brusque yet charming way. The aim of the latest campaign is to communicate the brand's specific promise in addition to highlighting its Mobile Communications, Internet and TV & Entertainment businesses.

December | waipu.tv continues to expand strategic partnerships

waipu.tv recorded robust subscriber growth across the entire year, with around 250,000 more customers using its paid offering compared to a year earlier by year-end. To ensure even stronger growth in 2023, waipu.tv teamed up with several partners for the coming year during 2022. In addition to partnerships with sport streaming service DAZN as well as (Fire TV and Apple TV rival) Roku TV, waipu.tv welcomed Deutsche Glasfaser and Lilaconnect as particularly important new partners in its efforts to attract new customers.

from left to right:
Stephan Esch, CTO
Rickmann v. Platen, CCO
Nicole Engenhardt-Gillé, CHRO
Christoph Vilanek, CEO
Ingo Arnold, CFO
Antonius Fromme, CCE

Letter to our shareholders

Dear shareholders, business partners, customers and friends of freenet,

At our Capital Markets Day just over 18 months ago, we announced our new growth phase – freenet 2025. Our declared ambition is to increase EBITDA to at least 520 million euros by 2025, which represents compound annual growth rate (CAGR) of more than 4 percent compared with the 2020 baseline. We had already begun laying the groundwork for this strategy in previous years by entering new business areas and adjusting our organisational structure, and took more important steps towards our target during the past financial year.

Our results show that we are on the right track – and have been from the start back in 2021, when we increased EBITDA by 5.0 percent to 447.3 million euros. EBITDA then grew by a further 7.0 percent to 478.7 million euros during the year under review. Revenue remained stable year-on-year at 2.557 billion euros as planned, while free cash flow rose considerably compared to 2021, increasing by 6.3 percent to 249.2 million euros.

To make sure we reach our EBITDA target of 520 million euros or more by 2025, we have identified three main priorities:

- to steadily increase profitability in our core Mobile Communications business,
- to substantially grow the waipu.tv customer base and thus the TV and Media segment's contribution to earnings, and
- to continually improve our organisational structure and digitalise our processes.

In the Mobile Communications segment, our customers are at the heart of our activities more than ever before, with customer acquisition efforts now focused on smart pricing and customer lifetime value. We are seeing instant results in this area, with positive effects on EBITDA and a further moderate rise in postpaid customers. The Mobile Communications business now has 7.3 million postpaid customers and EBITDA of 402.7 million euros, with the number of users for our app-based freenet FUNK and freenet FLEX tariffs also increasing by 28.5 percent to 113.1 thousand. We also expect the partnership with Media-Saturn Deutschland GmbH extended in the first half of last year to continue making a significant contribution to our selling power and proximity to our customers. We will continue this extremely successful collaboration on the same fair terms – with an explicit focus on online retail from now on.

In the TV and Media segment, waipu.tv continued on its steep growth trajectory, amassing new subscribers, partners and awards. With one of Germany's most innovative IPTV products, 970.0 thousand subscribers and a growth rate of 34.3 percent over the past year, waipu.tv is undoubtedly heading for the one-million-subscriber mark. Its new partners include Germany's largest suburban optical fibre provider, Deutsche Glasfaser, top US streaming hardware company Roku TV, and DAZN, the world's leading sport streaming service. The entertainment offering was also expanded by a further 35 channels in 2022, with a number of channels also moving to HD. In November, waipu.tv received the German Fairness Award in the premium TV provider category from the German Institute for Service Quality (DISQ), having already garnered two other accolades earlier in the year – being named "Germany's Customer Kings" by BILD in the "high customer value" category and conferred with the "highest recommendation" for premium TV providers by FOCUS Money.

Our Media Broadcast subsidiary continued to consistently expand its infrastructure services in particular. Among other things, this included signing long-term agreements to provide field services to 1&1 to repair and maintain its new 5G mobile communications network and to Deutsche Glasfaser for fault clearance at its 70 sites across northern Germany. Media Broadcast also expanded the transmitter network of the first national digital radio multiplex to include dozens of sites within Germany and reached agreements to plan, build and operate 5G campus networks for customers outside the media sector.

At the same time, we have significantly reduced the complexity of our organisational structure, processes and in some cases our products including, for example, dozens of different types of SIM card and variants of the telephone number porting process that offered no advantages for our customers. Indeed, this simplification will benefit our customers.

In addition, we largely completed the consolidation of our individual brands under the "freenet" umbrella brand and redesigned the exterior of almost all of our approximately 500 shops during the year under review. Our previous main brand mobilcom-debitel has also gradually disappeared as part of this process – from both our shops and our balance sheet. The brand's carrying amount recognised under intangible assets totalling 98.5 million euros as of 31 December 2022 will be fully amortised by mid-2023 without impacting our ability to pay dividends.

We expect freenet Internet's contribution to EBITDA to steadily increase to between 15 and 25 million euros by 2025. We launched Germany's first app-based Internet product that can be cancelled on a monthly basis in the middle of 2022. This tariff can be selected, managed and paid on a completely contactless basis via the app – our next step towards a customer-focused "digital first" approach.

As always, our shareholders have been able to participate significantly in freenet's success, with the share price remaining relatively stable for large parts of the financial year despite the challenging environment. We also paid out a dividend of 1.57 euros per share for the 2021 financial year in May of the year under review, making us one of the highest dividend payers on the German stock market. Our total shareholder return (TSR), the sum of price gains and dividends, was -6 percent for 2022, an encouraging figure compared to the wider market. Losses on the MDAX, where freenet is listed and which also takes dividend distributions into account, were almost five times higher (-28 percent) over the same period!

The composition of freenet's Supervisory Board also changed during the 2022 financial year, with long-serving member Marc Tüngler appointed as its new chairman. The other new appointments to the Supervisory Board were Prof. Dr Kerstin Lopatta as a sustainability expert, Miriam Wohlfarth to drive digital transformation, and capital markets expert Thomas Karlowits. Among the other changes at freenet was a new remuneration system for the Executive Board that is designed to motivate management to consistently implement our digital lifestyle strategy and provides incentives for sustainable, long-term, value-oriented corporate development that takes ESG targets into account for the first time.

No matter how many incentives and new appointments are introduced at management level, however, the fate of any company depends entirely on the commitment, ability and identification of each and every one of its employees. That's why we raised our minimum wage to 13 euros per hour on 1 April last year. This is intended as a token of our appreciation for the outstanding commitment shown by so many of our employees, including those on lower pay, and a small contribution at a time when living costs are increasing dramatically. Last but not least, I would like to mention two more awards worthy of celebration by freenet's staff and customers alike. In May 2022, the Federal Office for Information Security (BSI) awarded us the IT security mark for freenet.de's email services, underlining our commitment not only to product satisfaction but also to the security needs of our customers. As if that were not enough, specialist magazine "connect" also ranked our no-frills subsidiary klarmobil in its top three providers in a recent test.

To sum up the 2022 financial year, we are well on track to achieving our "freenet 2025" ambitions. From a customer base of around 9 million subscribers, we are generating high free cash flows with a largely crisis-resistant business model based on low energy intensity, capex-light strategy, low levels of debt and a proactive staffing policy.

We are very grateful to have your support on this journey, and hope you will remain loyal to freenet!

Sincerely,

Christoph Vilanek (CEO)

Report of the Supervisory Board

Dear shareholders,

The 2022 financial year saw several changes to the composition of the Supervisory Board. New members joined the Supervisory Board after the term of office of the previous shareholder representatives came to an end in May 2022. On the capital side, three women and three men now represent shareholders on the Supervisory Board for the first time. Marc Tüngler succeeded his long-serving predecessor Prof. Dr Helmut Thoma as chairman of the Supervisory Board. In addition, Nicole Engenhardt-Gillé was named as the company's first-ever female Executive Board member in charge of human resources and ESG. From 1 January 2023, she will be responsible for all aspects of human resources and sustainability at freenet AG.

The Supervisory Board, in both its previous and new composition, carried out the duties assigned to it by law, the articles of association and rules of procedure for the entire financial year. We supervised and advised the Executive Board in its management of the company based on the in-depth reports provided by the Executive Board. It did this based on the comprehensive written reports submitted to it by the Executive Board before each meeting; these reports are verbally explained and expanded upon by the Executive Board and comprehensively discussed by the Supervisory Board in its meetings. The Supervisory Board's shareholder and employee representatives regularly prepared the topics discussed in the Supervisory Board as part of their respective separate preliminary meetings. The Supervisory Board also regularly held plenary meetings themselves without the Executive Board in attendance.

Outside of the meetings, the Executive Board provided regular monthly written reports on the development of the business and any other processes within the company that are relevant for the Supervisory Board.

Moreover, information was regularly exchanged between the chairman of the Supervisory Board and the chairman of the Executive Board as well as the other Executive Board members.

This allowed us as the Supervisory Board to remain continually informed about the company's strategic direction, corporate planning including financial planning, the course of business, and the position of the company and the group. The Supervisory Board was involved directly and at an early stage in all decisions of material importance for the company and discussed these with the Executive Board thoroughly and in detail. In cases where decisions or measures to be taken required the approval of the Supervisory Board in accordance with the law, the articles of association or the rules of procedure, we issued our approval after an extensive review and discussion.

The chairman of the Supervisory Board also held discussions with investors about specific Supervisory Board matters. In particular, this included the Executive Board remuneration system presented at the Annual General Meeting in 2022 as well as the selection process for the Supervisory Board candidates proposed for election at the 2022 Annual General Meeting.

Issues considered by the full Supervisory Board

The Supervisory Board met a total of six times during the 2022 financial year, including four in-person meetings and two virtual meetings held as videoconferences. In one case, an in-person meeting continued virtually the following day, while resolutions were also passed by written procedure in three cases.

The subject of the meetings of the full Supervisory Board were the company's current business performance, the market and competitive situation, the financial position and results of operations as well as the financing situation of the company, and the performance of group companies and the group's investees.

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

In addition to the personnel issues mentioned above, our activities focused on further developing the company's strategy in the TV and Media segment. At a total of three meetings held both with and without the Executive Board, the Supervisory Board discussed at length and ultimately rejected the possibility of external growth via a potential acquisition. With support from the chairman of the audit committee, the steering committee previously extensively addressed the opportunities and risks of this potential transaction at several meetings and additional information updates.

Details of matters addressed at meetings

In January 2022, ahead of our first meeting, we passed a resolution by written procedure concerning the continuation of the share buyback that began in 2020 and approved the extension of the share buyback programme until the end of March 2022. More than 9.1 million repurchased shares in freenet AG were redeemed by the end of the buyback programme. We also approved this redemption and the associated technical changes to the articles of association by written procedure in June 2022.

The main subject of discussion at the regular meeting held virtually in March 2022 due to the Covid situation was the annual and consolidated financial statements as of 31 December 2021. We discussed the findings of the audit of the 2021 consolidated and annual financial statements together with representatives of the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC GmbH WPG), Frankfurt am Main. After completing its own examination, the Supervisory Board raised no objections to the auditors' findings and followed the audit committee's recommendation by approving the annual and consolidated financial statements. The annual financial statements were thereby adopted.

We also discussed the review of the non-financial statement as of 31 December 2021, which is also part of our responsibilities. This review was conducted by Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (Mazars WPG), Hamburg, with the close support of the audit committee. Based on the review procedures carried out and the evidence obtained, the auditor did not identify any issues which would lead him to conclude that the information in the non-financial statement was not prepared in all material respects in compliance with the legal requirements. The Supervisory Board agreed with the results of the review conducted by Mazars WPG on the recommendation of the audit committee.

Another significant topic for the Supervisory Board was the revision of the Executive Board remuneration system that was not approved by the Annual General Meeting in 2021. To do this, members of the personnel committee developed a revised version of the Executive Board remuneration system with external support that addressed the criticisms expressed at the 2021 Annual General Meeting. On the recommendation of the personnel committee, the Supervisory Board submitted the revised remuneration system to the Annual General Meeting for approval on 5 May 2022. Following the approval of the Annual General Meeting, we approved by written procedure amendments to Executive Board service agreements concluded or extended in 2020 or later to ensure that the new Executive Board remuneration system is applied on a case-by-case basis to service agreements concluded before the remuneration system was approved by the 2022 Annual General Meeting.

The meeting on 22 March 2022 also focused on the Supervisory Board candidates proposed for election by the Annual General Meeting in May 2022. The Supervisory Board assessed the knowledge, skills and independence of the candidates for election to the Supervisory Board based on the profile of skills adopted in the previous year and proposed candidates to the Annual General Meeting for election who have all of the skills required to serve on the Supervisory Board of freenet AG.

The Supervisory Board re-constituted itself with its new composition and appointed Marc Tüngler as its chairman at the in-person meeting that followed the virtual Annual General Meeting on 5 May 2022. The Supervisory Board's committees were also reappointed at this meeting.

This was followed by an introductory onboarding event aimed at Supervisory Board members newly appointed by the Annual General Meeting as part of an in-person meeting on 6 May 2022, with members of the Executive Board presenting their areas of responsibility and providing detailed information about their activities and future developments in their departments.

At its in-person meeting in September 2022, the Supervisory Board appointed experienced Head of Group Human Resources Nicole Engenhardt-Gillé to the Executive Board and as Director of Labour Relations, and gave her responsibility for the newly created Human Resources and ESG unit. By creating this new Executive Board position, the Supervisory Board is underlining the significance of both of these strategic management tasks and its clear commitment to diversity and sustainability.

At the same meeting, the Executive Board presented its deliberations on strategic options for developing the company through inorganic growth. It provided a report on its assessment of a potential transaction, which continued after the meeting in close cooperation with the steering committee and the chair of the audit committee. The results of this transaction assessment were presented at the in-person meeting on 7 December 2022 and the virtual continuation of the meeting on the following day. The potential transaction was intensively discussed by the Executive Board and Supervisory Board as well as internally within the Supervisory Board without the Executive Board and was ultimately rejected by the Supervisory Board in its virtual meeting on 12 December 2022.

At its meeting on 7 December 2022, the Supervisory Board also discussed and noted with approval the planning for the 2023 financial year presented by the Executive Board. The Supervisory Board subsequently derived the performance criteria for the short-term variable remuneration of Executive Board members from this planning. We also passed a resolution on the submission of the annual Declaration of Compliance with the German Corporate Governance Code.

At its meeting on 22 March 2023, the full Supervisory Board discussed the audit of the annual and consolidated financial statements for the financial year ended 31 December 2022. The details concerning this matter are the subject of the separate section "Audit of the annual and consolidated financial statements for 2022 financial year" in this report.

Work of the Supervisory Board committees

The Supervisory Board has set up five committees. They prepare information on issues and for resolutions to be handled by the full Supervisory Board. Within the scope permitted by law, the Supervisory Board has transferred its authority to make decisions to the committees. The committee chairs report to the full Supervisory Board about the work of the committees in the subsequent meeting in each case. The general duties, the working practices and the composition of the individual committees are described in greater detail in the Corporate Governance Statement.

No circumstances that might constitute conflicts of interest involving Executive or Supervisory Board members and must be disclosed to the chairman of the Supervisory Board and about which the Annual General Meeting must be informed were disclosed to the chairman of the Supervisory Board.

Steering committee

The steering committee met virtually with the chair of the audit committee twice in 2022 to discuss the transaction that was ultimately rejected. The Executive Board also kept members of the steering committee and the chair of the audit committee informed about the latest preliminary results of the assessment of the potential transaction in seven weekly information update meetings.

Personnel committee

Members of the personnel committee gathered for two in-person meetings and three virtual meetings in 2022. At its first meeting, the personnel committee focused on revising the remuneration system for the Executive Board after the Supervisory Board's proposal was not approved by the 2021 Annual General Meeting.

Members of the committee dealt with the creation of an Executive Board unit for human resources and ESG and preparations for the appointment of Nicole Engenhardt-Gillé to the Executive Board in three meetings.

Finally, the committee had initial discussions about the expiry of the term of office of the Chief Executive Officer (CEO) at its final meeting of the year. Finally, the personnel committee established whether and to what extent the parameters for the variable remuneration of the Executive Board members for 2021 were reached, set new parameters for the targets agreed for the 2022 financial year and proposed these to the Supervisory Board for a resolution.

Figure 1: Meeting attendance by Supervisory Board members in 2022

Meeting attendance by Supervisory Board members in 2022	Supervisory Board						Steering committee	
Date of meeting in 2022	**22.3.**	**5.5.**	**6.5.**	**21.9.**	**7./8.12.**	**12.12.**	**17.8.**	**28.9.**
Meeting format	**virtual**	**in-person**	**in-person**	**in-person**	**in-person**	**virtual**	**virtual**	**virtual**
Shareholder representatives								
Marc Tüngler	virtual	in-person	in-person	in-person	in-person	virtual	virtual	virtual
Sabine Christiansen	virtual	in-person	in-person	in-person	virtual	virtual	—	—
Thomas Karlovits (since 5.5.)	—	in-person	in-person	in-person	in-person	virtual	virtual	virtual
Prof. Dr. Kerstin Lopatta (since 5.5.)	—	virtual	virtual	in-person	virtual	virtual	—	—
Robert Weidinger	virtual	in-person	in-person	in-person	in-person	virtual	virtual	virtual
Miriam Wohlfarth (since 5.5.)	—	in-person	in-person	in-person	in-person	excused	—	—
Fränzi Kühne (until 5.5.)	virtual	—	—	—	—	—	—	—
Thorsten Kraemer (until 5.5.)	virtual	—	—	—	—	—	—	—
Prof. Dr. Helmut Thoma (until 5.5.)	virtual	—	—	—	—	—	—	—
Employee representatives								
Claudia Anderleit	virtual	in-person	in-person	in-person	in-person	virtual	—	—
Bente Brandt	virtual	in-person	in-person	in-person	in-person	excused	—	—
Theo-Benneke Bretsch	virtual	in-person	in-person	in-person	in-person	virtual	—	—
Gerhard Huck	virtual	in-person	in-person	virtual	in-person	virtual	virtual	virtual
Knut Mackeprang	virtual	in-person	in-person	virtual	in-person	virtual	virtual	virtual
Thomas Reimann	virtual	in-person	in-person	in-person	in-person	virtual	—	—

[1] incl. participation in committees as a non-member

Audit committee

The audit committee regularly addressed the latest key audit areas and discussed them with the auditors in three in-person meetings and one virtual meeting. The committee's members dealt extensively with the annual report, half-yearly report and quarterly management statements. Together with the auditor, the committee regularly discussed current accounting issues and requirements due to new legislation. The audit committee and its chair maintained an ongoing dialogue with both the auditor and CFO both at and outside of its meetings.

The committee also discussed the non-audit services rendered by the auditor and preparations for tendering for the auditing of the financial statements as well as any audit committee requirements arising from the revised 2022 German Corporate Governance Code.

The audit committee recommended to the Supervisory Board that Grant Thornton AG be appointed to audit the Group's non-financial statement (hereinafter also referred to as the "non-financial statement") for the 2022 financial year, with the audit committee providing close support for the audit of the non-financial statement. The committee obtained reports directly from the managers responsible in Compliance and Internal Audit. The status of the internal control system, risk management and fraud management was also presented to the committee.

The main emphasis of the audit committee's work was to guide and support the auditing of the annual financial statements. For this purpose...

- the committee obtained the statement of independence of the auditor,
- the committee monitored the auditor's independence and the implementation of the audit assignment,
- the committee dealt with identifying the key areas for the audit of the financial statements, and
- the committee prepared the Supervisory Board's resolutions on the annual and consolidated financial statements, the proposal for the appropriation of profits and the agreements with the auditor.

Mediation committee

As in the previous years, the mediation committee did not have to be convened in 2022.

Personnel committee					Audit committee						
8.3.	14.6.	13.7.	1.9.	15.12.	22.2.	10.5.	9.8.	2.11.	Meetings attended	Number of meetings	Percentage
virtual	in-person	in-person	virtual	virtual	virtual	in-person	in-person	in-person			
—	virtual	virtual	virtual	virtual	virtual	—	—	—	13	13	100%
virtual	virtual	virtual	virtual	virtual	—	—	—	—	11	11	100%
—	—	—	—	—	—	—	—	—	7	7	100%
—	—	—	—	—	—	virtual	virtual	in-person	8	8	100%
—	—	—	—	—	virtual	in-person	in-person	in-person	10[1]	8	100%
—	—	—	—	—	—	—	—	—	4	5	80%
—	—	—	—	—	—	—	—	—	1	1	100%
—	—	—	—	—	—	—	—	—	1	1	100%
virtual	—	—	—	—	—	—	—	—	2	2	100%
virtual	in-person	in-person	virtual	virtual	—	—	—	—	11	11	100%
—	—	—	—	—	virtual	in-person	in-person	in-person	9	10	90%
—	—	—	—	—	—	—	—	—	6	6	100%
—	—	—	—	—	—	—	—	—	8	8	100%
virtual	in-person	in-person	virtual	virtual	—	—	—	—	13	13	100%
—		—	—	—	virtual	in-person	in-person	in-person	10	10	100%
										Total:	**98%**

Nomination committee

In 2022 financial year, the nomination committee prepared the Supervisory Board's nominations for the election of shareholder representatives to the Supervisory Board by the Annual General Meeting on 5 May 2022 without coming together for a meeting.

Disclosure on individual members' attendance at meetings

The attendance rate of the members of the Supervisory Board and its committees was 98 percent. With the exception of a virtual meeting convened at short notice that two members of the Supervisory Board could not attend, all Supervisory Board members participated in all plenary meetings and relevant committee meetings. The attendance of individual members in the meetings of the Supervisory Board and its committees is disclosed below.

Onboarding process and support for training activities

All newly appointed Supervisory Board members complete a regulated onboarding process following their appointment to provide them with a good introduction to the company issues relevant to the Supervisory Board's activities. As part of this process, Supervisory Board members are provided with an overview of the organisational structure, individual business segments and material issues as well as additional information and documents. This event took place on the day after the Annual General Meeting, 6 May 2022.

The Supervisory Board and its committees are kept informed of developments, such as those of a statutory or regulatory nature, that are relevant to Supervisory Board activities or the Group's areas of activity. This also includes relevant issues associated with sustainable development and ESG reporting within the Group.

Information events are also held for Supervisory Board members to provide a deeper insight into the business model and challenges of freenet AG. The first of these information events was held in November 2022, when the Supervisory Board was able to focus on the topic of customer care in more detail.

Members of the Supervisory Board independently carried out additional training activities.

Annual and consolidated financial statements audit for 2022 financial year

The annual financial statements prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB) for the financial year from 1 January 2022 to 31 December 2022 and the freenet AG management report were audited by PwC GmbH WPG. The audit assignment had been awarded by the chairman of the audit committee in accordance with the resolution adopted by the Annual General Meeting on 5 May 2022. The auditor issued an unqualified auditor's report. The consolidated financial statements of freenet AG as of 31 December 2022 were prepared in accordance with section 315e HGB on the basis of the international financial reporting standards (IFRSs) as adopted by the European Union. The auditor issued an unqualified auditor's report for these consolidated financial statements and the Group management report.

The auditor's report of the auditor, PwC GmbH WPG, has been signed by Niklas Wilke in his capacity as the responsible auditor. Niklas Wilke was responsible for the audit of the company for the fifth year in a row. PwC GmbH WPG has been acting as the auditor of the company without interruption since auditing the annual financial statements for financial year 2014.

The audit was reported on and discussed in the audit committee on 21 February 2023 and at the Supervisory Board meeting on 22 March 2023. The auditors took part in the Supervisory Board's and the committee's deliberations on the annual and consolidated financial statements. They reported on the key findings of the audits and were at the disposal of the audit committee and the Supervisory Board for supplementary questions and information. As a result of its own final examination of the annual and consolidated financial statements, the management report and the Group management report, the Supervisory Board raised no objections and approved the result of the audit conducted by the auditor.

The Supervisory Board followed the audit committee's recommendation and approved the annual and consolidated financial statements at its meeting on 22 March 2023. The annual financial statements are thus adopted. At its meeting on 22 March 2023, the Supervisory Board also examined the Executive Board's proposal for the appropriation of net retained profits and discussed it with the auditor. Subsequent to this, the Supervisory Board – following the audit committee's recommendation – gave its consent to the Executive Board's proposal.

Review of the non-financial group statement for the 2022 financial year

The non-financial statement for the financial year from 1 January 2022 to 31 December 2022 which was prepared by the Executive Board as part of the management report of freenet AG and the group management report and with reference to the sustainability standards of the Global Reporting Initiative (GRI) was reviewed by Grant Thornton AG, Düsseldorf. The review also included the disclosures required under the EU taxonomy. The limited assurance engagement was awarded on the basis of the Supervisory Board resolution of 7 December 2022. After reviewing the non-financial statement, the auditor concluded that they had not identified any issues which would cause him to believe that the disclosures in the Group non-financial statement have not been prepared, in all material respects, in compliance with the legal requirements (limited assurance engagement). The auditor reported on the limited assurance engagement procedures and the preliminary result of the review in the audit committee meeting on 21 February 2023. The Supervisory Board agreed with the findings of the auditor following a corresponding recommendation by the audit committee.

Audit of the remuneration report

The form and substance of the uniform and separate report jointly prepared by the Executive Board and Supervisory Board on the remuneration granted and owed to each individual current and former member of the Executive Board and Supervisory Board was audited by auditing firm PwC GmbH WPG. Following the preparations made by the audit committee, the limited assurance engagement was awarded on the basis of the Supervisory Board resolution of 7 December 2022. The auditing firm reported the results of their audit to the Supervisory Board as part of its meeting on 22 March 2023. In the auditor's opinion, the remuneration report, including the related disclosures, complies in all material respects with the accounting provisions of section 162 AktG.

Marc Tüngler, Chairman of the Supervisory Board

Changes to the Executive Board and Supervisory Board

The terms of office of the Supervisory Board's shareholder representative ended at the close of the Annual General Meeting on 5 May 2022. This meant that Prof. Dr Helmut Thoma, Fränzi Kühne and Thorsten Kraemer left the Supervisory Board.

We would like to thank Prof. Dr Helmut Thoma, Fränzi Kühne and Thorsten Kraemer for their constructive collaboration, long-running support and impact on the company in recent years. My Supervisory Board colleagues and I wish the three of them the very best and every success in their future endeavours.

In addition to existing members Sabine Christiansen, Marc Tüngler and Robert Weidinger, the Annual General Meeting also appointed Thomas Karlovits, Prof. Dr Kerstin Lopatta and Miriam Wohlfarth to the Supervisory Board.

There were no changes to the composition of the Executive Board during the 2022 financial year; Nicole Engenhardt-Gillé was appointed the new Executive Board member for human resources and ESG with effect from 1 January 2023.

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

Büdelsdorf, 22 March 2023

For the Supervisory Board

Marc Tüngler
Chairman of the Supervisory Board

freenet share

Performance of the freenet shares during the 2022 financial year

Across the globe, the 2022 trading year was dominated by the war in Ukraine that began in late February and the political and economic consequences resulting from this conflict. Energy prices across Europe and in Germany in particular surged from spring onwards, adversely impacting both businesses and private households. Inflation based on the Harmonised Index of Consumer Prices (HICP) rose as high as +8.7 percent year-on-year in Germany. Central banks, including the ECB, steadily raised their key interest rates over the course of the year to mitigate this dynamic inflation trend, with the ECB's key interest rate reaching 2.5 percent by the end of the year. This in turn caused bond market yields to surge, with 10-year German government bonds ending the year at 2.51 percent (previous year: −0.21 percent). This development means that equities have become less attractive as an investment than bonds. Signs of an impending worldwide recession and an imminent deglobalisation of the global economy also had a negative impact on the business outlook for companies, with Germany's energy-intensive industrial companies particularly heavily affected by the current geopolitical and global economic environment

Table 1: Information on freenet AG shares

As of 31 December 2022	
WKN/ ISIN:	A0Z2ZZ/DE000A0Z2ZZ5
Sector:	DAXsector Telecommunication, DAXsubsector Wireless Communication
Class of shares:	No-par-value registered ordinary shares
Index memberships:	MDAX, TecDAX, Midcap Market Index, CDAX, HDAX, STOXX Europe 600 Telecommunications (SXKP), SXKP performance index (SXKGR) Prime All Share, Technology All Share
Share capital/number of shares:	118,900,598 euros/ 118,900,598 shares
Official trading:	Regulated Market/Prime Standard: Frankfurt, OTC market: Berlin, Hamburg, Stuttgart, Düsseldorf, Hanover, Munich
Symbol/Reuters instrument code:	FNTN / FNTGn.DE

The aforementioned adverse impacts are reflected in the significant slump in prices across Germany's largest equity indices since the end of 2021 (DAX: −12 percent; MDAX: −28 percent; TecDAX: −25 percent). The STOXX 600 Europe Telecommunications (SXKGR) performance index, which tracks the 32 largest telecommunications companies in Europe, fell less sharply by comparison (−14 percent). While the sector is considered energy-intensive due to its network infrastructure operations, the products and services offered by telecommunications companies are also deemed to be virtually essential for consumers. As a result, the industry experiences resilient demand in times of crisis and is widely regarded as a defensive investment sector.

As a company that generates around 90 percent of its revenue from mobile communications services, freenet is part of the SXKGR. Unlike most of the companies included in this index, however, freenet does not operate its own network infrastructure (asset-light model), enabling it to keep energy and investment costs comparatively low. Over the 2022 full year, freenet shares achieved a total shareholder return (TSR), the sum of price gains and dividends, of −6 percent, well above the year-end figures for its benchmark indices (MDAX, TecDAX, SXKGR) in relative terms. The share price climbed to its annual high of 26.79 euros in the first four months of the year. After the Annual General Meeting in May and thus the expiry of any entitlement to a dividend for 2022, the price then fell rapidly to 21.69 euros (including ex-dividend markdown). The shares then recovered to just over 25 euros by June. The share price dropped steadily in the second four months of the year, eventually reaching its annual low of 18.81 euros in the final third of 2022, when its benchmark indices also recorded their lows for the year. The freenet share price then rose consistently to close the year at 20.42 euros. The annual average closing price was 22.67 euros, with an average trading volume of 479 thousand shares per Xetra trading day.

Figure 2: Performance of freenet shares vs. benchmark indices in 2022

(indexed; 100 = Xetra closing price on 31 December 2021)

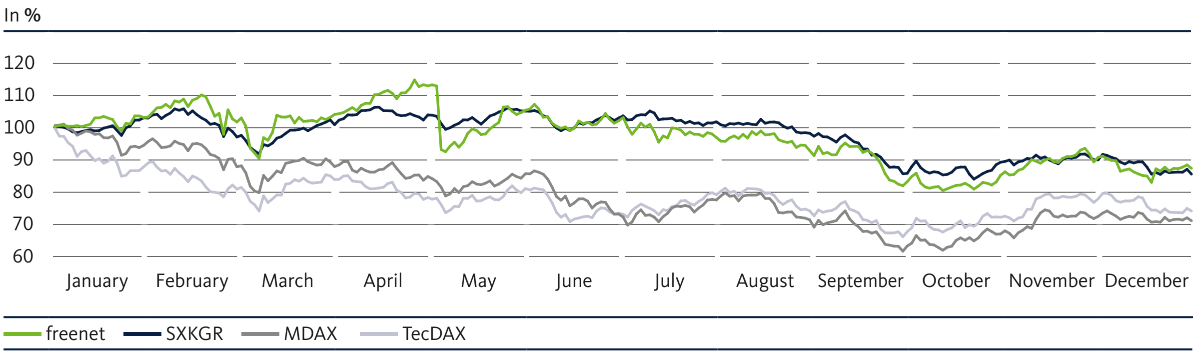


Figure 3: Performance of freenet shares in 2022 (Xetra)

Share buyback programmes

The 2020 Annual General Meeting authorised the Executive Board of freenet AG to repurchase shares totalling up to 10 percent of the company's share capital with the approval of the Supervisory Board. Overall, freenet repurchased 7.15 percent of share capital (9.16 million shares) during three share buyback programmes at a total price of 179.14 million euros.

The most recent share buyback programme started on 12 January 2022 and ended on 31 March 2022. In this share buyback programme, 651,522 shares were repurchased at a price of 14.66 million euros. All of the shares repurchased during the three share buyback programmes were redeemed with a corresponding reduction in share capital on 8 June 2022. As of 31 December 2022, the share capital of freenet AG amounted to 118,900,598 euros divided into 118,900,598 shares.

Figure 4: Overview of freenet AG share buyback programmes

	Shares outstanding (before buyback)	Total buyback volume	2020 share buyback programme (buyback volume)	2021 share buyback programme (buyback volume)	2022 share buyback programme (buyback volume)	Total buyback volume	Shares outstanding (after buyback)
Shares	**128,061,016**	12,806,102	2,956,232	5,552,664	651,522	9,160,418	**118,900,598**

Detailed information on the share buyback programmes are available at fn.de/sharebuyback. The 2022 Annual General Meeting also authorised the Executive Board of freenet AG to repurchase additional shares totalling up to 10 percent of the company's share capital with the approval of the Supervisory Board.

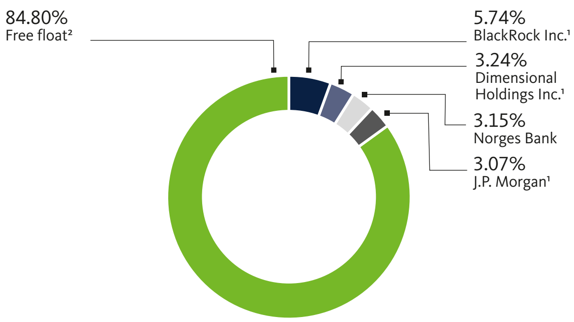
Shareholder structure at the end of 2022

As of 31 December 2022, the shareholder base of freenet AG consisted of around 110 thousand shareholders (previous year: around 113 thousand). Just over half of the market capitalisation (51.1 percent) is still held by institutional investors, most of which are located in North America (33.7 percent) and Germany (27.5 percent). The remaining market capitalisation is primarily attributed to private investors (43.0 percent), almost all of whom (98.0 percent) are registered as resident in Germany. Up-to-date information about freenet's shareholder structure is available at: fn.de/shareholders.

The cancellation of shares repurchased by freenet AG as of 8 June 2022 has increased the relative stakes of existing shareholders in freenet AG in line with the reduction in share capital. In this context, there were no voting rights notifications from investors who previously held less than 3 percent of the outstanding shares. At the end of 2022, a total of four shareholders exceeded the reporting thresholds of the German Securities Trading Act (WpHG). The largest shareholder is asset management company BlackRock Inc. with 5.74 percent, followed by Dimensional Holdings Inc. at 3.24 percent, Norges Bank with 3.15 percent and J.P. Morgan at 3.07 percent. The remaining 84.80 percent is in free float (as defined by the WpHG).

The voting rights notifications pursuant to Section 21 of the German Securities Trading Act (WpHG) for the 2022 financial year have been published at: fn.de/votingrights.

Figure 5: Shareholder structure of freenet AG as of 31 December 2022



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

Analyst recommendations

International investment companies, banks and brokers (known as sell-side analysts) regularly published reports and recommendations on freenet AG in 2022.

Overall, significantly more analysts issued a Buy recommendation for freenet shares than at the end of 2021. As of the reporting date, 12 analysts rated the freenet share a Buy (end of 2021: eight), two analysts recommended holding the stock (end of 2021: four), and one analyst issued a Sell recommendation (end of 2021: three) for the shares. The main arguments for the Buy recommendations were the robust and crisis-resistant nature of freenet's business model as well as the dynamic growth of waipu.tv, while the primary argument for the only Sell recommendation was potential margin pressure in the saturated mobile communications market. At 15, the number of analysts remained unchanged from the end of 2021, with two analysts discontinuing coverage with a Buy and Hold recommendation respectively, while a further two analysts initiated coverage with one Buy and one Hold recommendation. Four analysts upgraded their recommendations to Buy during the year under review, two of whom had previously recommended selling the share while the remaining two had advised holding it. The recommendations of the remaining analysts remained unchanged over the course of the year.

As of 31 December 2022, the average target price given by the analysts was 25.88 euros (2021: 23.34 euros). The average target price rose by around 11 percent year-on-year, reflecting the increased number of Buy recommendations for the share. The highest target price was 30.00 euros (end of 2021: 29.00 euros), while the lowest target price was 15.60 euros (end of 2021: 13.00 euros).

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

Figure 6: Overview of analyst recommendations as of 31 December 2022

Change in analyst recommendation

Analyst, bank	31.12.21	△	31.12.22
Lars Vom-Cleff **Deutsche Bank**	Hold	↑	Buy
Joshua Mills **Exane BNP Paribas**	Sell	↑	Buy
Yemi Falana **Goldman Sachs**	Sell	↑	Buy
Thomas Hofmann **LBBW**	Hold	↑	Buy

No change in analyst recommendation

Analyst, bank	31.12.21	△	31.12.22
Mathieu Robilliard **Barclays**	Buy	→	Buy
Usman Ghazi **Berenberg**	Buy	→	Buy
Martin Hammerschmidt **Citi**	Buy	→	Buy
Karsten Oblinger **DZ Bank**	Buy	→	Buy
Simon Keller **Hauck & Aufhäuser**	Buy	→	Buy
Adam Fox-Rumley **HSBC**	Buy	→	Buy
Simon Stippig **M.M. Warburg**	Buy	→	Buy
Steve Malcolm **Redburn**	Sell	→	Sell
Polo Tang **UBS**	Hold	→	Hold

Coverage initiation/termination

Analyst, bank	31.12.21	△	31.12.22
Titus Krahn **Bank of America**	n/a	n/a	Buy
Stephane Beyazian **ODDO BHF**	n/a	n/a	Hold
Martin Jungfleisch **Kepler Chevreux**	Hold	n/a	n/a.
Ulrich Rathe **Jefferies**	Buy	n/a.	n/a.

Capital market communications

freenet AG and its governing bodies aim to communicate with investors and analysts in a transparent, trustworthy, prompt and equitable way. With this in mind, important information such as press releases, corporate news, ad hoc disclosures, voting rights notifications, company presentations, financial reports and relevant data regarding publications and the Annual General Meeting are available at: fn.de/investors.

2022 saw an equal mix of virtual and in-person discussions with analysts and investors, with virtual roadshows and conferences now a standard format for interacting with investors. While this partly came about due to social distancing restrictions, it also represents a more efficient use of time and reflects increasing awareness of environmental considerations (sustainability) among all those involved. Overall, freenet participated in 14 conferences and carried out six roadshows and field trips during the year under review, while the Supervisory Board also held a corporate governance roadshow. The company also engaged in a number of discussions with investors outside of official events.

Conference calls in the form of webcasts were organised as part of the publication of quarterly statements, giving the Executive Board opportunities to provide extensive updates on the development of freenet's business. Recordings of these conference calls are also made available at fn.de/investors after each call.

freenet will continue to hold a balanced mix of virtual and in-person investor meetings as well as quarterly results conference calls over the course of 2023. Corporate governance roadshows will also be held as required.

A list of upcoming events is available at: fn.de/capitalmarket. The Executive Board and chairman of the Supervisory Board are also available for discussions with investors outside of these events.

Distributions to shareholders

At the Annual General Meeting on 5 May 2022, a resolution was adopted by a majority of 99.75 percent to pay a dividend of 1.57 euros (previous year: 1.50 euros) per share for the 2021 financial year. The payout thus amounted to a total of 186.6 million euros (previous year: 203.7 million euros) and was made from the tax-specific deposit account in accordance with section 27 of the German Corporation Tax Act (Körperschaftsteuergesetz–KStG). This means that the dividend was paid out without any deduction of withholding tax and the solidarity surcharge.

Shares with a total value of 14.66 million euros were repurchased under the third share buyback programme (2022 share buyback programme), taking the total distribution to freenet shareholders in 2022 to 201.32 million euros.

Tax treatment of the freenet dividend

The upcoming dividend distribution will be made from the tax-specific deposit account, so the payment will be made without deduction of withholding tax and solidarity surcharge. freenet AG assumes that this will continue to be the case in the coming financial years.

Domestic investors who acquired the freenet shares after 31 December 2008 will realise a profit subject to withholding tax in the event of a sale. In the opinion of the German tax authorities, in this case the distributions reduce the taxable purchase costs of the shares and thus lead to a profit on sale – and therefore to an implicit subsequent taxation of the dividends.

In future, the Executive Board will maintain its dividend policy of distributing a stable dividend equivalent to 80 percent of free cash flow.

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting on 17 May 2023 to distribute a dividend for the 2022 financial year in the amount of 1.68 euros per share based on the free cash flow generated. The dividend would be paid on 22 May 2023.

Sustainable action

Dear shareholders, business partners, customers and friends of freenet,

Some trends come and go, but sustainability is different. Sustainability is a megatrend that is here to stay. While the question of how broadly sustainability should be defined is often the subject of heated social and political debate, it is becoming increasingly apparent that sustainability is about much more than just “the environment”. From a corporate perspective, the aim is to define a framework for sustainable business activities. How can and should companies make a practical contribution to the fight against climate change? What are their responsibilities when it comes to human rights due diligence, both within their supply chains and in relation to their own employees? Can products be designed to facilitate sustainable consumption and promote a circular economy?

These are just some of the questions that politicians are trying to answer as they make regulatory interventions and assign increasing levels of responsibility to businesses. However, companies have also independently recognised that something needs to change if they are to set their business activities on a firm foundation in the long term, and are responding by committing themselves to ambitious targets and integrating sustainability into their corporate strategy.

freenet is also aware of its responsibility towards its employees, customers, the environment and communities at all of its sites as well as in a broader social context. For us, doing business responsibly and sustainably means taking environmental and social aspects into account and establishing appropriate standards of corporate governance. After all, it is vital to take a long-term view when it comes to assessing the positive and negative effects of our own commercial activities.

That is why freenet has set itself the target of increasingly incorporating sustainability aspects into its corporate decisions and economic decision-making criteria. The creation of our new Human Resources and ESG Executive Board unit demonstrates our commitment in this area. We have also strengthened the sustainability expertise on our Supervisory Board by appointing proven ESG expert Prof. Dr Kerstin Lopatta as a new member. We want to work together to systematically and comprehensively tackle the challenges posed to us by ever more stringent regulatory requirements, our organisation’s voluntary commitment to sustainability and the generally increasing expectations of our stakeholders.

We are focusing our sustainability efforts on areas that have been identified as material for our business. In a social context, the focus is on creating a harmonious, secure, healthy and performance-oriented working environment that reflects the diversity of our society and excludes all types of discrimination. In a highly competitive recruitment market, we want to continue increasing our appeal as an employer in order to maintain freenet’s future viability from a staffing perspective. We are meeting the challenge of adapting to the fast-changing requirements placed on our employees by establishing a culture of learning that focuses on independent learning, the transfer of knowledge within the Group, and targeted training plans geared towards essential skills.

To minimise the environmental impact of freenet’s business activities, we are aiming to reduce our carbon emissions (Scope 1 and Scope 2 emissions) to zero by 2030. To achieve this goal, we are focusing on purchasing power from renewable energy sources, electrifying our vehicle fleet, reducing energy consumption and integrating these targets into remuneration for our Executive Board and workforce, among other initiatives.

Switching to green energy means almost 100 percent of our electricity demand is now covered by renewable sources. We are considering making unused open spaces available for the expansion of climate-friendly sources in the future. We want to make employee mobility more environmentally friendly by increasing the proportion of hybrid and electric vehicle use, for example, part of which will involve further expanding the electric vehicle charging infrastructure at our sites. We also provide incentives for switching to public transport or bicycle. When it comes to energy efficiency, we focused on modernising our head office in Büdelsdorf in particular. As the use of digital technology is a key factor in our business activities, transitioning our TV and radio transmission to the highly efficient DVB-T2 and DAB+ standards was a natural progression for us. We are also driving digitalisation across all customer contact points in the Mobile Communications and Internet businesses in order to make our products and services both more energy efficient and more attractive for our customers.

To establish a functioning circular economy, we also consider it our responsibility to make our customers aware that they can either have their aging smartphones repaired or arrange for them to be properly disposed of. freenet also offers a number of sustainable products and services that can help to conserve resources and return resources to the material cycle.

In addition to these social and environmental aspects, appropriate standards of corporate governance are also a key part of the identity of freenet AG. For freenet, corporate governance means managing and controlling the company in an ethical way that aims to foster a sense of responsibility and create lasting value. Compliance with laws, norms and standards is a matter of course for us. In addition, we have defined ethical principles, company standards and codes of conduct that are designed to ensure we can participate responsibly in business life.

For freenet, ESG-driven corporate governance is not incompatible with economic success or shareholder value. Instead, it creates and maintains a foundation for future success.

The Executive Board

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

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

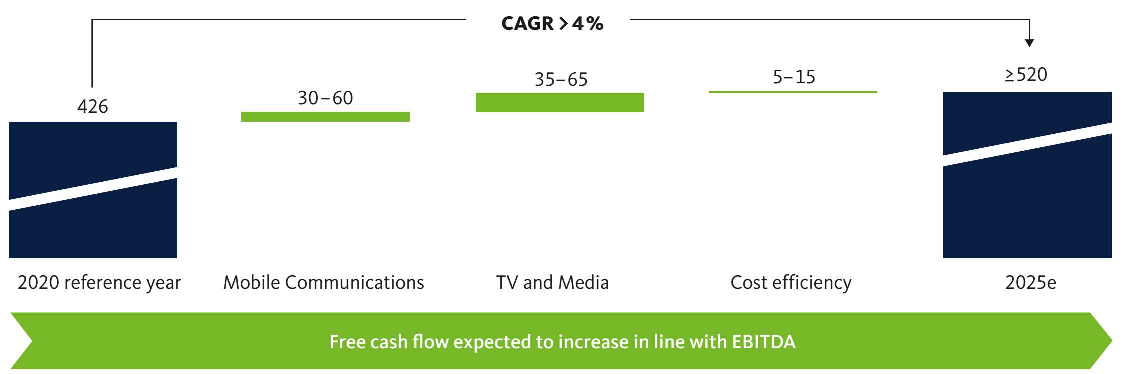
On this basis, freenet set itself the financial target of increasing EBITDA to at least 520 million euros in financial year 2025 with an average annual growth rate of more than 4 percent compared to 2020. In the Mobile Communications segment, freenet is targeting an additional contribution to EBITDA 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 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	**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

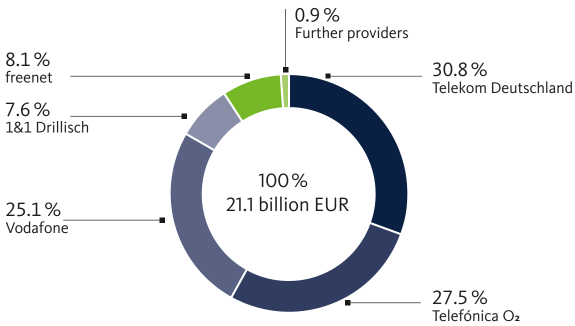
The mobile communications market in Germany remained predictable during the year under review. There were no significant changes from the previous year with regard to the amount and composition of service revenues or their distribution among individual market players. As expected, the increase in data 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)



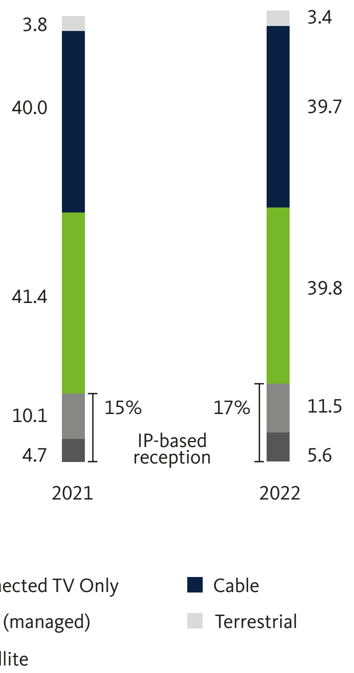
Source: 24th Telecommunications Market Analysis for Germany, 2022, VATM

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).

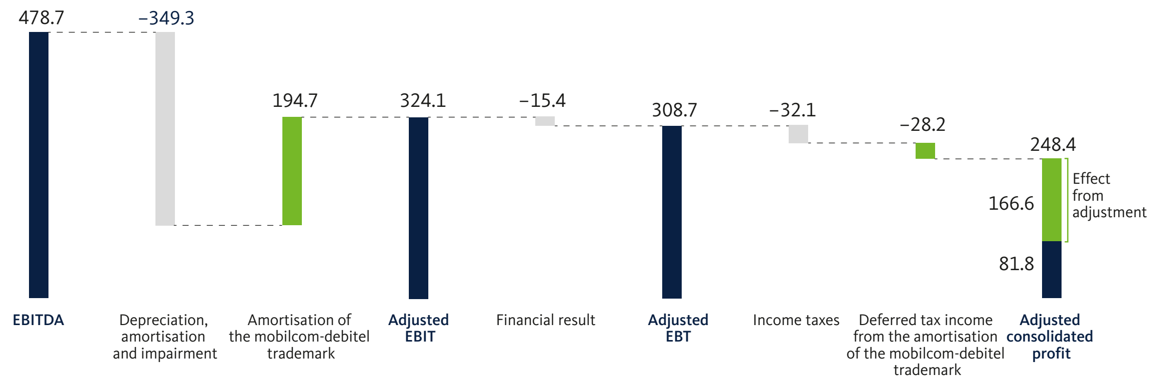
Due to the above-mentioned improvement in profitability, EBITDA increased significantly year-on-year, by 7.0 percent to 478.7 million euros (previous year: 447.3 million euros). Both operating segments contributed to this (see notes to the consolidated financial statements, note 3). The EBITDA margin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

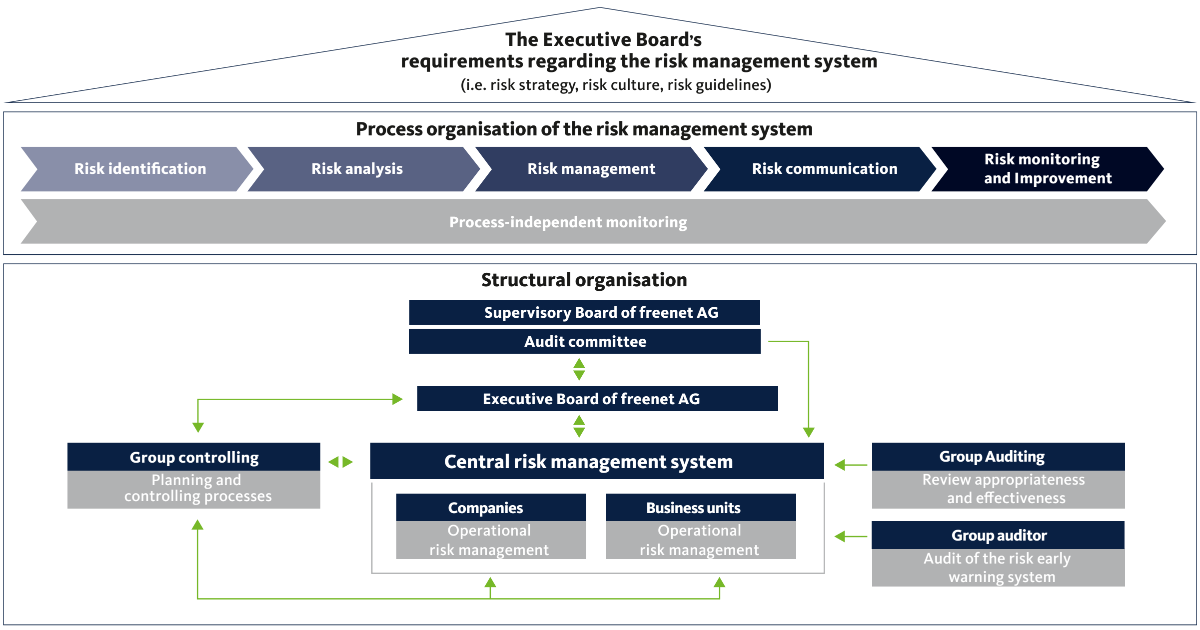
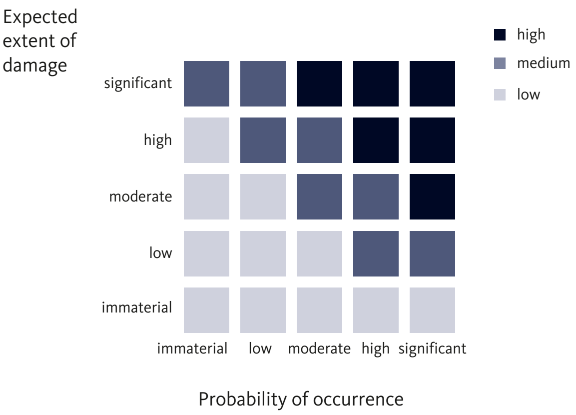


Figure 14: Risk matrix at freenet



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].

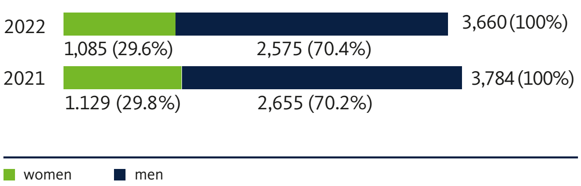
Actions: Diversity comes alive in our company even in our hiring process and then is reflected in our daily work through various programmes, management tools/courses and training events. To nurture and challenge the diversity of our workforce, an approach to the development of employees is pursued that 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

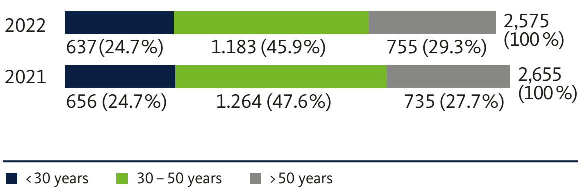
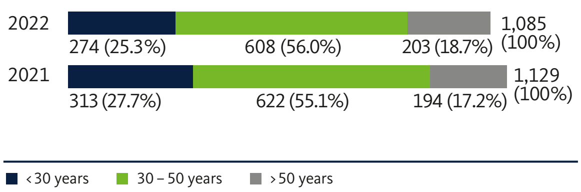


Figure 17: Female employees by age as of 31.12. [GRI 405-1]

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.

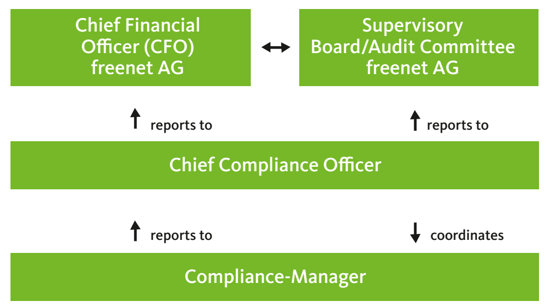
Compliance and integrity

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

Economic activities (1)	Code(s) (2)	Absolute CapEx (3) kEUR	Proportion of CapEx (4) in %	Substantial contribution criteria: 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.

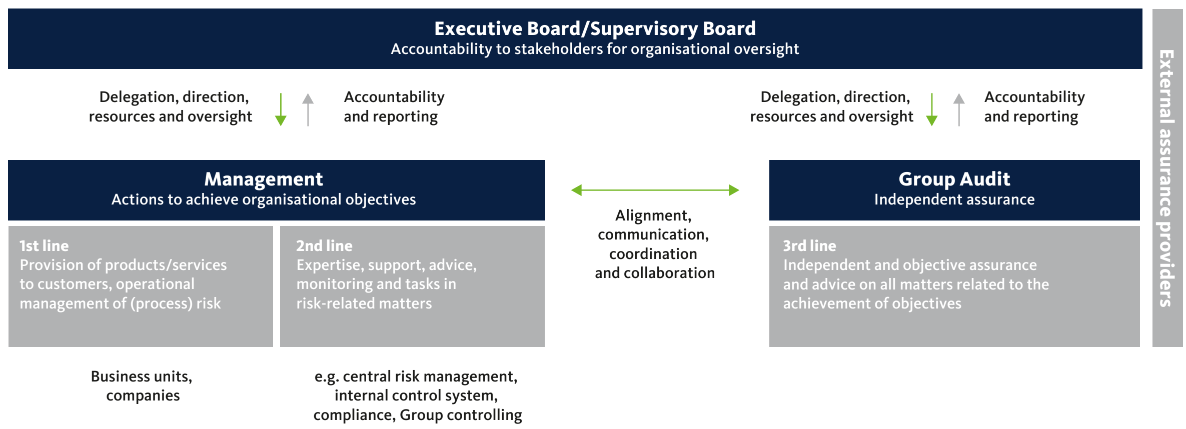
Control and monitoring systems

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)

Consolidated financial statements

Consolidated income statement

1 January to 31 December

In EUR '000s	Note	2022	2021
Revenue	4	**2,556,714**	**2,556,320**
Other operating income	5	49,548	42,006
Other own work capitalised	6	24,992	22,865
Cost of materials	7	– 1,670,015	– 1,702,898
Personnel expenses	8	– 229,628	– 219,416
Other operating expenses	10	– 252,910	– 251,552
thereof loss allowances on financial assets and contract assets		– 21,124	– 14,119
thereof without loss allowances on financial assets and contract assets		– 231,786	– 237,433
EBITDA [1]		**478,701**	**447,325**
Depreciation, amortisation and impairment	9	– 349,300	– 197,286
EBIT [2]		**129,401**	**250,039**
Profit or loss of equity-accounted investments	17	– 1,967	– 2,006
Interest and similar income	11	6,443	2,270
Interest and similar expenses	12	– 23,681	– 30,733
Other financial result	12	3,782	– 1,506
Financial result		**– 15,423**	**– 31,975**
EBT		**113,978**	**218,064**
Income taxes	13	– 32,132	– 26,860
Consolidated profit		**81,846**	**191,204**
Consolidated profit attributable to shareholders of freenet AG	24	79,294	198,167
Consolidated profit attributable to non-controlling interests	24	2,552	– 6,963
Earnings per share in EUR (basic/diluted)	14.1 and 14.2	**0.67**	**1.62**
Weighted average number of shares outstanding in thousands (basic/diluted)	24,3	118,949	122,406

[1] EBITDA represents earnings before depreciation, amortisation and impairment, financial result and income taxes.
[2] EBIT represents earnings before financial result and income taxes.

Consolidated statement of comprehensive income

1 January to 31 December

In EUR '000s	Note	2022	2021
Consolidated profit		**81,846**	**191,204**
Currency translation differences		– 1	111
Other comprehensive income/to be reclassified to the income statement in future periods		**– 1**	**111**
Change in fair value of investments in equity instruments		– 74,353	– 51,563
Recognition of actuarial gains and losses arising from the accounting for pension plans acc. to IAS 19 (2011)	29	33,174	5,416
Income tax recognised in other comprehensive income		– 8,924	– 856
Other comprehensive income/not to be reclassified to the income statement in future periods		**– 50,103**	**– 47,003**
Other comprehensive income		**– 50,104**	**– 46,892**
Consolidated total comprehensive income		**31,742**	**144,312**
Consolidated total comprehensive income attributable to shareholders of freenet AG		29,190	151,275
Consolidated total comprehensive income attributable to non-controlling interests		2,552	– 6,963

Consolidated balance sheet

31 December

ASSETS

In EUR '000s	Note	31.12.2022	31.12.2021
Non-current assets			
Intangible assets	15, 16, 37	315,960	458,911
Lease assets	2.5	350,503	401,423
Goodwill	15, 16	1,382,394	1,382,394
Property, plant and equipment	15, 16, 37	134,199	124,349
Equity-accounted investments	17	133	100
Deferred income tax assets	18	132,185	134,229
Trade accounts receivable	21	45,672	56,895
Other receivables and other assets	21	99,123	95,094
Other financial assets	21	118,114	201,776
Contract acquisition costs	19	274,802	251,053
		2,853,085	**3,106,224**
Current assets			
Inventories	20	91,117	92,668
Current income tax assets	23	363	293
Trade accounts receivable	21	296,349	245,591
Other receivables and other assets	21	158,604	173,426
Other financial assets	21	51,181	47,936
Liquid assets	22	178,022	286,287
		775,636	**846,201**
Total assets		**3,628,721**	**3,952,425**

EQUITY AND LIABILITIES

In EUR '000s	Note	31.12.2022	31.12.2021
Equity			
Share capital	24.1	118,901	128,061
Capital reserve	24.2	567,465	737,536
Own shares	24.3	0	– 164,562
Cumulative other comprehensive income	24.4	– 172,514	– 122,410
Consolidated net retained profits	24.5	960,884	1,064,475
Equity attributable to shareholders of freenet AG		**1,474,736**	**1,643,100**
Non-controlling interests in equity	24.6	– 5,504	– 4,185
		1,469,232	**1,638,915**
Non-current liabilities			
Lease liabilities	2.5, 28	336,545	395,554
Other liabilities and deferrals	26	119,808	110,172
Other financial liabilities	26	86,658	23,832
Borrowings	28	393,437	505,786
Pension provisions	29	61,785	96,265
Other provisions	30	54,673	49,666
		1,052,906	**1,181,275**
Current liabilities			
Lease liabilities	2.5, 28	82,008	85,332
Trade accounts payable	26	331,184	338,785
Other liabilities and deferrals	26	457,835	418,334
Other financial liabilities	26	46,164	64,045
Current income tax liabilities	27	46,816	34,808
Borrowings	28	116,123	143,619
Other provisions	30	26,453	47,312
		1,106,583	**1,132,235**
Total equity and liabilities		**3,628,721**	**3,952,425**

Consolidated statement of changes in equity

1 January to 31 December 2021

In EUR '000s	Share capital	Capital reserve	Own shares	Cumulative other comprehensive income: Currency translation differences	Cumulative other comprehensive income: Currency translation differences from subsequent accounting for equity-accounted investments	Cumulative other comprehensive income: Revaluation reserve in accordance with IAS 19
As of 1.1.2021	**128,061**	**737,536**	**– 51,420**	**679**	**– 42,873**	**– 33,324**
Dividend payment	0	0	0	0	0	0
Acquisition of further interests in subsidiaries	0	0	0	0	0	0
Purchase of own shares	0	0	– 113,142	0	0	0
Consolidated profit	0	0	0	0	0	0
Change in fair value of investments in equity instruments [1]	0	0	0	0	– 50,778	0
Recognition of actuarial gains and losses acc. to IAS 19 (2011) [1]	0	0	0	0	0	3,775
Foreign currency translation [1]	0	0	0	111	0	0
Subtotal: Consolidated total comprehensive income	0	0	0	111	– 50,778	3,775
As of 31.12.2021	**128,061**	**737,536**	**– 164,562**	**790**	**– 93,651**	**– 29,549**

[1] Figures are shown offset against income tax recognised in other comprehensive income.

Consolidated net retained profits	Equity attributable to shareholders of freenet AG	Non-controlling interests in equity	Equity
1,081,861	**1,820,520**	**559**	**1,821,079**
– 203,734	– 203,734	0	– 203,734
– 11,819	– 11,819	2,219	– 9,600
0	– 113,142	0	– 113,142
198,167	198,167	– 6,963	191,204
0	– 50,778	0	– 50,778
0	3,775	0	3,775
0	111	0	111
198,167	151,275	– 6,963	144,312
1,064,475	**1,643,100**	**– 4,185**	**1,638,915**

Consolidated statement of changes in equity

1 January to 31 December 2022

				Cumulative other comprehensive income		
In EUR '000s	Share capital	Capital reserve	Own shares	Currency translation differences	Currency translation differences from subsequent accounting for equity-accounted investments	Revaluation reserve in accordance with IAS 19
As of 1.1.2022	**128,061**	**737,536**	**– 164,562**	**790**	**– 93,651**	**– 29,549**
Dividend payment	0	0	0	0	0	0
Acquisition of further interests in subsidiaries	0	0	0	0	0	0
Adjustment of option liabilities	0	0	0	0	0	0
Purchase of own shares	0	0	– 14,669	0	0	0
Redemption of treasury shares	– 9,160	– 170,071	179,231	0	0	0
Consolidated profit	0	0	0	0	0	0
Change in fair value of investments in equity instruments [1]	0	0	0	0	– 73,226	0
Recognition of actuarial gains and losses acc. to IAS 19 (2011) [1]	0	0	0	0	0	23,123
Foreign currency translation [1]	0	0	0	– 1	0	0
Subtotal: Consolidated total comprehensive income	0	0	0	– 1	– 73,226	23,123
As of 31.12.2022	**118,901**	**567,465**	**0**	**789**	**– 166,877**	**– 6,426**

[1] Figures are shown offset against income tax recognised in other comprehensive income.

For further details, please refer to our explanations in note 24, Equity.

Consolidated net retained profits	Equity attributable to shareholders of freenet AG	Non-controlling interests in equity	Equity
1,064,475	**1,643,100**	**– 4,185**	**1,638,915**
– 186,595	– 186,595	0	– 186,595
3,871	3,871	– 3,871	0
– 161	– 161	0	– 161
0	– 14,669	0	– 14,669
0	0	0	0
79,294	79,294	2,552	81,846
0	– 73,226	0	– 73,226
0	23,123	0	23,123
0	– 1	0	– 1
79,294	29,190	2,552	31,742
960,884	**1,474,736**	**– 5,504**	**1,469,232**

Consolidated statement of cash flows

1 January to 31 December

In EUR '000s	Note	2022	2021
Earnings before financial result and taxes from continuing operations (EBIT)		**129,401**	**250,039**
Adjustments:			
Depreciation, amortisation and impairment of non-current assets	9	349,300	197,286
Dividends received from equity-accounted investments		5,548	0
Gain/loss on disposal of non-current assets		390	362
Increase in net working capital not attributable to investing or financing activities	20, 21, 26, 29, 30	– 31,201	– 66,383
Proceeds from the cash repayment of financial assets under leases		14,130	15,110
Capitalisation of contract acquisition costs	19	– 299,940	– 254,887
Amortisation of contract acquisition costs	19	276,191	293,169
Tax payments	13, 18	– 29,143	– 35,048
Income from interest and other financial result	11, 12	787	582
Interest paid	11, 12	– 19,772	– 33,018
Cash flows from operating activities	32.1	**395,691**	**367,212**
Payments to acquire property, plant and equipment and intangible assets		– 62,942	– 48,226
Proceeds from disposal of intangible assets and property, plant and equipment		2,920	3,079
Payments to acquire subsidiaries		– 10,000	0
Addition of liquid assets from initial consolidation		0	21
Proceeds from deconsolidation of subsidiaries		0	2,000
Proceeds from sale of companies accounted for using the equity method		375	450
Return of capital contributions from companies accounted for using the equity method		0	1,000
Payments into equity of equity-accounted investments		– 2,000	– 1,900
Payments to acquire other equity investments		– 241	– 549
Cash flows from investing activities	32.2	**– 71,888**	**– 44,125**
Payments to company owners and minority shareholders		– 186,595	– 203,734
Payments for the purchase of own shares		– 14,669	– 113,142
Payments for the acquisition of minority interests		– 3,871	– 9,600
Cash repayments of borrowings	28	– 140,500	– 289,500
Cash repayments of lease liabilities	28	– 86,433	– 87,691
Cash flows from financing activities	32.3	**– 432,068**	**– 703,667**
Net change in cash funds		**– 108,265**	**– 380,580**
Cash funds at beginning of period		286,287	666,867
Cash funds at end of period		178,022	286,287

Composition of cash funds

In EUR '000s	31.12.2022	31.12.2021
Liquid assets	178,022	286,287
Cash funds	**178,022**	**286,287**

Composition of free cash flow

In EUR '000s	2022	2021
Cash flows from operating activities	395,691	367,212
Payments to acquire property, plant and equipment and intangible assets	– 62,942	– 48,226
Proceeds from disposal of intangible assets and property, plant and equipment	2,920	3,079
Cash repayments of lease liabilities	– 86,433	– 87,691
Free cash flow [1]	**249,236**	**234,374**

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

Notes to the consolidated financial statements

for 2022 financial year

1 General information

1.1 Business activity and accounting standards

Freenet AG ("the company"), the parent company of the Group ("freenet"), is headquartered at Hollerstraße 126, 24782 Büdelsdorf, Germany. The company was founded in 2005 and is registered with Kiel District Court under HRB 7306. The Group provides telecommunications, radio and multimedia services in Germany and focuses mainly on mobile communications/ mobile Internet and digital lifestyle.

The consolidated financial statements for 2022 financial year were prepared in accordance with the International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union as of 31 December 2022. The company also complied with the provisions of German commercial law to be applied in accordance with section 315e HGB.

The consolidated financial statements were prepared in euros, the company's functional currency. All amounts are stated in thousands of euros (EUR '000s) or millions of euros (EUR million), as applicable.

The consolidated financial statements were prepared on the basis of historical cost – subject to the limitation that certain financial assets are shown at fair value. The annual financial statements of the companies included in the consolidated financial statements were prepared using uniform accounting policies. They have been prepared as at the same balance sheet date as the consolidated financial statements.

The consolidated financial statements are submitted to the Federal Gazette.

The following table shows the new or modified standards (IAS/IFRS) and interpretations (IFRIC) whose application is mandatory from 1 January 2022 and their respective effects on the Group:

Standard/Interpretation		Effective date	Adopted by the EU Commission	Effects
IAS 41, IFRS 1, IFRS 9, IFRS 16	Annual improvements (2018-2020 Cycle)	01.01.2022	02.07.2021	No material effects
IFRS 3	Updating of a Reference to the Conceptual Framework of IFRS 3	01.01.2022	02.07.2021	No material effects
IAS 16	Amendments to IAS 16 – Proceeds before Intended Use	01.01.2022	02.07.2021	No material effects
IAS 37	Amendments to IAS 37 – Onerous Contracts (Costs of Fulfilling a Contract)	01.01.2022	02.07.2021	No material effects

The following table shows the new or modified standards (IAS/IFRS) and interpretations (IFRIC) whose application was not yet mandatory in the 2022 financial year and their respective effects on the Group:

Standard/Interpretation		Effective date	Adopted by the EU Commission	Effects
IFRS 17	Insurance Contracts	01.01.2023	19.11.2021	No effects
IAS 12	Amendments – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	01.01.2023	11.08.2022	No material effects
IFRS 17	Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01.01.2023	08.09.2022	No effects
IAS 1	Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	01.01.2023	02.03.2022	No material effects
IAS 8	Amendments to IAS 8 – Definition of Accounting Estimates	01.01.2023	02.03.2022	No material effects
IAS 12	Amendments to IAS 12 – Deferred taxes on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences	01.01.2023	open	No material effects
IFRS 16	Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	01.01.2024	open	No material effects
IAS 1	Amendments to IFRS 1 – Classification of Liabilities as Current and Non-current	01.01.2024	open	No material effects
IAS 28 IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	open	open	No material effects

1.2 Basis of consolidation

The consolidated financial statements include as subsidiaries all companies which are controlled by the Group. For a complete list of all companies included in freenet AG’s consolidated financial statements, please consult the disclosures made in accordance with section 315e HGB in note 35. IFRS 11 defines two forms of joint arrangements, depending on the form of the rights and obligations resulting from the joint arrangement in question: joint operations and joint ventures.

Associates are all entities over which the Group has a significant influence but not control, generally accompanied by a shareholding of between 20 percent and 50 percent of the voting rights.

The companies 01019 Telefondienste GmbH, 01024 Telefondienste GmbH, freenet.de GmbH, freenet Cityline GmbH, freenet Datenkommunikations GmbH, 01050.com GmbH, vitrado GmbH, freenet Direkt GmbH, MobilCom Multimedia GmbH, freenet Shop GmbH (formerly: mobilcom-debitel Shop GmbH), Stanniol GmbH für IT & PR, Gravis – Computervertriebsgesellschaft mbH („GRAVIS“), freenet Energy GmbH, callmobile GmbH, freenet Shopping GmbH, freenet Logistik GmbH (formerly: mobilcom-debitel Logistik GmbH), Taunus Beteiligungs GmbH, Field Service Deutschland FSD GmbH (formerly: Media Broadcast Services GmbH), Media Broadcast TV Services GmbH, audio.digital NRW GmbH and The Cloud Networks Germany GmbH will make use of the exemption rules specified in section 264 (3) HGB for the annual financial statements for the period ending on 31 December 2022.

In 2022 financial year, the basis of consolidation was not expanded.

1.3 Consolidation principles

Companies are included for the first time in the consolidated financial statements (full consolidation) with effect from the date on which the possibility of control over the subsidiary is transferred to the Group. They are deconsolidated as of the time when such control has ceased to apply. The company is said to control another entity if it has power over an investee, is exposed to variable returns from its investment and can influence the level of returns as a result of its power. Control is normally associated with a share of more than 50 percent of the voting rights. In order to assess whether a situation of control exists, however, due consideration is also given to the existence and impact of potential voting rights, rights resulting from other contractual agreements, and, if applicable, any other facts and circumstances that indicate the possibility of control. The Group therefore also carries out an assessment to determine whether the prevailing situation constitutes control if the parent company holds fewer than 50 percent of the voting rights but is able to direct the company’s most important activities. A situation of control might also apply as a result of, for example, voting rights agreements or enhanced minority rights. freenet AG carries out a reassessment if there are indications that there have been changes to one or more of the criteria of control. Amounts attributable to non-controlling interests are disclosed separately on the balance sheet.

Acquisition accounting is based on the purchase method.

The cost of acquiring a business combination is determined by the sum of the fair values of the assets given, the liabilities incurred and/or acquired and any equity instruments issued for acquisition purposes. In addition, the acquisition costs include the fair values of all recognised assets and liabilities that result from an agreement concerning a contingent consideration.

All of the acquired company's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria stipulated by IFRS 3.37 are disclosed separately at their fair value, irrespective of the extent of any minority interests. For each corporate acquisition, the Group decides on an individual basis whether the non-controlling interests in the acquired company are recognised at fair value or on the basis of the percentage of net assets attributable to the acquired company.

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

When options are granted to enable non-controlling shareholders to tender further shares in Group companies, recognition of the options depends on how opportunities and risks arising from these shares are attributable. If the opportunities and risks are transferred to the freenet Group, this is reflected in a corresponding reduction in the share of the Group's equity attributable to the non-controlling shareholders. In such cases, only a financial liability in relation to the option obligation is recognised. If the opportunities and risks are retained by the non-controlling shareholder, the equity which is attributable to the non-controlling shareholders is recognised. In this case, the financial liability relating to the option obligation reduces the equity attributable to the shareholders of freenet AG. The financial liability is initially measured at the present value of the estimated repurchase amount on the expected date of exercise and subsequently measured at amortised cost using the effective interest rate method and taking into account any possible changes in the repurchase amount.

Transactions with non-controlling interests without loss of control are treated as transactions with equity providers of the Group. If the acquisition of a non-controlling interest results in a difference between the amount that is paid and the corresponding share in the carrying amount of the subsidiary's net assets, such a difference is recognised in equity. Profits and losses which occur upon the disposal of non-controlling interests are also recognised in equity.

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

Investments in associates as well as joint ventures are disclosed in the consolidated financial statements using the equity method, with the carrying amounts of the investments being increased or reduced annually by the proportion of the changes in equity at the respective company attributable to the freenet Group. The Group's share of the profits and losses of associates and joint ventures is recognised in the income statement as well as in other comprehensive income from the date of acquisition. Dividend payments received reduce the carrying amount of the investment in the associate. Goodwill arising from the acquisition of associates and joint ventures is not shown separately. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognising its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

If the Group loses control over a company, the remaining share is remeasured at fair value and the resulting difference is recognised in profit or loss. In addition, all amounts shown under other comprehensive income in relation to that company are recognised as if the parent company had directly disposed of the related assets and liabilities. This means that a profit or loss that had previously been recognised in other comprehensive income is reclassified from equity to profit or loss.

Intra-group profits and losses, revenue, expenses and income as well as trade accounts receivable and liabilities between the consolidated companies are eliminated. The same applies to the elimination of intra-group profits and losses for joint ventures and associates.

2 Accounting policies

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

2.1 Recognition of revenue and expenses

The Group mainly provides services for a short period. Revenue is recognised when the services have been rendered in full, provided that the amount of revenue can be determined reliably and it is sufficiently probable that a future economic benefit will accrue to the company. Services rendered but not yet invoiced are accrued separately in the consolidated financial statements. Revenue is disclosed net of value added tax, discounts granted and other price reductions. Revenue comprises the fair value of the consideration that has been, or will be, received for the sale of products and services in the course of normal business activity.

The majority of the Group's revenue is generated from a large number of end customers, with the remaining revenue accounted for by corporate customers.

Supplementary notes on revenue recognition (for a breakdown of operating segments, please refer to note 3, Segment reporting):

Revenue in the Mobile Communications segment is generated by the range of mobile communications services on offer, one-off provision charges and the sale of mobile terminals and accessories. Mobile Communications revenue (voice communication as well as data transmission) consists of monthly charges, charges for special features and connection and roaming charges. The charges generated by mobile communications services are recognised as revenue over the period during which the services are provided. Revenue from the sale of mobile terminals and accessories is recognised when the products are delivered to the customer or the distributor. Revenue is also generated from the planning, construction, installation and maintenance of WiFi networks at schools.

Revenue recognition under IFRS 15 is based on a multi-step model where the first steps are to identify the contract with the customer and the performance obligations in the contract. The aggregate amount of consideration agreed for those performance obligations (the transaction price) must then be determined and allocated to the separate performance obligations on the basis of the relative stand-alone selling prices. Finally, revenue must be recognised for each performance obligation identified when, or as, the performance obligation is satisfied by transferring a promised good or a promised service (asset). An asset is considered to have been transferred once the customer has obtained control of that asset. A distinction is made between performance obligations satisfied at a point in time (e.g. delivery of mobile communications hardware) and performance obligations satisfied over time (e.g. provision of mobile communications services over a period of 24 months). Under the new guidance, the amount of revenue recognised in many cases no longer matches the amount invoiced to the customer particularly in connection with multi-element arrangements involving several different contractual services. As a result, changes may arise with respect to the amount and timing of revenue recognition and revenue adjustments due to contract modifications, among other things.

In the case of particular agency services provided by dealers, for whom the amount of sales commission depends on the newly acquired customers remaining in the Group's customer base and also on the level of future Group revenue generated with the newly acquired customers, the purchased services are recognised as a deferred item based on their most likely value and recognised through profit or loss over the average term of the associated end customer contract using the straight-line method.

The revenue in the TV and Media segment is generated by the rendering of services to end customers in the IPTV and DVB-T2 fields and also by the operation and service of broadcast-related solutions for business users in the radio and media sector. Revenue is recognised at the time at which the service is provided to the customer. In the TV and Media segment, revenue from delivering hardware to end customers is recognised at a point in time, although this revenue is currently insignificant in amount.

2.2 Intangible assets

Goodwill is tested for impairment at least once a year and whenever there is an indication of impairment, and is measured at its original cost less cumulative impairment.

For this purpose, goodwill is allocated to cash generating units. It is allocated to those cash generating units or groups of cash generating units which are expected to derive a benefit from the combination that gave rise to the goodwill. With regard to the specific breakdown, please refer to note 15, intangible assets, lease assets, property, plant and equipment, and goodwill as well as note 16, Impairment testing for non-monetary assets in accordance with IAS 36. In January 2022, as part of the realignment of the brand strategy, the Executive Board of freenet AG decided to gradually replace the mobilcom-debitel brand in use since 2009 with the freenet brand. The mobilcom-debitel brand had previously been presented in the balance sheet with an indefinite useful life (31 December 2021: 293.2 million euros). As a result of the Executive Board decision, the carrying amount of the mobilcom-debitel brand will be amortised on a straight-line basis over an expected remaining useful life (18 months) to 30 June 2023.

The other trademarks are carried at their historical cost and are amortised on a straight-line basis over their anticipated useful lives of 18 to 180 months. On the balance sheet date of 31 December 2022, the remaining useful life of these trademarks was between 6 and 98 months.

Licences, software and other intangible assets are shown at cost and are amortised on a straight-line basis over their anticipated useful lives, which is generally three years to four years for software and three to ten years for licences.

Costs incurred in developing and/or maintaining software programs are generally expensed in the year in which they are incurred. If the costs are clearly attributable to a definable software product that can be used by the company, and if the product's overall expected economic benefit is greater than the costs incurred, the costs are recognised as intangible assets in the category “internally generated software”. Development costs are not capitalised until technical and economic feasibility can be demonstrated. These costs include, for example, the personnel costs of the software development team and any expenses incurred for services and fees during the production of the asset. They also contain an appropriate portion of relevant overheads. Capitalised software development costs are amortised over the duration of their likely useful lives of three to seven years using the straight-line method.

Customer relationships are amortised on a straight-line basis over a period of 120 to 262 months. On the balance sheet date of 31 December 2022, the remaining useful life of the customer relationships recognised was between 72 and 192 months.

Distribution rights are amortised on a straight-line basis over the expected duration of the underlying agreements (36 months). On the balance sheet date of 31 December 2022, the remaining useful life of the distribution rights recognised was 31 months.

2.3 Property, plant and equipment

Property, plant and equipment are measured at cost less straight-line depreciation and, if applicable, impairments. The useful lives assumed for the depreciation of assets correspond to the assets' expected useful lives within the company. In the calculation of depreciation, any residual values were disregarded on grounds of immateriality.

The residual carrying amounts and useful economic lives are reviewed as at each balance sheet date and adjusted where applicable.

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

Asset	Useful life
Buildings	10 to 50 years
Technical equipment and machinery	5 to 15 years
Motor vehicles	6 to 10 years
IT equipment	3 to 8 years
Telecommunications equipment and hardware	2 to 5 years
Leasehold improvements	3 to 10 years

2.4 Impairment of non-monetary assets

Non-monetary assets are always considered impaired if the carrying amount exceeds the recoverable amount. The recoverable amount is defined as the higher of asset's fair value, less costs to sell, and the value in use.

An impairment test must be carried out if events or changed circumstances (triggering events) indicate that the asset's value might be impaired. Goodwill and intangible assets with indefinite useful lives must be tested for impairment once a year in accordance with IAS 36.

If the reason for impairment no longer applies, the asset's impairment is reversed to a figure not exceeding amortised cost. This is not applicable to goodwill, as reversals of impairment are not permitted here.

2.5 Leases

2.5.1 freenet as lessee

The Group generally decides on a case-by-case basis whether assets are leased or purchased. Agreements that convey the right to use an asset for a particular specified period of time in return for a payment or a series of payments are classified as leases.

For site leases, co-location leases, shop/store leases, TV and Media network infrastructure, motor vehicles and other assets, the Group as lessee recognises a lease liability at the present value of the lease payments required to be made over the lease term. Present value is determined by including fixed lease payments, variable index-based payments, reasonably certain extension options, exercise prices of purchase options and payments of penalties for terminating the lease early, less any lease incentives received. At the commencement date (the date on which the asset is made available for use), the lease payments are measured using the incremental borrowing rate specific to the lease term. Over the period to the end of the lease, the lease liability is reduced by the principal portion of the lease payment; corresponding interest expense is presented in the financial result.

At commencement of the lease, the Group as lessee also recognises a right-of-use asset at cost. Cost is determined, first of all, from the amount of the lease liability and may be increased by any initial direct costs, costs to be incurred in dismantling and removing the asset and any lease payments made by the lessee at or before the commencement date and therefore not included in the lease liability. Right-of-use assets are depreciated over the term of the lease or, if shorter, over the normal useful life of the leased asset concerned.

When an extension option is exercised and therefore the lease term changes, the right-of-use asset and the lease liability are adjusted by the same amount at the date of the change in the term and the interest rate is revised at that date. Lease modifications that result from a change in an index-based rate are also accounted for by adjusting the right-of-use asset and the lease liability, but using the interest rate originally used.

The breakdown lease assets is as follows:

In EUR millions	31.12.2022	31.12.2021
Right-of-use assets, site leases	175.9	202.1
Right-of-use assets, shops/stores[1]	101.2	104.4
Right-of-use assets, co-location leases	54.2	69.9
Right-of-use assets, network infrastructure	15.5	18.2
Right-of-use assets, motor vehicles	1.7	2.1
Right-of-use assets, other	2.0	4.7
Total	**350.5**	**401.4**

[1] As of 31 December 2022, this item includes operating leases from subleasing of shop space to franchise partners in the amount of 30.1 million euros (31 December 2021: 30.8 million euros).

Additions to lease assets are reported at 37.4 million euros in the 2022 financial year (31 December 2021: 48.4 million euros). In the year under review, depreciation of right-of-use assets is broken down as follows:

In EUR millions	2022	2021
Site leases	33.0	31.8
Shops/stores	20.5	20.7
Co-location leases	11.1	11.1
Network infrastructure	3.5	3.6
Motor vehicles	0.9	1.0
Other	3.2	4.8
Total	**72.2**	**73.0**

Other operating expenses include expenses relating to short-term leases (31 December 2022: 1.0 million euros, 31 December 2021: 0.4 million euros) and expenses relating to leases of low-value assets (31 December 2022: 0.2 million euros; 31 December 2021: 0.1 million euros). The variable lease payments not included in the lease liabilities and also contained in other operating expenses are of minor significance.

Interest expense on lease liabilities amounted to 8.8 million euros in the reporting period (31 December 2021: 10.2 million euros). We provide the following breakdown of the maturities of the lease liabilities as of 31 December 2022 and 31 December 2021:

In EUR millions	31.12.2022	31.12.2021
1 year or less	82.0	85.3
More than 1 year up to and including 5 years	261.7	287.5
More than 5 years	74.9	108.1
Total	**418.6**	**480.9**

In 2022 financial year, total cash outflows for leases amounted to 96.4 million euros (31 December 2021: 98.4 million euros).

In the event that extension options not currently recognised (because it was concluded that they were not reasonably certain to be exercised) were exercised, this would result in cash outflows of 431.9 million euros (previous year: 431.9 million euros) in addition to the lease liabilities currently recognised.

2.5.2 freenet as lessor

The freenet Group is the lessor under subleases of sites in the TV and Media segment, shop space, motor vehicles and other assets.

If a lease transfers substantially all the risks and rewards, it is a finance lease. In this case, a receivable is recognised in other financial assets at an amount equal to the net investment in the lease (31 December 2022: 44.8 million euros; 31 December 2021: 55.4 million euros). The receivables contained in this item mainly relate to subleases of sites in the TV and Media segment. The corresponding interest income is presented in the financial result and amounted to 1.1 million euros in 2022 financial year (previous year: 1.4 million euros). Income relating to variable lease payments not included in the measurement of the net investment is insignificant in amount.

The future (undiscounted) cash inflows from finance leases were due as follows as of 31 December 2022 and 31 December 2021:

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

In EUR millions	31.12.2021
2022	15.5
2023	13.3
2024	11.7
2025	11.5
2026	6.6
2027ff	0.0
Future (undiscounted) cash inflows	**58.6**
Unearned interest income	– 3.2
Receivables from finance leases	**55.4**

Lease income from operating leases where the Group is the lessor is recognised in profit or loss on a straight-line basis over the lease term and results mainly from subleasing of shop space to franchise partners. Lease income from operating leases of 6.5 million euros is shown in other operating income in the 2022 financial year (previous year: 6.1 million euros).

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

In EUR millions	31.12.2022
2023	6.1
2024	4.6
2025	3.0
2026	1.7
2027	0.9
2028ff	1.7
Future (undiscounted) cash inflows	**18.0**

In EUR millions	31.12.2021
2022	6.2
2023	4.6
2024	2.9
2025	1.8
2026	0.7
2027ff	0.6
Future (undiscounted) cash inflows	**16.8**

2.6 Interests in associates and joint ventures

The carrying amount of investments in associates and joint ventures is recognised on the basis of the associate’s or joint venture’s annual or consolidated financial statements in accordance with IFRSs prepared in accordance with the Group's accounting policies. With regard to the equity method, please refer to note 1.3, Consolidation principles.

2.7 Financial instruments

2.7.1 Definition and classification

A financial instrument is any contract that simultaneously gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. For the purposes of measurement, financial assets and financial liabilities are classified as follows:

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

The classification of financial assets and liabilities is based on the characteristics of the contractual cash flows of the financial assets and the business model that management uses to manage the financial assets. Management determines how the financial assets and financial liabilities are classified upon initial recognition.

2.7.2 Financial assets measured at amortised cost

The Group classifies these assets in the following three categories:

Liquid assets

Liquid assets consist of cash and cash equivalents comprising cash, demand deposits and other current highly liquid financial assets with a maximum original term of three months.

Trade accounts receivable

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

Non-derivative financial assets

The Group measures its non-derivative financial assets at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. In addition, the contract terms result in cash flows consisting exclusively of principal and interest payments on the principal amount outstanding. This category includes receivables from trustees, collateral and other contract assets reported in other financial assets.

2.7.3 Financial assets measured at fair value through profit or loss

The Group classifies these assets in the following two categories:

Trade accounts receivable

The freenet Group carries trade accounts receivable held for trading purposes at fair value through profit or loss. These include trade accounts receivable from multiple-element arrangements (mobile phone upgrade option) sold to a credit institution. Please refer to the explanation regarding factoring in note 33.6.

Other equity instruments

The company measures investments in equity instruments at fair value through profit or loss if the Group has elected not to recognise changes in fair value in other comprehensive income. As at the reporting date, other equity investments reported in other financial assets are assigned to this category.

2.7.4 Financial assets measured at fair value through other comprehensive income

The Group classifies these assets in the following category:

Other equity instruments

Other equity instruments measured at fair value through other comprehensive income are financial assets not held for trading purposes which the freenet Group has irrevocably chosen upon initial recognition to report in this category. This category includes equity investments and securities serving as security for non-current pension obligations reported in other financial assets.

2.7.5 Liabilities measured at amortised cost

Financial liabilities are based on contractual agreements regarding the payment of liquid assets or the rendering of other financial assets to a third party. A financial liability is recognised when freenet becomes the contracting party. The financial liabilities as of the balance sheet date are disclosed in the trade accounts payable, borrowings and other financial liabilities items.

2.7.6 Measurement of financial instruments

Regular purchases and sales of financial assets are recognised as at the trade date, i.e. the day on which the Group enters into an obligation to buy or sell the asset. Financial assets are measured at fair value upon acquisition. Transaction costs increase or decrease the initial carrying amount if the financial asset is not measured at fair value with changes in value being recognised through profit or loss.

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

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Upon initial recognition, financial liabilities measured at amortised cost are shown at the fair value of the consideration received less the transaction costs associated with borrowing. In the subsequent period, the financial liabilities are measured at amortised cost using the effective interest rate method. Profits and losses are recognised through profit or loss when the liabilities are derecognised or as a result of amortisation. Non-current financial liabilities are recognised at amortised cost. Any differences between historical cost and the repayment amount is amortised using the effective interest method. Current financial liabilities are recognised at their repayment or settlement value. Loan liabilities are classified as current liabilities provided that the Group does not have the unconditional right to postpone settlement of the liability to a point in time at least twelve months after the balance sheet date. Derivative financial instruments are measured on the basis of future cash flows. Accordingly, derivative financial instruments can also be shown as financial liabilities.

2.7.7 Impairment of financial assets

The Group applies the simplified approach provided for by impairment rules to measure expected credit losses. Accordingly, expected credit losses anticipated over the term of all trade accounts receivable, lease receivables and contract assets are recognised upon the initial recognition of these items. Impairments of financial assets are based on assumptions regarding default risk and expected loss rates on the basis of historical losses and the Group's past experience as well as forward-looking estimates at the end of the financial year.

No defaults have occurred on lease receivables in the past. As a result, the expected loss rates do not reflect historical default rates, but are instead based on current and forward-looking information (e.g. remaining maturity of the lease receivables, benchmark information). The impairment loss identified was insignificant, however, and was not recognised.

The carrying amount of the receivables is reduced by using an allowance account. If reasonable assessments indicate that the receivable is no longer recoverable, the receivable is derecognised against the allowance account. Subsequent payments in relation to previously derecognised amounts are credited to the income statement against impairment losses on trade accounts receivable.

The general approach is applied by the Group to non-derivative assets. The expected credit loss model uses a three-stage approach to allocate loss allowances. In general, all instruments are classified in Stage 1 when originated or acquired. For these items, the expected loss resulting from possible default events during the next twelve months following the reporting date must be recognised as an expense. Interest is recognised based on the gross carrying amount, i.e. the effective interest method must be applied based on the carrying amount before deduction of expected credit losses. Stage 2 includes all instruments that have experienced a significant increase in default risk since initial recognition as at the reporting date. The loss allowance must reflect the present value of all expected losses over the remaining term of the instrument. Interest is recognised based on the gross amount, i.e. the effective interest method must be applied based on the carrying amount before deduction of expected credit losses. Significant indications of impairment include the following:

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

If, in addition to a significant increase in default risk, there is also objective indication of impairment as at the reporting date (Stage 3), the loss allowance is also measured based on the present value of the expected losses for the remaining term. The interest recognised must be adjusted in subsequent periods so that the interest income must be calculated based on the net carrying amount in the future, i.e. the carrying amount after deduction of expected credit losses. Objective indications of impairment include the following:

- Significant financial difficulties of the issuer or debtor
- Breach of contract such as a default or delinquency in interest or principal payments
- An increased probability that the debtor will become bankrupt or will have to go through some other restructuring process

Cash and cash equivalents are also subject to the impairment rules in IFRS 9. Default risk is substantially reduced by diversifying cash and cash equivalents among various major banks.

No loss allowances are recognised for expected credit losses in the case of equity instruments. An objective indication of impairment is a significant or permanent decline in the fair value below cost. If no market prices are available, other measurement approaches such as the discounted cash flow method are used to determine whether recognition of impairment losses is necessary.

2.7.8 Derecognition of financial assets

The freenet Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all of the risks and rewards of ownership of the asset are transferred to a third party. For details, please refer to the comments in note 33.6.

2.7.9 Derecognition of financial liabilities

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

2.7.10 Netting of financial instruments

Financial assets and liabilities are netted and shown as a net amount in the balance sheet only if there is a legal entitlement to such treatment and if the Group intends to settle on a net basis or to use the asset and settle the liability simultaneously.

2.8 Inventories

Inventories are shown at the lower of cost and the net realisable value on the balance sheet date. The net realisable value is defined as the estimated selling price less costs to be incurred.

2.9 Foreign currency transactions

The items included in the annual financial statements of each Group company are measured based on the currency corresponding to the currency of the primary economic environment in which the company operates (functional currency). The consolidated financial statements are prepared in euros, which is the reporting currency of freenet AG.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the fulfilment of such transactions, and also from the process of translating monetary assets and liabilities denominated in foreign currencies as at the closing date, are recognised in the income statement. The foreign currency transactions carried out in 2022 financial year were immaterial.

The earnings and balance sheet items of all Group companies that have a functional currency other than the euro are translated into euros using the modified closing date method. Any resulting currency translation differences are recognised in other comprehensive income and disclosed as a cumulative figure in equity.

2.10 Equity

Ordinary shares, capital reserves, treasury shares, revaluation reserves, consolidated net retained profits and non-controlling interests are shown as equity. After the deduction of applicable current taxes, costs of capital increases are recognised directly in equity under capital reserves.

The Executive Board is authorised by the Annual General Meeting to acquire own shares, with this requiring the approval of the Supervisory Board (section 71 (1) no. 8 of the German Stock Corporation Act (Aktiengesetz – AktG). Thresholds are defined for buyback programmes, such as number, total amount and duration. The acquisition of own shares is measured at cost plus fees per individual transaction.

2.11 Pension provisions

Pension provisions are recognised and measured in accordance with IAS 19. The net obligation shown in the balance sheet under pension provisions as well as in non-current other receivables and other assets is equivalent to the actuarial present value of the defined benefit obligation on the balance sheet date less the fair value of the plan assets, plus the effect of the asset ceiling. The present value of the defined benefit obligation is calculated every year by an independent actuarial expert using the projected unit credit method. This method takes account not only of the pensions and acquired vested rights known on the balance sheet date; it also includes anticipated future increases in pensions and salaries.

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

Differences between the theoretical and actual income from plan assets are recognised in other comprehensive income in the period in which they arise.

Pension commitments are subject to the regulations of the German Company Pensions Act. If the pension plans provide for pension benefits, there is the biometric risk of longevity. There are further risks in terms of pension adjustment obligations due to the development of inflation as well as salary-linked commitments related to the development in salaries.

Past service costs are immediately recognised in profit or loss. The service cost is shown under personnel expenses and the interest portion of the addition to provisions is shown in the financial result.

Contributions to defined contribution plans are recognised in the income statement in the year in which they occur.

2.12 Provisions

Provisions are recognised for legal or constructive obligations towards third parties of uncertain timing and/or amount which arise as a result of past events, where it is more likely than not that settlement of the obligation will lead to an outflow of assets and where a reliable estimate of the extent of the obligation can be made. The provisions are measured using the best possible estimate of the obligation as at the balance sheet date, taking the discounting of non-current obligations into account.

If there are a number of similar obligations, the probability of an outflow of resources is determined on the basis of the group of these obligations. A provision is also recognised as a liability if the probability of an outflow of resources relating to individual obligations included in this group is low.

In accordance with IAS 16, the costs expected for the obligation to dismantle and remove transmission installations and leasehold improvements are included in the costs of these items. In accordance with IAS 37, a provision is therefore recognised to cover the present value of these obligations if an outflow of resources is likely; this provision is recognised at the time at which the obligations arise. Changes in the measurement of an existing provision, in other words changes in the settlement value and/or the discount rate, are recognised by means of an adjustment to the carrying amount of the transmission installations and leasehold improvements (upper limit: recoverable amount; lower limit: zero).

Restructuring provisions basically comprise termination benefits paid to employees. Provisions for potential losses mainly relate to tariffs with negative margins and vacancy costs.

There are semi-retirement obligations in accordance with the Altersteilzeitgesetz (Semi-Retirement Act – AltTZG) of 23 July 1996 in line with the block model. The semi-retirement phase cannot begin before the employee's 55th birthday. During the semi-retirement phase, the employee's monthly semi-retirement net salary is normally topped up to 85 percent (or 83 percent for agreements signed after 1 October 2012) of the theoretical monthly full-time salary less statutory deductions. The obligations have been netted with the fair values of the corresponding plan assets. If the fair value of the plan assets is higher than the obligations, the surplus is shown under the receivables and other assets.

The provisions for obligations relating to long-term work accounts are measured using certain actuarial assumptions. Long-term work accounts are set up to ensure that time accounts are balanced in the long term. The obligations are reduced by granting leave of absence at full pay. The obligations have been netted with the fair values of the corresponding plan assets. If the fair value of the plan assets is higher than the obligations, the surplus is shown under the receivables and other assets.

2.13 Employee incentive programmes

In 2022 financial year, three significant long-term incentive programmes ("LTIP programmes") for employees were in place in the Group.

In LTIP programmes, an LTIP account is maintained for each beneficiary; in each financial year, depending on the extent to which defined target for the financial year in question have been achieved, credit or debit entries are made in the accounts in the form of virtual shares. Then, within a predetermined period of time, payouts (exclusively in the form of cash payouts) less taxes and charges can be made for each financial year, depending on the balance in the respective LTIP account. The amount of these payments is dependent on various factors, including the applicable share price at the time of the payout. The provision is measured at the fair value of the virtual shares that are likely to vest. The corresponding expense is shown under personnel expenses. For details, please refer to our explanations in note 25. In addition, the freenet Group maintains two further employee incentive programmes (hereinafter referred to as "Other employee incentive programmes").

2.14 Deferred and current income taxes

Deferred taxes are recognised using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts and on tax loss carryforwards. Deferred taxes are measured using tax rates and tax laws enacted or substantively enacted at the balance sheet date that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets on deductible temporary differences are recognised at the amount for which deferred tax liabilities exist. If the amount of deferred tax assets on deductible temporary differences exceeds this value, they are recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. Deferred tax assets on existing tax loss carryforwards are also recognised only to the extent that it is probable that future taxable profit will be available against which they can be utilised. The expected future profits are based on the company's forecast of earnings before taxes applicable on the balance sheet date.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries and associates are recognised unless the timing of the reversal of the temporary differences can be determined by the Group and it is probable that the temporary differences will not reverse in the foreseeable future due to this influence.

Current tax expenses are calculated based on the German tax regulations applicable at the balance sheet date or in the near future. Management regularly reviews tax returns, particularly with respect to interpretable matters, and, where appropriate, recognises provisions based on the amounts expected to be paid to the tax authorities.

2.15 Judgements, forward-looking assumptions and estimation uncertainties

The presentation of the net assets, financial position and results of operations in the consolidated financial statements depends on the recognition and measurement methods used and on forward-looking assumptions and estimates. The actual amounts may differ from these estimates. The significant estimates and associated assumptions set out below, as well as any uncertainties with regard to the chosen accounting policies, are of crucial importance for a correct understanding of the underlying risks of financial reporting as well as the impact that these estimates, assumptions and uncertainties might have on the consolidated financial statements.

The measurement of property, plant and equipment and intangible assets involves estimates for determining the fair value at the time of acquisition if the assets were acquired as part of a business combination. The anticipated useful life of such assets must also be estimated.

When determining the lease term relevant to measurement in the shops/stores category, it is always assumed that all extension options are reasonably certain to be exercised (due to operational considerations). As of a certain term, there may also be a blanket extension to the lease based on forward-looking assumptions.

For the purposes of measuring subleases in the TV and Media segment, the end of the lease term is determined by distinguishing by location (investor locations until 30 June 2026 or 31 July 2026; other locations until 31 December 2026).

The Group Treasury department makes sure that the incremental borrowing rate used to discount the lease liability is determined on a quarterly basis. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term the funds necessary to obtain the asset in question.

With regard to the forward-looking assumptions made within the framework of the tests relating to potential goodwill impairments (carrying amount as of 31 December 2022: 1,382.4 million euros; previous year: 1,382.4 million euros), please refer to note 16.

At the beginning of 2022 financial year, as part of the realignment of the brand strategy, the Executive Board of freenet AG had decided to gradually replace the mobilcom-debitel brand in use since 2009 with the freenet brand. The mobilcom-debitel presented in the balance sheet as an intangible asset with an indefinite useful life until 31 December 2021 (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.

A sensitivity analysis regarding the impairment tests for the assets allocated to the cash generating unit (CGU) “Mobile Communications” has established that the fair value less costs to sell would decline by approximately 400 million euros if the weighted average cost of capital (WACC) were to be increased by 0.5 percentage points and would increase by approximately 489 million euros if the WACC were to decline by 0.5 percentage points, and that, if EBIT were to be reduced or increased by 10 percent in the planning period, the fair value less costs to sell would decrease by approximately 805 million euros (if the WACC simultaneously were to be increased by 0.5 percentage points) or increase by 984 million euros (if the WACC simultaneously were to be reduced by 0.5 percentage points); this would not result in any impairment with regard to the assets allocated to this CGU, especially in case of the negative scenarios.

A sensitivity analysis regarding the impairment tests for the assets allocated to the “TV” CGU has established that the fair value less costs to sell would decline by approximately 59 million euros if the WACC were to be increased by 0.5 percentage points and would increase by approximately 69 million euros if the WACC were to decline by 0.5 percentage points, and that, if EBIT were to be reduced or increased by 10 percent in the planning period, the fair value less costs to sell would decrease by approximately 126 million euros (if the WACC simultaneously were to be increased by 0.5 percentage points) or increase by 149 million euros (if the WACC simultaneously were to be reduced by 0.5 percentage points); this would not result in any impairment with regard to the assets allocated to this CGU, especially in case of the negative scenarios.

A sensitivity analysis regarding the impairment tests for the assets allocated to the "Online" CGU has established that the fair value less costs to sell would decline by approximately 4 million euros if the WACC were to be increased by 0.5 percentage points and would increase by approximately 5 million euros if the WACC were to decline by 0.5 percentage points, and that, if EBIT were to be reduced or increased by 10 percent in the planning period, the fair value less costs to sell would decrease by approximately 9 million euros (if the WACC simultaneously were to be increased by 0.5 percentage points) or increase by 11 million euros (if the WACC simultaneously were to be reduced by 0.5 percentage points); this would not result in any impairment with regard to the assets allocated to this CGU, especially in case of the negative scenarios.

For the impairment tests carried in December 2022 in relation to the assets allocated to the Mobile Communications, TV, and Online CGUs, a sensitivity analysis showed that no impairment would have to be recognised in each case even if the WACC had increased by 1.0 percentage point in each case and the EBIT recognised in the planning period had decreased by 10 percent.

The other equity instruments measured at fair value through profit or loss do not include listed shares for which there is an active market. Their fair value is determined using recognised actuarial methods. The underlying assumptions regarding future developments rely on the Group's judgement.

Impairment losses on financial assets are based on assumptions regarding default risk and expected loss rates. In preparing these assumptions and selecting the input factors for calculating the impairment losses, the Group exercises its judgement based on its past experience and forward-looking estimates at the end of the financial year.

With regard to the accrual of purchased services from sales commissions for the various products offered by the Group, estimates are made on the basis of past experience to assess the probability with which final commissions, which can no longer be cancelled, become payable.

For multiple-element arrangements, the following material judgements, forward-looking assumptions, and uncertainties involved in estimation apply:

Measuring contractual performance obligations involves identifying the individual customer contracts and grouping them into portfolios based on certain criteria. A portfolio is defined as a set of aggregated contracts with uniform characteristics. Discretion plays a part in selecting these criteria (the assessment of whether uniformity exists and the decision on the number of portfolios).

The first step is identifying the performance obligations within customer contracts (or after their aggregation in portfolios) and their relative individual selling prices. These are estimated based on transactions conducted in the past (such as hardware sales and offers of mobile communications services over 24 months). In the next step, the net contract position is calculated taking into account other contract components: If the relative stand-alone selling prices of a contract component exceeds the transaction price, the transaction price is reallocated. The resulting net contract position of a contract (or after its aggregation in a portfolio) is reversed on a pro rata basis over the underlying contract term depending on the relevant performance dates or periods. Measurement of the net contract position is subject to certain assumptions. Uncertain future contract events, which cannot be influenced by the freenet Group, are anticipated according to their weighted likelihood of occurrence. Such contract events include premature contract termination, cancellation, bad debt losses, contract modifications, and the exercise of contractual (material) rights such as those arising from product vouchers.

The following material judgements, estimates and forward-looking assumptions are made with regard to accounting for multiple-element arrangements:

- Forward-looking assumptions in determining the expected future customer contract term for the amortisation period of contract acquisition costs and bonuses and commission of network operators for specific periods
- Assessment of whether there is a significant financing component
- Judgements and forward-looking assumptions in determining whether certain cost items constitute incremental contract extension costs, the reimbursement of which is expected in the future
- Judgements regarding the assessment of commissions and bonuses received by network operators, specifically
  - which portions thereof must be recognised in revenue as separable individual performance components immediately upon performance,
  - which portions thereof constitute an immediate reduction of the cost of materials due to their nature as a discount, and
  - which portions thereof can be considered discounts granted over the underlying customer contract term and therefore reduce the cost of materials on a pro rata basis.
- Judgements and estimates in determining the equivalent value of brokerage services in indirect sales in order to obtain the carrying amount of “consideration payable to a customer”.

The recognition and calculation of provisions and accruals (e.g. for dealer commissions) depend on estimates. In particular, provisions for legal disputes are recognised on the basis of the assessment by the lawyers representing the Group companies.

A provision is recognised by the specialist departments (e.g. Real Estate Management) to cover the present value of make good obligations in connection with transmission systems and leasehold improvements if an outflow of resources is likely; this provision is recognised at the time at which the obligations arise.

With regard to the assumptions and estimates made in the measurement model used for determining the provision for the LTIP programme as of 31 December 2022, please refer to note 25.

With regard to pension provisions and similar obligations, note 29 describes how forward-looking assumptions have been made for the measurement of the provisions for pensions and similar obligations. This involves the estimation of a discount rate, the pension trend, the assessment of the future development of the beneficiary’s pensionable income and an assessment of the beneficiary’s life expectancy. A sensitivity analysis came to the conclusion that if the discount rate were to increase by 1.0 percentage points, the present value of the funded and unfunded obligations would be reduced by 8,886 thousand euros, while a decrease of 1.0 percentage points in the discount rate would increase the present value of the funded and unfunded obligations by 10,954 thousand euros. With regard to further sensitivity analyses pertaining to the pension obligations, please refer to note 29. There are commercial transactions for which it is not possible to determine the definitive taxation during the normal course of business. The Group determines the amount of the provisions for anticipated tax audits on the basis of estimates as to whether, and if so to what extent, additional income taxes will become due. Insofar as the definitive taxation for these transactions differs from the figure originally assumed, this will have an impact on the current and deferred income taxes in the period in which the taxation is definitively determined.

The deferred tax assets in relation to loss carryforwards are based on corporate planning for the four subsequent financial years involving forward-looking assumptions about, for example, the macroeconomic trend and the development of the telecommunications market. With regard to the extent of the recognised deferred taxes on loss carryforwards and also the extent of the loss carryforwards in relation to which no deferred tax assets have been recognised, please refer to note 18. A sensitivity analysis carried out in relation to the deferred tax assets has established that the deferred tax assets would increase by approx. 14.4 million euros or decrease by approx. 14.4 million euros if the trade income or corporation tax income were to increase or decrease by 10 percent in the relevant planning period.

2.16 Non-current assets held for sale

Discontinued operations and non-current assets held for sale, which are classified under IFRS 5 as held-for-sale, are shown at the lower of carrying amount and fair value less costs to sell if it is generally more likely that their carrying amount can be realised by way of a sale rather than by further use. At the time of reclassification to discontinued operations and non-current assets held for sale, the assets are no longer subject to depreciation or amortisation.

The assets held for sale or the held-for-sale group of assets are reclassified to “Continuing operations” when the criteria of IFRS 5 are no longer satisfied. The assets or the group of assets are shown at the lower of carrying amount less depreciation, amortisation or remeasurements which would have been carried out if the assets or group of assets had not been classified as discontinued operations, and the recoverable amount at the time of reclassification. The adjustments to the measurement of the group of assets are shown in the income statement as part of Continuing operations.

2.17 Comparative figures

These consolidated financial statements are fully comparable with the consolidated financial statements as of 31 December 2021.

3 Segment reporting

IFRS 8 stipulates that by means of internal management, operating segments must be distinguished from Group units whose operating results are reviewed regularly by the company’s main decision-making body with regard to decisions affecting the allocation of resources to this segment and the measurement of its profitability.

As its main decision-making body, the Executive Board organises and manages the company on the basis of the differences between the individual products and services offered by the company. As the Group performs its business operations almost entirely in Germany, its business is not organised or managed based on geographical regions. The Group was active in the following operating segments in the 2022 financial year:

- Mobile Communications:
  - Activities as a mobile communications service provider – marketing of mobile communications services (voice and data services) from the mobile communications network operators Deutsche Telekom, Vodafone and Telefónica Deutschland in Germany
  - Based on the network operator agreements entered into with these network operators, a range of the company’s own network-independent services and tariffs as well as a range of network operator tariffs
  - Sale/distribution of mobile communications devices as well as additional services for mobile data communications and digital lifestyle
  - „freenet Internet“: offering the company’s own app-based Internet product
  - Rendering of sales services
  - Planning, construction, installation and maintenance of WiFi networks

- TV and Media:
  - Rendering of services to end users in the field of DVB-T2
  - Planning, project management, installation, operation, service and marketing of broadcast-related solutions for business clients in the radio and media sectors
  - Rendering of services, mainly to end users, in the field of IPTV

- Other/Holding:
  - Rendering of portal services such as e-commerce/advertising services (these essentially comprise the offer of online shopping and the marketing of advertising space on websites), of payment services for end customers as well as various digital products and entertainment formats for downloading and displaying and use on mobile devices
  - Development of communication solutions, IT solutions and other services for corporate customers
  - Range of narrowband voice services (call-by-call, preselection) and data services
  - Rendering of sales services

The “Other/Holding” segment includes other business activities in addition to operating activities. This mainly comprises the holding activities of freenet AG (with the rendering of services within the Group in central areas, such as legal, human resources and finance) as well as areas which cannot be clearly allocated to operating segments. The segment revenue of 35.2 million euros (previous year: 44.8 million euros) reported for the Other/Holding segment in 2022 is attributable almost exclusively to operating activities. The gross profit of 25.5 million euros (previous year: 26.7 million euros) shown for the Other/Holding segment in 2022 is attributable almost exclusively to operating activities. EBITDA of –29.4 million euros (previous year: –14.5 million euros) reported for the “Other/Holding” segment for 2022 was accounted for almost exclusively by operating activities.

The segments provide, or used to provide, services to the other operating segment. If there are equivalent external market prices for internally offered services, these market prices are used as internal transfer prices. The transfer prices for non-marketable services are generally based on the costs incurred (plus overhead surcharge).

Income and expenses are allocated to the segments on the basis of selected criteria and commercial relevance. For purposes of segment reporting, the recognition and measurement of the allocated expenses and income do not differ from the recognition and measurement in the consolidated balance sheet and the consolidated income statement, as was the case last year.

A breakdown by individual products or services of revenue earned with third parties is shown in note 4. A more extensive breakdown based on individual products or services is not available.

The freenet Group engages in mass-market business that focuses primarily on private customers. Accordingly, the Group is not dependent on individual customers.

Segment report for the period from 1 January to 31 December 2022

In EUR '000s	Mobile Communications	TV and Media	Other/ Holding	Elimination of inter-segment revenue and costs	Total
Third-party revenue	**2,235,795**	**302,105**	**18,814**	**0**	**2,556,714**
Inter-segment revenue	15,485	11,206	16,431	– 43,122	0
Total revenue	2,251,280	313,311	35,245	– 43,122	2,556,714
Cost of materials, third party	**– 1,558,066**	**– 102,941**	**– 9,008**	**0**	**– 1,670,015**
Inter-segment cost of materials	– 22,458	– 12,635	– 738	35,831	0
Total cost of materials	– 1,580,524	– 115,576	– 9,746	35,831	– 1,670,015
Segment gross profit	**670,756**	**197,735**	**25,499**	**– 7,291**	**886,699**
Other operating income	49,592	581	2,080	– 2,705	49,548
Other own work capitalised	16,465	6,746	1,781	0	24,992
Personnel expenses	– 133,320	– 57,757	– 38,551	0	– 229,628
Other operating expenses	– 200,839	– 41,903	– 20,164	9,996	– 252,910
thereof loss allowances on financial assets and contract assets	– 17,872	– 3,170	– 82	0	– 21,124
thereof without loss allowances on financial assets and contract assets	– 182,967	– 38,733	– 20,082	9,996	– 231,786
Overhead [1]	**– 268,102**	**– 92,333**	**– 54,854**	**7,291**	**– 407,998**
thereof inter-segment allocation	– 6,576	– 969	254	7,291	
Segment EBITDA	**402,654**	**105,402**	**– 29,355**	**0**	**478,701**
Depreciation, amortisation and impairment					– 349,300
EBIT					**129,401**
Financial result					– 15,423
Income taxes					– 32,132
Consolidated profit					**81,846**
Consolidated profit attributable to shareholders of freenet AG					79,294
Consolidated profit attributable to non-controlling interests					2,552
Net cash investments	**28,388**	**20,282**	**11,352**		**60,022**

[1] The overhead costs as the difference between gross profit and EBITDA include the items other operating income, other own work capitalised, personnel expenses, other operating expenses.

Segment report for the period from 1 January to 31 December 2021

In EUR ’000s	Mobile Communications	TV and Media	Other/ Holding	Elimination of inter-segment revenue and costs	Total
Third-party revenue	**2,254,230**	**273,706**	**28,384**	**0**	**2,556,320**
Inter-segment revenue	16,522	10,815	16,369	– 43,706	0
Total revenue	2,270,752	284,521	44,753	– 43,706	2,556,320
Cost of materials, third party	**– 1,600,479**	**– 84,989**	**– 17,430**	**0**	**– 1,702,898**
Inter-segment cost of materials	– 20,198	– 15,065	– 588	35,851	0
Total cost of materials	– 1,620,677	– 100,054	– 18,018	35,851	– 1,702,898
Segment gross profit	**650,075**	**184,467**	**26,735**	**– 7,855**	**853,422**
Other operating income	39,901	681	3,918	– 2,494	42,006
Other own work capitalised	14,536	6,633	1,696	0	22,865
Personnel expenses	– 127,623	– 59,422	– 32,371	0	– 219,416
Other operating expenses	– 206,829	– 40,564	– 14,508	10,349	– 251,552
thereof loss allowances on financial assets and contract assets	– 9,299	– 4,721	– 99	0	– 14,119
thereof without loss allowances on financial assets and contract assets	– 197,530	– 35,843	– 14,409	10,349	– 237,433
Overhead [1]	**– 280,015**	**– 92,672**	**– 41,265**	**7,855**	**– 406,097**
thereof inter-segment allocation	– 7,111	– 853	109	7,855	
Segment EBITDA	**370,060**	**91,795**	**– 14,530**	**0**	**447,325**
Depreciation, amortisation and impairment					– 197,286
EBIT					**250,039**
Financial result					– 31,975
Income taxes					– 26,860
Consolidated profit					**191,204**
Consolidated profit attributable to shareholders of freenet AG					198,167
Consolidated profit attributable to non-controlling interests					– 6,963
Net cash investments	**23,627**	**15,644**	**5,876**		**45,147**

[1] The overhead costs as the difference between gross profit and EBITDA include the items other operating income, other own work capitalised, personnel expenses, other operating expenses.

4 Revenue

A breakdown of the revenue of 2,557 million euros (previous year: 2,556 million euros) by segments is set out under note 3, Segment reporting.

Of the Mobile Communications segment's external revenue totalling 2,236 million euros in the 2022 financial year (previous year: 2,254 million euros), 1,666 million euros (previous year: 1,651 million euros) was attributable to revenue from services (of which 1,547 million euros (previous year: 1,542 million euros) is accounted for by postpaid, and 119 million euros (previous year: 109 million euros) by no-frills and prepaid), 483 million euros (previous year: 500 million euros) to revenue from hardware and 87 million euros (previous year: 103 million euros) to other revenue.

The following disclosures are made in accordance with IFRS 15.116 b and IFRS 15.116 c:

In 2022 financial year, revenue in the amount of 28,516 thousand euros (previous year: 32,881 thousand euros) was recognised which had previously been reported in net contract liabilities to customers from contracts with customers as of 1 January 2022. Revenue totalling 32 thousand euros (previous year: 17 thousand euros) from performance obligations settled or partly settled in prior periods was recognised in the 2022 financial year.

The total amount of the transaction price allocated to performance obligations not settled or only partly settled at the end of the reporting period (IFRS 15.120) amounts to 1,295.0 million euros (previous year: 1,241.9 million euros). The outstanding performance obligations relate to the following periods: 907.3 million euros to 2023, 360.7 million euros to 2024, 26.6 million euros to 2025 and 0.4 million euros to 2026. The Group did not apply the expedient in IFRS 15.121 to this disclosure.

5 Other operating income

Other operating income consists mainly of income from dunning charges and charges for reversing direct debits, income from the charging-on of expenses, market development funds (insofar as not linked to new customer activation) and income from subleases (operating leases).

For more information, please refer to the statements in note 2.5, Leases.

6 Other own work capitalised

The other own work capitalised mainly relates to the development of mobile communications software, due almost exclusively to strategic projects as well as the company's own assembly services in connection with the process of establishing radio infrastructure.

The capitalised costs comprise the directly attributable individual costs, which are largely consulting fees and personnel expenses, and the directly attributable overheads.

7 Cost of materials

The cost of materials breaks down as follows:

In EUR '000s	2022	2021
Costs of purchased goods	526,670	533,392
Costs of purchased services	1,143,345	1,169,506
Total	**1,670,015**	**1,702,898**

The cost of purchased goods largely consists of the cost prices for sold mobile communications devices, computers/IT products and bundles from prepaid operations.

The cost of purchased services mainly comprises mobile communications charges, commissions and premiums for sales partners.

The following disclosure is made in accordance with IFRS 15.127: In the 2022 financial year, contract acquisition costs of 276,191 thousand euros (previous year: 293,169 thousand euros) were amortised. Under IFRS 15, contract acquisition costs are amortised using the straight-line method over the term of the underlying contract, in the vast majority of cases over a period of 24 months. As in the previous year, contract acquisition costs amortised in 2022 relate almost exclusively to dealer commissions.

8 Personnel expenses

Personnel expenses are broken down as follows:

In EUR '000s	2022	2021
Wages and salaries	193,520	185,132
Social security and post-employment benefit costs	36,108	34,284
Total	**229,628**	**219,416**

An average of 3,679 persons were employed in the Group in the 2022 financial year (previous year: 3,834). At the end of the financial year, the Group employed 3,660 persons (previous year: 3,786). Of this figure, 32 (previous year: 27) were senior executives and 266 (previous year: 292) were apprentices or students of the vocational academy as of 31 December 2022.

The Group's employee incentive programmes triggered personnel expenses of 12,572 thousand euros as per IFRS 2 (previous year: 4,469 thousand euros).

With regard to an explanation of the employee incentive programmes, please refer to our comments to notes 2.13 and 25, Employee incentive programmes.

Personnel expenses also comprise an expense of 1,007 thousand euros for defined benefit plans (previous year: 1,753 thousand euros), see also note 29.

Personnel expenses include a figure of 15,371 thousand euros as the employer's social insurance contribution as costs of defined contribution benefit plans (previous year: 14,249 thousand euros).

Social security contributions of 189 thousand euros (previous year: 3,389 thousand euros) were reimbursed in connection with the granting of reduced hours compensation (Kurzarbeitergeld).

9 Depreciation, amortisation and impairment

The following table sets out the composition of depreciation, amortisation and impairments:

In EUR '000s	2022	2021
Amortisation of intangible assets	244,307	52,722
Depreciation of lease assets	72,189	72,986
Depreciation of property, plant and equipment	31,698	28,754
Impairment of property, plant and equipment	1,106	10,402
Impairment of intangible assets	0	32,422
Total	**349,300**	**197,286**

For information on the depreciation of lease assets, we refer to our comments in note 2.5.

Impairment of property, plant and equipment relates mainly to land and buildings of Media Broadcast GmbH that are no longer in use. In the previous year, impairment of property, plant and equipment related mainly to land and buildings of Media Broadcast GmbH that are no longer in use and to part of the administrative building at the Büdelsdorf site, which cannot be used at present due to refurbishment and modernisation.

In the previous year, impairment of intangible assets related to a right-of-use asset for a fibre-optic network that was recognised in the course of purchase price allocation in 2015 and had previously been depreciated. In the previous year, it was written down by the total net carrying amount, as current market trends allow any necessary fibre-optic capacity to be leased externally at a lower operating cost.

10 Other operating expenses

Other operating expenses consist mainly of marketing costs (97,745 thousand euros in 2022 compared with 84,977 thousand euros in 2021), legal and consulting fees, administration expenses (e. g. rent and incidental costs of the shops and administration buildings), expenses for loss allowances and defaults on receivables, expenses for billing, outsourcing and postage.

In the 2022 financial year, other operating expenses included impairment losses on financial assets and contract assets of 21.1 million euros (previous year: 14.1 million euros). Of this amount, 24.5 million euros (previous year: 31.2 million euros) is attributable to impairment losses recognised under IFRS 9 for contracts capitalised during the current financial year, of which 24.5 million euros (previous year: 31.2 million euros) concern trade accounts receivable, other receivables and other assets, and other financial assets. Another –3.4 million euros (previous year: 17.1 million euros) is attributable to corrections of impairment losses recognised under IFRS 9 for contracts capitalised in previous years; these also fully concern trade accounts receivable, other receivables and other assets, and other financial assets.

11 Interest and similar income

Interest and similar income consists of the following items:

In EUR '000s	2022	2021
Interest income from present value adjustments	4,796	818
Interest from lease receivables	1,249	1,426
Interest from banks, debt collection and similar income	372	25
Interest from tax refunds	26	1
Total	**6,443**	**2,270**

For information on interest from lease receivables, we refer to our comments in note 2.5.2, freenet as lessor.

The interest expense for 2022 relating to present value adjustments in the amount of 4,796 thousand euros (previous year: 818 thousand euros) is mainly attributable to interest on provisions.

12 Interest and similar expenses and other financial result

Interest and similar expenses are comprised as follows:

In EUR '000s	2022	2021
Interest to banks and similar expenses	10,990	13,770
Interest from leases	8,769	10,194
Interest expense from the unwinding of discounts on liabilities	2,006	1,206
Interest expense from the unwinding of discounts on liabilities	1,249	1,026
Interest expense from pension obligations	26	3,664
Other	641	873
Total	**23,681**	**30,733**

The interest expense from present value adjustments for 2022 in the amount of 2,006 thousand euros (previous year: 1,206 thousand euros) is mainly attributable to interest on current income tax liabilities and other financial liabilities.

This item includes interest relating to the effective interest method (IFRS 9 measurement category: amortised cost) in the interest to banks and similar expenses of 1,210 thousand euros (previous year: 897 thousand euros) and in the interest expense relating to the present value adjustments in the amount of 2,006 thousand euros (previous year: 1,206 thousand euros).

For information on interest from leases, we refer to our comments in note 2.5.

The other financial result amounts to 3.8 million euros (previous year: –1.5 million euros).

13 Income taxes

Income taxes comprise paid and outstanding income taxes, plus deferred taxes.

In EUR '000s	2022	2021
Current tax expense for the financial year	– 36,934	– 30,886
Tax income from previous years	– 2,079	– 1,620
Deferred tax expense (previous year: tax income) due to the write-down (previous year: write-up) of deferred tax assets	– 45,609	– 438
Deferred tax income (previous year: tax expense) relating to temporary differences	52,490	6,403
Deferred tax expense/income from tax rate changes		
relating to temporary differences	0	458
relating to tax loss carryforwards	0	– 777
Total	**– 32,132**	**– 26,860**

For further details concerning deferred taxes, please refer to note 18, Deferred tax assets and deferred tax liabilities. Applying the average tax rate of the consolidated companies to consolidated profit before income taxes would result in anticipated tax expense of 34.5 million euros (previous year: 66.1 million euros). The difference between this amount and the current tax expense of 32.1 million euros (previous year: 26.9 million euros) from continuing operations is shown in the following reconciliation:

In EUR '000s / as indicated	2022	2021
Earnings before taxes	**113,978**	**218,064**
Expected tax expense applying the tax rate of 30.30% (previous year: 30.30%)	– 34,535	– 66,073
Change in deferred tax assets on loss carryforwards and unrecognised deferred tax assets on loss carryforwards	10,246	46,097
Tax effect on non-deductible expenses due to trade tax additions	– 1,978	– 1,982
Tax effect of other non-deductible expenses	– 1,142	– 2,760
Tax effect of tax-free income	0	606
Tax effect from associates	– 596	– 608
Effects of tax rate changes	0	– 319
Tax expense (previous year: tax income) from previous years	– 2,079	– 1,620
Other effects	– 2,688	0
Current tax expense	640	– 201
Current tax expense from continuing operations	**– 32,132**	**– 26,860**

The significant decrease in the item "Change in deferred tax assets on loss carryforwards and unrecognised deferred tax assets on loss carryforwards" is due to a significant write-down of deferred tax assets on loss carryforwards in the 2022 financial year – which in turn is a consequence of the amortization of the mobilcom-debitel GmbH brand right (please refer to note 15 in these notes to the consolidated financial statements) and the resulting decrease in deferred tax assets on loss carryforwards recognised for this trademark.

For the Group companies, a corporation tax rate of 15.0 percent (previous year: 15.0 percent) was applied in 2022 financial year for calculating the current and deferred income taxes. A solidarity surcharge of 5.5 percent (previous year: 5.5 percent) in relation to the corporation tax as well as an average trade tax assessment rate of 413.71 percent (previous year: 413.86 percent) were also applied. The deferred taxes in 2022 financial year were calculated using an average tax rate of 30.30 percent (previous year: 30.30 percent).

14 Earnings per share

14.1 Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the financial year. In the future, basis earnings per share may decrease as a result of the possible utilisation of conditional capital. Please refer to our comments under note 24.8.

	2022	2021
Consolidated profit attributable to shareholders of freenet AG In EUR '000s	79,294	198,167
Weighted average number of shares outstanding	118,949,411	122,406,467
Earnings per share in EUR (basic)	**0.67**	**1.62**

14.2 Diluted earnings per share

Diluted earnings per share are calculated by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding increased by potentially dilutive shares.

As of 31 December 2022, there are neither actual nor potential dilution effects.

	2022	2021
Consolidated profit attributable to shareholders of freenet AG in EUR ’000s	79,294	198,167
Weighted average number of shares outstanding	118,949,411	122,406,467
Weighted average number of shares outstanding plus number of potentially dilutive shares	118,949,411	122,406,467
Earnings per share in EUR (diluted)	**0.67**	**1.62**

15 Intangible assets, lease assets, property, plant and equipment and goodwill

Movements in intangible assets and property, plant and equipment are shown under note 37.

The most significant carrying amount in intangible assets relates to trademarks arising from the purchase price allocation on the occasion of the acquisition of the debitel Group in financial year 2008 (see note 9).

The following table sets out the carrying amounts of these intangible assets from purchase price allocations:

In EUR ’000s	31.12.2022	31.12.2021
Trademarks	103,994	299,407
Customer relationships	72,504	77,792
Software	692	1,038
Right-of-use assets	160	187
Total	**177,350**	**378,424**

In addition to the intangible assets resulting from the various purchase price allocations, further intangible assets of 138.6 million euros are shown as of 31 December 2022 (31 December 2021: 80.5 million euros), including internally generated software of 61.9 million euros (31 December 2021: 54.2 million euros) and distribution rights of 70.8 million euros (31 December 2021: 19.1 million euros). Please also refer to our comments under note 9. The exclusive distribution right with Media-Saturn Deutschland GmbH resulted in a carrying amount of 70.5 million euros as of 31 December 2022 (previous year: 18.8 million euros). No impaired intangible assets existed as of 31 December 2022.

Lease assets amounted to 350.5 million euros as of 31 December 2022 (31 December 2021: 401.4 million euros). In this context, we refer to our comments in note 2.5.

The allocation of goodwill to CGUs is shown in the table below:

In EUR ’000s	31.12.2022	31.12.2021
Mobile Communications	1,122,814	1,122,814
TV	226,621	226,621
Online	28,807	28,807
Other	4,152	4,152
Total	**1,382,394**	**1,382,394**

Since 2016, the TV CGU has been allocated to the TV and Media segment, and the Other CGU has been allocated to the Other/Holding segment.

Property, plant and equipment of 134.2 million euros (31 December 2021: 124.3 million euros) consists mainly of technical broadcasting infrastructure of 69.5 million euros (31 December 2021: 75.1 million euros).

16 Impairment testing of non-monetary assets in accordance with IAS 36

Goodwill of 1,122,814 thousand euros (previous year: 1,122,814 thousand euros) was allocated to the Mobile Communications CGU, which belongs to the Mobile Communications segment. As of 31 December 2022, goodwill of 226,621 thousand euros (previous year: 226,621 thousand euros) was allocated to the TV CGU which is identical to the TV segment, while goodwill of 28,807 thousand euros (previous year: 28,807 thousand euros) has been allocated to the Online CGU. The Online CGU is part of the Other/Holding segment.

The fair value less costs to sell has been used as the recoverable amount of the "Mobile Communications", "TV" and "Online" CGUs. The fair values were determined on the basis of planning approved by management covering the period up to and including 2026. The detailed planning phases were extrapolated in the terminal value. These are equivalent to level 3 of the fair value hierarchy in accordance with IFRS 13.

The post-tax WACC used in measuring fair value is derived on the basis of market data and the specific risk structure of the CGUs. With regard to the capitalisation rates in the subsequent phase (from 2026), discounts have been assumed based on growth assumptions; these are also the growth rates that were used to extrapolate the cash flow forecasts.

Planning for the "Mobile Communications", "TV" and "Online" CGUs is based on detailed assumptions derived from past experience and future expectations in relation to the main earnings and value drivers.

The following table shows the goodwill allocated to the CGUs, the discount rates (WACC), the growth assumptions and the basic assumptions for the corporate planning for 2022:

CGU	Carrying amount of goodwill allocated to the CGU in EUR millions	Discount rate in %	Growth rate in %	Key earnings/value drivers	Basic assumptions for corporate planning
Mobile Communications	1,122.8	5.49	0.50	▪ Gross profit can be broken down into two earnings flows: the contribution made to earnings by new customers, and customer retention. These are opposed by costs for purchased services (particularly mobile network operators) ▪ The costs of acquiring and retaining customers dominate the contribution to earnings made by new customers and customer loyalty. On the other side are costs for procuring hardware and for dealer commissions to be paid to sales partners as a result of the acquisition or loyalty programmes.	▪ Stable customer acquisition and customer retention costs ▪ Moderate increase in customer base in the postpaid business ▪ Stable postpaid ARPU ▪ Slight increase in revenue and EBITDA ▪ Increasing revenue and earnings contribution of digital lifestyle products ▪ Slight increase in revenue and gross profit at freenet Internet
TV	226.6	7.12	1.00	▪ Revenue and gross profits generated by the individual end products, differentiated in accordance with the respective sales markets.	▪ Increasing revenue, gross profit and EBITDA contributions ▪ Increase in TV customer base
Online	28.8	6.75	0.25	▪ Revenue and gross profits generated by the individual end products, differentiated in accordance with the respective sales markets.	▪ Slightly increasing revenue and gross profit as well as EBITDA contributions

The following table shows the basic assumptions for 2021.

CGU	Carrying amount of goodwill allocated to the CGU in EUR millions	Discount rate in %	Growth rate in %	Key earnings/value drivers	Basic assumptions for corporate planning
Mobile Communications	1,122.8	4.20	0.50	▪ Gross profit can be broken down into two earnings flows: the contribution made to earnings by new customers, and customer retention. These are opposed by costs for purchased services (particularly mobile network operators) ▪ The costs of acquiring and retaining customers dominate the contribution to earnings made by new customers and customer loyalty. On the other side are costs for procuring hardware and for dealer commissions to be paid to sales partners as a result of the acquisition or loyalty programmes.	▪ Stable customer acquisition and customer retention costs ▪ Slight increase in customer base in the postpaid business ▪ Stable postpaid ARPU ▪ Stable development of revenue and EBITDA ▪ Increasing revenue and earnings contribution of digital lifestyle products
TV	226.6	5.23	1.00	▪ Revenue and gross profits generated by the individual end products, differentiated in accordance with the respective sales markets.	▪ Increasing revenue, gross profit and EBITDA contributions
Online	28.8	5.38	0.25	▪ Revenue and gross profits generated by the individual end products, differentiated in accordance with the respective sales markets.	▪ Slightly increasing revenue and gross profit ▪ Steady EBITDA contributions

The impairment test carried out in 2022 in relation to the “Mobile Communications”, “TV” and “Online” CGUs confirmed that no impairment has to be recognised in relation to the goodwill of the “Mobile Communications” CGU.

The consolidated financial statements as of 31 December 2022 include other goodwill for various CGUs in the amount of 4,152 thousand euros (previous year: 4,152 thousand euros), all of which is allocated to the Other/ Holding segment. No impairment of non-monetary assets was recognised in the Group in 2022 financial year (previous year: 33.0 million euros).

17 Equity-accounted investments

In EUR ’000s	31.12.2022	31.12.2021
Deferred income tax assets	133	100
Total	**133**	**100**

The consolidated financial statements for the period ending 31 December 2022 include Bayern Digital Radio GmbH, Munich, with a carrying amount of 0.1 million euros (31 December 2021: 0.1 million euros). Profit for the period of this company amounts to 0.1 million euros (previous year: 0.1 million euros).

18 Deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities, taking account of the temporary differences in accordance with the liability method, were taxed at an overall rate of 30.30 percent (previous year: 30.30 percent).

The following amounts are shown in the consolidated balance sheet:

In EUR '000s	31.12.2022	31.12.2021
Deferred income tax assets	132,185	134,229
Total	**132,185**	**134,229**

The overhang of deferred tax assets for the corporation tax and trade tax group of freenet AG which are recognised (116.1 million euros; previous year: 123.5 million euros) is classified as current (51.3 million euros; previous year: 47.5 million euros) and non-current (64.8 million euros; previous year: 76.0 million euros) as a result of the anticipated use of tax loss carryforwards. For companies outside freenet AG's consolidated tax group for corporation and trade tax purposes, an excess of deferred tax assets was recognised in the amount of 16.0 million euros (previous year: 10.7 million euros), of which 2.1 million euros (previous year: 1.6 million euros) are classified as current.

Changes in the deferred income tax assets and deferred income tax liabilities in the 2022 financial year are shown in the following table:

In EUR '000s	1.1.2022	Set off in other comprehen-sive income	Expenses and income from income taxes	31.12.2022
Property, plant and equipment	392	0	107	499
Intangible assets	– 179,259	0	48,894	– 130,365
Lease assets	– 123,774	0	15,803	– 107,971
Other financial assets	– 27,246	1,127	2,876	– 23,243
Contract acquisition costs	– 76,069	0	– 7,196	– 83,265
Loss carryforwards	291,663	0	– 45,609	246,054
Lease liabilities	145,397	0	– 18,835	126,562
Pension provisions	11,382	– 10,051	– 665	666
Other provisions	4,202	0	– 1,794	2,408
Other financial liabilities	15,518	0	3,544	19,062
Trade accounts payable, other liabilities	129,828	0	13,828	143,656
Borrowings	682	0	51	733
Trade accounts receivable, other assets	– 58,487	0	– 4,124	– 62,611
Total	**134,229**	**– 8,924**	**6,880**	**132,185**

Income tax expenses and income amounting to a net income of 6,880 thousand euros (previous year: 5,645 thousand euros) are shown in the consolidated income statement as deferred income taxes within "Income taxes". As in the previous year, they are attributable solely to continuing operations.

The deferred tax assets and deferred tax liabilities developed as follows in financial year 2021:

In EUR '000s	1.1.2021	Set off in other comprehen-sive income	Expenses and income from income taxes	31.12.2021
Property, plant and equipment	2,369	0	– 1,977	392
Intangible assets	– 180,195	0	936	– 179,259
Lease assets	– 136,591	0	12,817	– 123,774
Other financial assets	– 33,725	785	5,694	– 27,246
Contract acquisition costs	– 87,940	0	11,871	– 76,069
Loss carryforwards	292,878	0	– 1,215	291,663
Lease liabilities	162,707	0	– 17,310	145,397
Pension provisions	13,829	– 1,641	– 806	11,382
Other provisions	4,009	0	193	4,202
Other financial liabilities	23,990	0	– 8,472	15,518
Trade accounts payable, other liabilities	133,628	0	– 3,800	129,828
Borrowings	746	0	– 64	682
Trade accounts receivable, other assets	– 66,265	0	7,778	– 58,487
Total	**129,440**	**– 856**	**5,645**	**134,229**

The summarised net change in deferred taxes is shown below:

In EUR '000s	2022	2021
As of 1.1.	**134,229**	**129,440**
Set off in other comprehensive income	– 8,924	– 856
Tax income	6,880	5,645
As of 31.12.	**132,185**	**134,229**

The existing tax loss carryforwards that can be carried forward without any restrictions exceed the sum of the forecast cumulative profits for the next four financial years. Accordingly, a deferred tax asset was only recognised in the consolidated balance sheet to the extent that it is regarded as probable that this asset will indeed be realised. The expected profits are based on the company's forecast for earnings before taxes applicable as at the balance sheet date. As of 31 December 2022, deferred tax assets amounting to 246,054 thousand euros had been recognised in relation to loss carryforwards (previous year: 291,663 thousand euros). Of this figure, 149,177 thousand euros (previous year: 171,329 thousand euros) is attributable to corporation tax loss carryforwards and 96,877 thousand euros (previous year: 120,334 thousand euros) is attributable to trade tax loss carryforwards. Of the figure shown for other loss carryforwards, for which no deferred tax assets had been recognised in the consolidated balance sheet, 387 million euros relate to corporation tax (previous year: 430 million euros) and 9 million euros (previous year 31 million euros) to trade tax. As was the case on the previous year's balance sheet date, there were no unrecognised interest carryforwards as per section 4h (1) sentence 2 of the German Income Tax Act (Einkommensteuergesetz–EStG).

As of 31 December 2022, there are temporary outside basis differences (net equity in accordance with IFRSs is higher than the corresponding carrying amounts of investments shown for tax purposes) of approximately 31.5 million euros (previous year: approximately 54.9 million euros). No deferred taxes have been recognised in connection with these differences because they are not expected to reverse in the fiscal planning period.

19 Contract acquisition costs

Capitalised contract acquisition costs amounted to 274,802 thousand euros as of 31 December 2022 (31 December 2021: 251,053 thousand euros). They relate predominantly to dealer commissions in the Mobile Communications segment and, to a lesser extent, to employee commissions.

In 2022 financial year, costs recognised as assets amounted to 299,940 thousand euros (previous year: 254,887 thousand euros) and amortisation to 276,191 thousand euros (previous year: 293,169 thousand euros). As was the case in the previous year, no impairment losses on contract acquisition costs were recognised in the financial year.

In postpaid business, the amortisation period is almost exclusively 24 months. In prepaid business, assets are amortised over the imputed initial term, which is between 15 and 17 months. Across the entire Group and all business segments, 91 percent of the amortisation amount in 2022 (2021: 92 percent) was attributable to contract acquisition costs with an amortisation period of 24 months.

20 Inventories

The inventories are comprised as follows:

In EUR ’000s	31.12.2022	31.12.2021
Mobile phones/Accessories	52,128	54,591
Computers/IT products	25,433	21,210
SIM cards	6,643	8,960
Bundles and vouchers	16	17
Other	6,897	7,890
Total	**91,117**	**92,668**

Impairment of 6,116 thousand euros (previous year: 3,912 thousand euros) has been recognised in relation to the year-end inventories.

21 Receivables, other assets and other financial assets

Receivables, other assets and other financial assets are comprised as follows:

	31.12.2022		
In EUR ’000s	Total	Non-current	Current
Trade accounts receivable	342,021	45,672	296,349
Other non-derivative financial assets	20,172	5,023	15,149
	362,193	**50,695**	**311,498**
Lease receivables	44,708	31,256	13,452
Other financial assets	34,037	11,457	22,580
Other equity instruments	70,378	70,378	
Financial assets	**511,316**	**163,786**	**347,530**
Other assets	250,446	98,852	151,594
Prepayments made	7,281	271	7,010
Non-financial assets	**257,727**	**99,123**	**158,604**
Total receivables, other assets and other financial assets	**769,043**	**262,909**	**506,134**

	31.12.2021		
In EUR ’000s	Total	Non-current	Current
Trade accounts receivable	302,486	56,895	245,591
Other non-derivative financial assets	18,919	5,989	12,930
	321,405	**62,884**	**258,521**
Lease receivables	55,394	41,596	13,798
Other financial assets	30,909	9,701	21,208
Other equity instruments	144,490	144,490	0
Financial assets	**552,198**	**258,671**	**293,527**
Other assets	259,721	94,723	164,998
Prepayments made	8,799	371	8,428
Non-financial assets	**268,520**	**95,094**	**173,426**
Total receivables, other assets and other financial assets	**820,718**	**353,765**	**466,953**

The other equity instruments are comprised as follows:

In EUR ’000s	31.12.2022	31.12.2021
Equity investment in CECONOMY	60,601	123,681
Equity investments in MGI	7,549	18,819
Other equity investments	1,696	1,455
Other	532	535
Total	**70,378**	**144,490**

The freenet Group acquired 9.1 percent of the ordinary shares (32,633,555) of CECONOMY with effect from 12 July 2018 for a price of 277.4 million euros. As of 31 December 2022, the equity investment in CECONOMY is reported under other financial assets at a carrying amount of 60.6 million euros. Subsequent accounting is at fair value through other comprehensive income. The Group reports the fair value as the reporting date market price of 1.86 euros (Xetra trading).

Under an agreement dated 28 August 2020 and through its performance on 30 September 2020, the Group sold all shares in freenet digital GmbH and as consideration received 4,376,492 shares of the acquirer, Media and Games Invest SE., Malta (hereinafter also referred to as “MGI”), worth 5.7 million euros (as measured at 30 September 2020). As of 31 December 2022, the equity investment in MGI is reported under other financial assets at a carrying amount of 7.5 million euros. Subsequent accounting is at fair value through other comprehensive income. The Group reports the fair value as the reporting date market price of 1.73 euros (Xetra trading).

Trade accounts receivable are due from third parties and consist mainly of receivables arising from charges, equipment sales, and landline and Internet services.

The sum total of trade accounts receivable and other non-derivative financial assets, less loss allowances, amounted to 362,193 thousand euros as of 31 December 2022 (previous year: 321,405 thousand euros). For more information, please refer to the statements in note 33. In the freenet Group, trade accounts receivable are the most significant item in this category. These mainly comprise receivables from end customers, corporate customers, dealers and sales partners. Other assets and prepayments made of 257,727 thousand euros (previous year: 268,520 thousand euros) consist of non-financial assets as of 31 December 2022.

Invoices in the Mobile Communications segment are issued by the Group itself. In the Other/Holding segment some invoices are issued by the Group itself; for narrowband services, the collection services of Deutsche Telekom AG, Bonn (DTAG) are utilised.

When invoices are issued to end customers by the Group itself, they are mostly due immediately upon receipt. The invoicing carried out by DTAG has a payment term of 30 days.

The maximum default risk of the trade accounts receivable as at the balance sheet date amounts to 329.7 million euros (previous year: 295.6 million euros) due to existing commercial credit insurances. The maximum default risk in connection with financial assets and other equity instruments corresponds to their carrying amounts.

The loss allowances recognised as at the reporting date of 31 December 2022 were attributable to the categories of receivables and assets presented below. On this basis, the loss allowances for trade accounts receivable, other financial assets and other receivables and other assets as of 31 December 2022 were determined as follows:

31 December 2022

Loss allowances recognised on receivables, other assets and other financial assets pursuant to IFRS 9

In EUR '000s	Balance sheet item	Carrying amount before loss allowance	Loss allowance	Carrying amount after loss allowance	Expected loss rate (mathematical) in %
Receivables from end customers – not past due	Trade accounts receivable	164,842	– 4,158	160,684	2.5
Receivables from end customers – past due for <90 days	Trade accounts receivable	20,703	– 7,583	13,120	36.6
Receivables from end customers – past due for 90 to 180 days	Trade accounts receivable	10,505	– 7,675	2,830	73.1
Receivables from end customers – past due for >180 days	Trade accounts receivable	79,391	– 68,869	10,522	86.7
Receivables from business partners	Trade accounts receivable	159,972	– 5,107	154,865	3.2
Other non-derivative financial assets (Stage 1)	Other financial assets	67,542	– 435	67,107	0.6
Other financial assets					
thereof lease receivables[1]	Other financial assets	44,708		44,708	
thereof consideration payable under IFRS 15 (Mobile Communications/mobile phone upgrade option) (Stage 1)	Other financial assets	34,746	– 708	34,038	1.8
Other assets					
thereof contract assets from contracts with customers (Mobile Communications)	Other receivables and other assets	111,727	– 2,944	108,783	2.6
thereof consideration payable under IFRS 15 (Mobile Communications/tariff)	Other receivables and other assets	100,227	– 2,334	97,893	2.3
thereof financial assets from contracts with customers (TV)	Other receivables and other assets	36,261	– 4,500	31,761	12.4

[1] The impairment loss identified for the lease receivables was insignificant in 2022 financial year and was not recognised.

31 December 2021

Loss allowances recognised on receivables, other assets and other financial assets pursuant to IFRS 9

In EUR '000s	Balance sheet item	Carrying amount before loss allowance	Loss allowance	Carrying amount after loss allowance	Expected loss rate (mathe-matical) in %
Receivables from end customers – not past due	Trade accounts receivable	164,633	– 4,770	159,863	2.9
Receivables from end customers – past due for <90 days	Trade accounts receivable	18,422	– 6,213	12,209	33.7
Receivables from end customers – past due for 90 to 180 days	Trade accounts receivable	9,238	– 5,847	3,391	63.3
Receivables from end customers – past due for >180 days	Trade accounts receivable	95,815	– 90,833	4,982	94.8
Receivables from business partners	Trade accounts receivable	124,747	– 2,707	122,040	2.2
Other non-derivative financial assets (Stage 1)	Other financial assets	76,750	– 447	76,303	0.6
Other financial assets					
thereof lease receivables [1]	Other financial assets	55,394		55,394	
thereof consideration payable under IFRS 15 (Mobile Communications/mobile phone upgrade option) (Stage 1)	Other financial assets	31,478	– 569	30,909	1.8
Other assets					
thereof contract assets from contracts with customers (Mobile Communications)	Other receivables and other assets	138,061	– 4,749	133,312	3.4
thereof consideration payable under IFRS 15 (Mobile Communications/tariff)	Other receivables and other assets	96,604	– 3,638	92,966	3.8
thereof financial assets from contracts with customers (TV)	Other receivables and other assets	36,953	– 4,500	32,453	12.2

[1] The impairment loss identified for the lease receivables was insignificant in 2022 financial year and was not recognised.

We provide the following information on the development loss allowances in the 2022 financial year:

In EUR '000s	Trade accounts receivable (simplified model)	Other finan-cial assets (Stage 1)	Other receivables and other as-sets (contract assets)	Total
Loss allowance as of 31.12.2021 – calculated under IFRS 9 (thereof specific loss allowances 3,018, see following table)	**110,370**	**1,014**	**12,887**	**124,271**
Net change in loss allowances in 2022	– 16,978	129	– 3,109	– 19,958
Loss allowance as of 31.12.2022 – calculated under IFRS 9 (thereof specific loss allowances 6,692, see following table)	**93,392**	**1,143**	**9,778**	**104,313**

We provide the following information on the development loss allowances in the 2021 financial year:

In EUR '000s	Trade accounts receivable (simplified model)	Other financial assets (Stage 1)	Other receivables and other assets (contract assets)	Total
Loss allowance as of 31.12.2020 – calculated under IFRS 9 (thereof specific loss allowances 3,474, see following table)	**134,076**	**1,134**	**11,061**	**146,271**
Net change in loss allowances in 2021	– 23,706	– 120	1,826	– 22,000
Loss allowance as of 31.12.2021 –calculated under IFRS 9 (thereof specific loss allowances3,018, see following table)	**110,370**	**1,014**	**12,887**	**124,271**

The breakdown of non-current other financial assets is as follows:

In EUR '000s	31.12.2022	31.12.2021
Interest in CECONOMY AG	60,601	123,681
Lease receivables	31,256	41,596
Consideration payable under IFRS 15 (Mobile Communications/mobile phone upgrade option)	11,458	9,701
Interest in MGI	7,549	18,819
Other	7,250	7,979
Total	**118,114**	**201,776**

For more information on lease receivables, we refer to our comments in note 2.5.

Current other financial assets are comprised as follows:

In EUR '000s	31.12.2022	31.12.2021
Consideration payable under IFRS 15 (Mobile Communications/mobile phone upgrade option)	22,580	21,208
Lease receivables	13,452	13,798
Other	15,149	12,930
Total	**51,181**	**47,936**

For more information on lease receivables, we refer to our comments in note 2.5.

The breakdown of non-current other receivables and other assets is as follows:

In EUR '000s	31.12.2022	31.12.2021
Contract assets from contracts with customers (Mobile Communications)	36,647	45,031
Other assets from contracts with customers (TV)	29,471	25,332
Consideration payable under IFRS 15 (Mobile Communications/tariff)	26,799	23,372
Other	6,206	1,359
Total	**99,123**	**95,094**

Current other receivables and other assets are comprised as follows:

In EUR '000s	31.12.2022	31.12.2021
Contract assets from contracts with customers (Mobile Communications)	72,136	88,281
Consideration payable under IFRS 15 (Mobile Communications/tariff)	71,094	69,594
Other assets from contracts with customers (TV)	8,290	7,121
Other	7,084	8,430
Total	**158,604**	**173,426**

Non-current trade accounts receivable are comprised as follows:

In EUR '000s	31.12.2022	31.12.2021
Receivables from end customers from mobile phone upgrade option (Mobile Communications)	45,148	56,120
Other	524	775
Total	**45,672**	**56,895**

Current trade accounts receivable are comprised as follows:

In EUR '000s	31.12.2022	31.12.2021
Receivables from network operators, dealers, distributors, hardware manufacturers (Mobile Communications)	131,057	105,521
Receivables from end customers from mobile phone upgrade option (Mobile Communications)	75,166	51,139
Receivables from end customers (Mobile Communications), without mobile phone upgrade option	66,843	71,367
Receivables from end customers (TV and Media, and Other/Holding)	2,143	1,819
Other	21,140	15,745
Total	**296,349**	**245,591**

22 Liquid assets

Liquid assets are comprised as follows:

In EUR '000s	31.12.2022	31.12.2021
Cash at bank, cheques and cash in hand	178,022	286,287
Total	**178,022**	**286,287**

23 Current income tax assets

Current income tax assets mainly concern anticipated additional corporation tax and trade tax refunds for previous years.

24 Equity

In regard to the following notes we also refer to the statement of changes in equity.

24.1 Share capital

The 2020 Annual General Meeting authorised the Executive Board of freenet AG to repurchase shares totalling up to 10 percent of the company's share capital with the approval of the Supervisory Board. Overall, the company has repurchased 7.15 percent of share capital (9,160,418 shares) under three share buyback programmes (2020, 2021 and 2022 share buyback programmes). With the entry in the commercial register on 15 July 2022, the registered share capital of 128,061 thousand euros was reduced to 118,901 thousand euros by redeeming 9,160,418 no-par value ordinary bearer shares, each with a theoretical nominal value of 1.00 euros per share. The entire share capital is fully paid up. All shares have the same rights.

The Executive Board was authorised by the Annual General Meeting on 5 May 2022 to purchase and use own shares amounting to a total of 10 percent of the share capital existing at the time of the resolution with the approval of the Supervisory Board or – if this amount is lower – the share capital existing at the time this authorisation is exercised accordingly, for any legally permissible purpose in accordance with section 71 (1) no. 8 of the AktG. The authorisation is valid until 4 May 2027.

In addition to the authorisation pursuant to section 71 (1) no. 8 AktG, the Executive Board may additionally use equity derivatives to acquire own shares. This does not result in an increase in the maximum volume of shares which is permitted to be purchased; it only provides another alternative to acquire own shares.

24.2 Capital reserve

The capital reserve of freenet AG amounted to 567,465 thousand euros as of 31 December 2022 (31 December 2021: 737,536 thousand euros). The decline in the capital reserve resulted from the reduction in capital caused by the redemption of the company's own shares, which was entered in the commercial register on 15 July 2022. As was the case in the previous year, major components of the capital reserve reported as of 31 December 2022 originate from the capital increase in 2008 due to the acquisition of the debitel Group (349.8 million euros) as well as the merger between mobilcom AG and freenet.de AG to form freenet AG which became effective in 2007 and the related acquisition of the minority interest in the former freenet.de AG (134.7 million euros).

24.3 Cumulative other comprehensive income

The cumulative other comprehensive income essentially consists of actuarial gains and losses relating to the recognition of pension schemes in accordance with IAS 19 as well as currency translation differences relating to the subsequent accounting for equity-accounted investments. For information on income taxes netted in other comprehensive income, we refer to note 18.

24.4 Consolidated net retained profits

The consolidated net retained profits mainly comprise the cumulative consolidated profit attributable to the freenet AG shareholders and the acquisition of further minority interests in EXARING AG in financial years 2021 and 2022.

24.5 Non-controlling interests

Of the non-controlling interests in equity an amount of –5.5 million euros (31 December 2021: –4.2 million euros) was attributable to the 25.38 percent (31 December 2021: 28.05 percent) interest held by non-controlling shareholders in EXARING. In 2022 financial year, an additional 2.67 percent of the shares were acquired at a purchase price of 3.9 million euros. We provide the following information regarding the assets and liabilities of EXARING as of 31 December 2022, before the consolidation of liabilities, income and expenses and also inclusive of the effects of the subsequent accounting for the purchase price allocation:

EXARING AG In EUR '000s	**31.12.2022**	**31.12.2021**
Non-current assets	45,864	36,008
Current assets	17,254	10,039
Total assets	**63,118**	**46,047**
Non-current liabilities	6,812	7,948
Current liabilities	22,028	15,052
Total liabilities	**28,840**	**23,000**
Net assets	**34,277**	**23,047**
thereof: non-controlling interests in equity	–5,506	–4,185

The net profit/loss of EXARING AG amounted to 11,229 thousand euros in 2022 financial year (previous year: 8,725 thousand euros).

24.6 Authorised capital

New authorised capital was created at the Annual General Meeting held on 17 May 2018 (Authorised Capital 2018). Accordingly, the Executive Board, with the approval of the Supervisory Board, is authorised to increase the share capital once or several times, by issuing new shares against contributions in cash or kind up to an overall maximum sum of 12.8 million euros until 3 June 2023. The full wording of the Executive Board's authorisation was published in the Federal Gazette under agenda item 6 of the invitation to the 2018 Annual General Meeting.

New authorised capital was created at the Annual General Meeting held on 27 May 2020 (Authorised Capital 2020). Accordingly, the Executive Board, with the approval of the Supervisory Board, is authorised to increase the share capital once or several times, by issuing new shares against contributions in cash or kind up to an overall maximum sum of 12.8 million euros until 10 June 2025. The full wording of the Executive Board's authorisation was published in the Federal Gazette under agenda item 7 of the invitation to the 2020 Annual General Meeting. In 2022 financial year, the Executive Board made no use of this authorisation.

24.7 Conditional capital

In accordance with the resolution by the Annual General Meeting held on 27 May 2020, the company's share capital is subject to a conditional capital increase of up to 12.8 million euros by issuing up to 12,800,000 new no-par value registered shares, with each individual no-par-value share accounting for 1.00 euro of the share capital (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 or the right to delivery of shares 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 issue amount for the new no-par value registered shares is subject to regulations set out in section 4 (7) of the articles of association. The conditional capital increase is to be carried out only to the extent to which conversion or option rights or a right to delivery of shares are utilised or to which holders or creditors with a conversion or option obligation meet their conversion or option obligation and if treasury shares are not used for settlement or if the company does not provide a cash settlement. The new registered no-par-value shares participate in the profits from the beginning of the financial year in which they are created. The Executive Board is authorised to determine the further details for carrying out the conditional capital increase. In 2022 financial year, the Executive Board made no use of this authorisation.

25 Employee incentive programmes

25.1 Programme 1

Programme 1, which had been granted to members of the Executive Board in 2011, was terminated in 2015 when paid out to the beneficiaries.

25.2 Programme 2

Programme 2, which had been granted to members of the Executive Board in 2014, was terminated in the previous year (2021) when paid out to the beneficiaries. In the previous year (2021), this programme resulted in personnel expenses of 580 thousand euros, due to the use of the provision of 1,656 thousand euros recognised as of 31 December 2020 in combination with payouts of 2,236 thousand euros.

25.3 Programme 3

Under Programme 3, a target agreement in line with the term of the respective service agreements covering five years (in relation to Mr Vilanek and Mr Esch) and three years (in relation to Mr Arnold, Mr v. Platen and Mr Fromme) was entered into, in addition to the annual target agreement, designating as the target parameter the target achievement from the respective annual variable remuneration for financial years 2019 to 2023 (for Mr Vilanek), financial years 2020 to 2024 (for Mr Esch), financial years 2019 to 2021 (for Mr Arnold) and financial years 2018 (prorated as of the date of appointment to the Executive Board, i.e. from 1 June 2018) to 2021 (prorated until the end of the service contract's term on 31 May 2021) (for Mr v. Platen and Mr Fromme). A basic amount was specified as the target remuneration in each beneficiary's service agreement for Programme 3; this basic amount is entered in a virtual account for the respective Executive Board member as a positive amount as described below and in accordance with target achievement in each financial year, and paid out after the further terms of payout described in more detail in the text below are met, depending on future performance. Basic amounts totalling 1,650 thousand euros (of which 650 thousand euros for Mr Vilanek and 250 thousand euros in each case for Messrs Esch, Arnold, v. Platen and Fromme) were specified as target remuneration for the beneficiaries for each full financial year.

If the level of target achievement of the annual variable target agreement for a financial year is 100 percent, 100 percent (as the basic amount multiplier) of the basic amount is credited to the virtual LTIP account. At most (if the level of target achievement is 125 percent or above), 150 percent of the basic amount is credited to the virtual account. If the level of target achievement is less than 70 percent, no virtual shares are credited for the financial year in question. If target achievement is between 70 and 125 percent, linear interpolation is used, in each case to the 100 percent value.

The amount shown on the virtual account (referred to as the “allotment amount” for the target period as the product of the basic amount and the aforementioned basic amount multiplier) is divided by the applicable share price to convert it into the number of virtual shares credited. The applicable share price is the average Xetra closing price for all stock exchange trading days in the twelve months of the relevant target period, i.e., the previous financial year. In any event, the credited number is limited in each case to 100,000 virtual shares annually (for Mr Vilanek) and to 40,000 annually (for Messrs Esch, Arnold, v. Platen and Fromme).

In the case of all payouts from the programme, a beneficiary is entitled to payouts from the LTIP only after adhering to the holding periods and exercise dates, if and to the extent that a certain long-term EBT target is achieved. EBT is defined as consolidated profit/loss before taxes, adjusted for non-recurring items and effects of inorganic growth. Except for Mr Esch, the applicable reference value for achieving the EBT target for all Executive Board members who are beneficiaries of Programme 3 is Group EBT for 2022 financial year; for Mr Esch it is Group EBT for financial year 2023. If the Group EBT target is achieved precisely, the number of virtual shares credited to the account over several years as described above remains unchanged. If the EBT target is exceeded or missed, the number of virtual shares credited is doubled at most if target achievement is 105 percent of more or, in the worst-case scenario, set to zero if target achievement is 90 percent or less. In each case, a value is linearly interpolated between the aforementioned levels of achievement of the EBT target. The Executive Board member may request that the payout resulting from this be disbursed at the earliest when achievement of the EBT target (for all Executive Board members except for Mr Esch) is determined at the beginning of 2023 (and for Mr Esch at the beginning of 2024), but not before the end of the holding period for the number entered.

About the holding period: Basically, the number entered must be held by the Executive Board member for three years as of 1 January of the year in which the virtual shares are entered in the virtual LTIP account. If the service agreement is not extended at the end of the regular service agreement term, the holding period for Messrs Vilanek, Esch and Arnold instead ends at the latest 18 months after the penultimate target period during the service agreement term (i.e. six months after the regular end of the service agreement term) and for Messrs v. Platen and Fromme at the latest 18 months after the last full target period during the service agreement term (i.e. 13 months after the end of the regular service agreement term).

About the exercise period: At the end of the holding period, but no earlier than after achievement of the EBT target is determined, the Executive Board member is entitled during a period of two years to request that the payout amount be disbursed. The payout may also be requested in partial amounts. If no payout is requested or if a payout is not requested within the specified period, the virtual shares concerned expire.

The maximum amount payable in each case is the number of virtual shares payable as calculated in accordance with the aforementioned principles, multiplied by the payout multiplier, plus the dividend. The payout multiplier is the average of the Xetra closing prices on all trading days during the twelve months before the date on which the payout is requested. The Executive Board member can therefore continue to benefit from the share price increase during the exercise period by not exercising virtual shares, but also bears the risk of a loss in value during this period. Irrespective of share price performance, the payout multiplier is in each case capped at 50 euros. The dividend is the sum total of the amounts of the gross dividend per share distributed in the period between the beginning of the holding period for the number entered and the date on which the payout is requested, multiplied by the number of virtual shares payable. When calculating this dividend, however, an amount of 20 euros per virtual share payable may not be exceeded (dividend cap). The last financial year of the service agreement in which Messrs Vilanek and Esch are beneficiaries of Programme 3 (2023 for Mr Vilanek, 2024 for Mr Esch) comes after the year in which the EBT target must be met (2022 for Mr Vilanek, 2023 for Mr Esch). For this last financial year, the crediting of virtual shares depends on achievement of the EBT target. A payout is only possible for this last financial year if the EBT in this last financial year exceeds the EBT of the previous year (the year of the EBT target) by at least 1.5 percent.

Standard market anti-dilution provisions apply, i.e. in the event of a share split, a share consolidation or a capital increase from retained earnings where new shares are issued, for example, the number of virtual shares in the LTIP account is adjusted accordingly.

The obligation arising from the LTIP programme was determined at fair value with the help of a recognised measurement model pursuant to IFRS 2. The main parameters in this measurement model are the share price of freenet AG as of the balance sheet date, the volatility of share prices in line with the remaining life of the LTIP programme, the estimate of target achievement for the respective financial year as well as the estimate of the discount rate. The graded vesting method is used; according to this method, the personnel expenses for all Executive Board members are incurred from the date on which the programme is granted.

As of 31 December 2022, a total of 355,539 virtual shares were entered in the beneficiaries' virtual accounts under Programme 3. Due to the aforementioned exercise conditions (EBT target), these virtual shares are all non-vesting. As of the preparation of these financial statements, the EBT target for 2022 which is relevant for Mr Vilanek, Mr Arnold, Mr v. Platen and Mr Fromme had not yet been determined with final effect through the approval of the consolidated financial statements. Nonetheless, it is assumed that this target was achieved in full, thus doubling the number of shares for these Executive Board members. This has already been factored into the calculation of the provision. This doubling of the number of shares is the main reason for the significant increase in the provision compared to 31 December 2021.

The development of the number of virtual shares in Programme 3 in 2022 financial year and the previous year (2021) is shown in the following overviews:

PROGRAMME 3

	Number of virtual shares 1.1.2022	Additions	Disposal by payout	Number of virtual shares 31.12.2022	Provision 31.12.2022 in EUR '000s
Christoph Vilanek	100,161	46,763	0	146,924	7,394
Ingo Arnold	38,523	17,986	0	56,509	2,567
Stephan Esch	21,416	17,986	0	39,402	2,173
Rickmann v. Platen	48,858	7,494	0	56,352	2,099
Antonius Fromme	48,858	7,494	0	56,352	2,099
Total	**257,816**	**97,723**	**0**	**355,539**	**16,332**

PROGRAMME 3

	Number of virtual share 1.1.2021	Additions	Disposal by payout	Number of virtual shares 31.12.2021	Provision 31.12.2021 in EUR '000s
Christoph Vilanek	44,479	55,682	0	100,161	3,572
Ingo Arnold	17,107	21,416	0	38,523	1,189
Stephan Esch	0	21,416	0	21,416	1,013
Rickmann v. Platen	27,442	21,416	0	48,858	1,017
Antonius Fromme	27,442	21,416	0	48,858	1,017
Total	**116,470**	**141,346**	**0**	**257,816**	**7,808**

Of the personnel expenses recognised in 2022 December in the amount of 8,524 thousand euros (previous year: 3,079 thousand euros), 3,822 thousand euros (previous year: 1,484 thousand euros) is attributable to Mr Vilanek, 1,378 thousand euros (previous year: 441 thousand euros) to Mr Arnold, 1,160 thousand euros (previous year: 466 thousand euros) to Esch, 1,082 thousand euros (previous year: 344 thousand euros) to Mr v. Platen and 1,082 thousand euros (previous year: 344 thousand euros) to Mr Fromme.

The shares added in 2022 are for financial year 2021 and in 2021 are for financial year 2020. As explained above, at the time this report was prepared, virtual shares had not yet been added to the LTIP virtual account for 2022 financial year. For 2022 financial year, 232,828 virtual shares are expected to be added for Mr Vilanek (of which 189,876 virtual shares due to the doubling of the number of shares by virtue of the full achievement of the EBT target for 2022), 56,509 virtual shares for Mr Arnold (solely due to the doubling of the number of shares by virtue of the full achievement of the EBT target for 2022), 16,520 virtual shares for Mr Esch and 56,352 virtual shares for Mr v. Platen and 56,352 virtual shares for Mr Fromme (solely due to the doubling of the number of shares by virtue of the full achievement of the EBT target for 2022).

25.4 Programme 4

In Programme 4, a target agreement was originally signed with Messrs v. Platen and Fromme (also in addition to the annual target agreement) for a five-year term corresponding to the term of the new service agreements. This agreement defines the target achievement for the annual variable remuneration of financial years 2021 (pro-rated from the Executive Board appointment, i.e. from 1 June 2021 onward) to 2026 (pro-rated up to 31 May 2026) based on target parameters. Since the Executive Board service agreements of Mr v. Platen and Mr Fromme have been transitioned to the new remuneration system approved by the annual general meeting in 2022 and Programme 5 has now been granted accordingly to Mr v. Platen and Mr Fromme as of 1 January 2022 (see also our comments on Programme 5 below), Programme 4 has been curtailed, and short-term variable remuneration from 1 June 2021 to 31 December 2021 is now the only target parameter.

Basic amounts totalling 169 thousand euros in each case were specified as target remuneration for the beneficiaries for that period (1 June 2021 to 31 December 2021).

The basic principles and terms of exercise for Programme 4 generally correspond to those of Programme 3 as outlined above. In contrast to Programme 3, the holding period of three years was increased to four years. Limits on the annual number of shares to be credited, a dividend cap and a maximum payout factor are not specified – instead, the total payout amount from Programme 4 (in relation to the term of the programme, not individual payout years) is limited to 400 percent of the basic amount for Programme 4.

The reference value applicable to the EBT target is Group EBT for financial year 2025.

In 2022, virtual shares were credited to Mr v. Platen and Mr Fromme for the first time for Programme 4, more specifically 12,170 shares in each case, which is therefore also the closing balance for this programme.

The obligation arising from the LTIP programme was determined at fair value with the help of a recognised measurement model pursuant to IFRS 2. The main parameters in this measurement model are the share price of freenet AG as of the balance sheet date, the volatility of share prices in line with the remaining life of the LTIP programme, the estimate of target achievement for the respective financial year as well as the estimate of the discount rate. The graded vesting method is used; according to this method, the personnel expenses for all Executive Board members are incurred from the date on which the programme is granted.

The provision recognised relating to Mr v. Platen and Mr Fromme as of 31 December 2022 amounts to 492 thousand euros each (previous year: 405 thousand euros each). The personnel expenses recognised under this programme in 2022 for Mr v. Platen and Mr Fromme amount to 87 thousand euros each (previous year: 405 thousand euros).

25.5 Programme 5

In 2022 financial year, in connection with the introduction of the new Executive Board remuneration system, Executive Board members Messrs Arnold, v. Platen and Fromme were granted new long-term variable salary instruments under Programme 5, more specifically from 1 January 2022 to 31 December 2026 for Mr Arnold and from 1 January 2022 to 31 May 2026 for Mr v. Platen and Mr Fromme.

A basic amount was specified as the target remuneration in each beneficiary's service agreement for Programme 5; this basic amount is entered in a virtual account for the Executive Board member in question as a positive amount in accordance with the target achievement explained below, and paid out after the further terms of payout are met, depending on future performance. Virtual shares are entered in the LTIP account on an annual basis (one LTIP tranche per year) at the beginning of the performance period of the LTIP tranche in question. The performance period of each LTIP tranche begins on 1 January, for the first time on 1 January 2022, and lasts four years. The LTIP tranche credited to all beneficiaries as of 1 January 2022 ends at midnight on 31 December 2025 and is designated "Tranche 2022/2025". Basic amounts, in each case per LTIP tranche, totalling 469 thousand euros for Mr Arnold, 435 thousand euros for Mr v. Platen and 435 thousand euros for Mr Fromme were specified as target remuneration for the beneficiaries. The number of virtual shares credited to the Executive Board member's LTIP account as part of an LTIP tranche (the initial number of virtual shares) is calculated by dividing the basic amount by "applicable share price I". Applicable share price I is the average Xetra closing price of freenet shares over the last 60 stock exchange trading days before the start of the performance period concerned.

The payout amount to which the Executive Board member is entitled for the LTIP tranche in question is calculated as the product of the final number of virtual shares and "applicable share price II". The final number of virtual shares is calculated by multiplying the initial number of virtual shares by overall target achievement expressed as a percentage, which is addressed in greater detail below. Applicable share price II is the average Xetra closing price of freenet shares over the last 60 stock exchange trading days of the performance period concerned, plus the sum total of the amounts of the gross dividend per share disbursed during the performance period. The following targets have been set: the EBT target (weighting of 50 percent), the "relative total shareholder return" target (weighting of 30 percent) and sustainability targets (weighting of 20 percent). Overall target achievement is calculated on the basis of the weighted levels of achievement of the individual targets. The payout amount is capped at a maximum of 250 percent of the basic amount of the LTIP tranche concerned. The payout amount per tranche is due for payment within six weeks of the approval of the consolidated financial statements by the Supervisory Board.

EBT serves as an earnings target. The Supervisory Board specifies this every year for each annual tranche, on the basis of the corporate planning. The Supervisory Board determines the level of EBT target achievement on the basis of the audited consolidated financial statements, approved by the Supervisory Board, for the final financial year in the performance period, adjusted for non-recurring items and inorganic effects.

The Supervisory Board also decides on the ESG targets every year for each annual tranche. The Supervisory Board selects the ESG targets on the basis of the following criteria, derived from the company's materiality analysis: employees, digital responsibility, customer matters, corporate environmental protection, compliance and integrity as well as supply chain and human rights due diligence. The sustainability targets must be quantifiable and transparent, differ from the targets specified for the STIP and motivate the Executive Board in relation to the company's long-term development.

Total shareholder return (TSR) as a share price-based target is calculated relative to suitable benchmark indices. The MDAX and STOXX Europe 600 Telecommunications currently serve as benchmark indices. The performance of the freenet share relative to these two benchmark indices is determined by calculating the absolute annual benchmark trend (outperformance) over the four years of the performance period plus a gross dividend per share of freenet AG which is paid out in this period and notionally reinvested. The level of absolute outperformance is determined annually in percentage points (pp) and translated into the corresponding level of annual target achievement in accordance with the target scale for the relative TSR. To determine the overall level of target achievement, the arithmetic average of the annual levels of target achievement is calculated over the four-year performance period for the respective annual tranche.

In order to eliminate the impact of possible non-recurring items on individual reporting dates, relative TSR is calculated based on the average share price of the freenet share or the average performance of the respective benchmark indices over the last 60 stock market trading days as of the relevant reporting date. The target achievement of freenet's relative TSR against the respective benchmark index is converted into a target achievement percentage within a range of 0% to 200% (see below). Finally, to determine the overall target achievement of relative TSR, the target achievement percentages against both benchmark indices are weighted at 50% each and added together.

At the start of the performance period for the respective annual tranche, each year for the earnings target and the sustainability targets the Supervisory Board sets target achievement levels of between 50 and 200 percent as well as the respective minimum and maximum scores. The target achievement levels for the share price target are between 0 and 200 percent. In addition, for the share price target the minimum score is −50 percentage points (corresponding to a 0 percent level of target achievement), the target score is 0 percentage points (corresponding to a 100 percent level of target achievement) and the maximum score is +50 percentage points (corresponding to a 200 percent level of target achievement) of absolute outperformance.

If the minimum score (hurdle) for a target is not exceeded, the level of target achievement for this performance criterion will be 0 percent. If the actual score exceeds the defined maximum score (cap), the level of target achievement will be limited to 200 percent. Target achievement levels between the defined anchor points, i.e. between the minimum and target score and between the target and maximum score – will be calculated by means of linear interpolation.

The respective levels of target achievement for the three LTIP performance criteria will be added up according to their weighting and the overall level of target achievement thus determined.

Programme 5 also includes customary dilution protection provisions as well as the option for the Supervisory Board to reduce the number of recognised virtual shares at their reasonable discretion after prior consultation with the Executive Board member due to extraordinary developments by the end of the relevant performance period/holding period. In the event of breaches of duty or compliance violations, the Supervisory Board can review LTIP payout claims and reduce or reclaim them where appropriate (clawback).

The obligation arising from the LTIP programme was determined at fair value with the help of a recognised measurement model (Monte Carlo simulation) pursuant to IFRS 2. The main inputs to this model are the freenet AG share price at the reporting date, the applicable average prices over the relevant periods of the current and past year for determining the "relative TSR" target, the estimate of the future performance of the share prices relevant to the "relative TSR" target, the volatility of the share prices in line with the remaining term of the LTIP programme, the estimate of the level of achievement of the EBT target and the sustainability targets for the LTIP tranches issued, and the estimate of the discount rate.

As of 31 December 2022, a total of 58,969 virtual shares were entered in the beneficiaries' virtual accounts under Programme 5 (initial number of virtual shares) – 20,647 for Mr Arnold, 19,161 for Mr v. Platen and 19,161 for Mr Fromme. In 2022 financial year, Programme 5 resulted in personnel expenses of 1,376 thousand euros, of which 482 thousand euros relate to Mr Arnold, 447 thousand euros to Mr v. Platen, and 447 thousand euros to Mr Fromme.

25.6 Other employee incentive programmes

The Group had a further employee incentive programme in the financial year ended, which was recognised as a provision in the amount of 4,613 thousand euros as of 31 December 2022 (previous year: 2,117 thousand euros). Under the terms of the programme, the employees were granted virtual shares which are earned in several tranches up to 2023. In 2023, these virtual shares in the company will be paid out with a value per share already determined.

26 Trade accounts payable, other liabilities and deferrals and other financial liabilities

Trade accounts payable, other liabilities and deferrals and other financial liabilities are comprised as follows:

		31.12.2022	
In EUR '000s	Total	Non-current	Current
Trade accounts payable	331,184	0	331,184
Other non-derivative financial liabilities	132,822	86,658	46,164
Financial liabilities	**464,006**	**86,658**	**377,348**
Other liabilities and deferrals	66,648	7,224	59,424
Prepayments received	510,995	112,584	398,411
Non-financial liabilities	**577,643**	**119,808**	**457,835**
Total trade accounts payable, other liabilities and deferrals, and other financial liabilities	**1,041,649**	**206,466**	**835,183**

		31.12.2021	
In EUR '000s	Total	Non-current	Current
Trade accounts payable	338,785	0	338,785
Other non-derivative financial liabilities	87,877	23,832	64,045
Financial liabilities	**426,662**	**23,832**	**402,830**
Other liabilities and deferrals	58,500	6,919	51,581
Prepayments received	470,006	103,253	366,753
Non-financial liabilities	**528,506**	**110,172**	**418,334**
Total trade accounts payable, other liabilities and deferrals, and other financial liabilities	**955,168**	**134,004**	**821,164**

As of 31 December 2022, there are no liabilities vis-à-vis related parties; please refer to note 34.

Of the figure shown for liabilities, 835,183 thousand euros (previous year: 821,164 thousand euros) are due within the next twelve months. Liabilities amounting to 206,466 thousand euros (previous year: 134,004 thousand euros) have a maturity of between one year and five years. As in the previous year, no liabilities are due after more than five years.

Of the figure shown for the liabilities combined under financial liabilities, 377,348 thousand euros (previous year: 402,830 thousand euros) fall due within one year and 86,658 thousand euros (previous year: 23,832 thousand euros) fall due between one and five years. As in the previous year, no liabilities are due after more than five years.

Current trade accounts payable break down as follows:

In EUR '000s	31.12.2022	31.12.2021
Liabilities to network operators, dealers, distributors, hardware manufacturers (Mobile Communications)	187,837	210,376
Liabilities to sales partners from contracts with customers	46,143	39,095
Obligations from distribution rights	30,422	29,750
Other	66,782	59,564
Total	**331,184**	**338,785**

Current other financial liabilities are comprised as follows:

In EUR '000s	31.12.2022	31.12.2021
Refund liabilities	19,936	26,519
Personnel obligations	19,495	20,524
Obligations from earn-outs	0	10,000
Other	6,733	7,002
Total	**46,164**	**64,045**

Non-current other financial liabilities are comprised as follows:

In EUR '000s	31.12.2022	31.12.2021
Liabilities to sales partners from contracts with customers	61,413	0
Obligations from distribution rights	17,085	12,021
Obligations from earn-outs	7,515	11,036
Other	645	775
Total	**86,658**	**23,832**

Current other liabilities and deferrals are comprised as follows:

In EUR '000s	31.12.2022	31.12.2021
Deferred income from bonuses and commissions received from network operators	337,382	308,591
Deferred income from customer credit balances, Mobile Communications	35,000	34,988
Liabilities from value added tax	28,657	33,211
Liabilities to customers from contracts with customers	17,187	14,653
Other	39,609	26,891
Total	**457,835**	**418,334**

Non-current other liabilities and deferrals are comprised as follows:

In EUR '000s	31.12.2022	31.12.2021
Deferred income from bonuses and commissions received from network operators	110,848	101,884
Liabilities to customers from contracts with customers	7,223	6,918
Other	1,737	1,370
Total	**119,808**	**110,172**

27 Current income tax liabilities

Current income tax liabilities consist of anticipated corporation tax and trade tax payments for previous financial years and the year under review.

28 Borrowings and lease liabilities

Borrowings are structured as follows:

In EUR millions	31.12.2022	31.12.2021
Non-current		
Liabilities from promissory notes	393.4	505.8
Current		
Liabilities from promissory notes	116.1	143.6
Total	**509.5**	**649.4**

During the course of 2022 financial year, two tranches of the existing promissory note loans from 2015 and 2016 with a total nominal amount of 140.5 million euros were repaid as scheduled.

The Group's lease liabilities are broken down into the corresponding lease categories as follows:

In EUR millions	31.12.2022	31.12.2021
Non-current		
Site leases	190.2	227.9
Shops/stores	85.6	87.7
Co-location leases	50.1	64.3
Network infrastructure	0.0	1.3
Motor vehicles	2.5	3.4
Other	8.1	11.0
	336.5	**395.6**
Current		
Site leases	42.6	42.3
Shops/stores	19.1	20.0
Co-location leases	11.7	12.0
Motor vehicles	3.4	3.9
Network infrastructure	1.3	2.9
Other	3.9	4.2
	82.0	**85.3**
Total	**418.5**	**480.9**

More information in connection with IFRS 16 is provided in note 2.5.

29 Pension provisions and similar obligations

The pension obligations are based on defined benefit and contribution plans. The pension benefit provided in each case is the payment of a lifetime retirement pension upon reaching the age of 60 or 65 and the payment of benefits to surviving dependants. The pension benefits are partly financed by a reinsured pension scheme. All pension commitments are always determined by the salary amount and the length of service at the company. The Executive Board commitments are fully funded. They are secured by a reinsured pension scheme as well as pledged pension liability insurance policies with a fair value totalling 22,257 thousand euros (31 December 2021: 20,037 thousand euros).

The net liability recognised in pension provisions and in non-current other receivables and other assets is calculated as follows:

In EUR ’000s	31.12.2022	31.12.2021
Present value of funded obligations	19,359	31,362
Present value of unfunded obligations	61,785	84,940
Present value of obligations	**81,144**	**116,302**
Fair value of plan assets	– 22,257	– 20,037
Influence from the asset ceiling	1,974	0
Net obligation recognised	**60,861**	**96,265**
Thereof shown in pension provisions	61,785	96,265
Thereof shown in non-current other receivables and other assets	– 924	0

It is expected that these obligations will be fulfilled mainly in the long term. The following table sets out the development in the present value of the funded and unfunded obligations:

In EUR ’000s	2022	2021
As of 1.1.	**116,302**	**121,052**
Current service cost	1,007	1,753
Past service cost	0	0
Gross interest expense	1,557	1,244
Employe contributions	3	2
Settlement of pension obligations	– 39	– 96
Actuarial losses/gains		
thereof due to experience adjustments	212	9
thereof due to demographic parameter adjustments	0	0
thereof due to financial parameter adjustments	– 35,602	– 5,298
Actuarial losses/gains, subtotal	**– 35,390**	**– 5,289**
Payments made	– 2,296	– 2,364
As of 31.12.	**81,144**	**116,302**

The weighted average remaining term of the obligations as of 31 December 2022 amounted to 18.7 years for the freenet plan (previous year: 22.5 years), 13.1 years for the debitel plans (previous year: 16.7 years) and 7.4 years for the plans of the Media Broadcast Group (previous year: 9.4 years).

The following amounts have been shown for the defined benefit plans for the current reporting period and the previous reporting periods:

In EUR '000s	2022	2021	2020	2019	2018
Present value of funded obligation	19,359	31,362	32,568	28,795	22,715
Present value of unfunded obligation	61,785	84,940	88,484	84,843	78,845
Fair value of plan assets	– 22,257	– 20,037	– 17,544	– 14,851	– 12,387
Influence from the asset ceiling	1,974	0	0	0	0
Plan deficit	**60,861**	**96,265**	**103,508**	**98,787**	**89,173**
Experience adjustments of plan liabilities	212	9	35	– 1,226	667
Experience adjustments of plan assets	– 219	113	285	53	– 766

The plan assets consist of several pension liability insurance policies entered into by the pension scheme set up for this purpose with an aggregate fair value of 22,257 thousand euros (31 December 2021: 20,037 thousand euros). The pension liability insurance policies invest the plan assets in equity funds or shares that are quoted in an active market. There is no active market for the pension liability insurance policies. The development of fair value is set out in the table below:

In EUR '000s	2022	2021
As of 1.1.	**20,037**	**17,544**
Interest on plan assets (through income statement, with interest in accordance with IAS 19)	310	218
Differences between the expected and actual income from plan assets (recognised through other comprehensive income)	– 219	113
Employer contributions to plan assets	2,129	2,162
As of 31.12.	**22,257**	**20,037**

The actual income from the plan assets amount to 91 thousand euros (previous year: 331 thousand euros), and are calculated as the sum of the calculated expenses or income from the plan assets and the actuarial gains or losses.

For financial year 2023, freenet is expecting payments of 1,787 thousand euros into the plan assets and payments of 2,922 thousand euros out of the plan assets for pensions. Freenet had expected for 2022 financial year payments of 2,162 thousand euros into the plan assets and payments of 2,542 thousand euros out of the plan assets for pensions.

The net liability recognised in pension provisions and in non-current other receivables and other assets developed as follows:

In EUR '000s	2022	2021
As of 1.1.	**96,265**	**103,508**
Current service cost	1,007	1,753
Past service cost	1,247	1,026
Net interest expense	– 39	– 96
Gains on the settlement of pension obligations	**2,215**	**2,683**
Subtotal: amount recognised in the consolidated income statement		
Remeasurement	212	9
Experience-based gains (–)/losses (+)	– 35,602	– 5,298
Gains (–)/losses (+) due to financial parameter adjustments	219	– 113
Return on (–)/costs (+) of plan assets not already included in net interest expense	1,974	0
Subtotal: remeasurements recognised through other comprehensive income	**– 33,197**	**– 5,402**
Payments made	– 2,296	– 2,364
Employer contributions to plan assets	– 2,129	– 2,162
Employee' contributions	3	2
As of 31.12.	**60,861**	**96,265**

The following significant actuarial assumptions were made:

In %	31.12.2022	31.12.2021
Discount rate (freenet, debitel plans)	4.25	1.47
Discount rate (Media Broadcast Group plans)	4.09	1.06
Future salary increases (debitel plan)	2.25	1.75
Future salary increases (Media Broadcast Group plans)	2.50	2.25
Future pension increases (debitel plan)	2.25	1.75
Future pension increases (freenet plan)	2.20	1.75
Future pension increases (Media Broadcast Group plans)	2.00	1.70

As in the previous year, the RT 2018G mortality tables created by Dr Klaus Heubeck have been used as the biometric basis.

The sensitivities of the present value of the funded and unfunded obligations have been calculated on the basis of actuarial reports. We provide the following information in this respect.

31.12.2022	Change in present value of obligations	
In EUR ’000s	Increase	Decrease
Increase in discount rate by 1.0 percentage points		8,886
Decrease in discount rate by 1.0 percentage points	10,954	
Increase in future salary increases by 0.5 percentage points	119	
Decrease in future salary increases by 0.5 percentage points		27
Increase in future pension increases by 0.25 percentage points	1,041	
Decrease in future pension increases by 0.25 percentage points		1,012
Life expectancy: +2 years	2,559	

31.12.2021	Change in present value of obligations	
In EUR ’000s	Increase	Decrease
Increase in discount rate by 1.0 percentage points		16,491
Decrease in discount rate by 1.0 percentage points	21,261	
Increase in future salary increases by 0.5 percentage points	248	
Decrease in future salary increases by 0.5 percentage points		30
Increase in future pension increases by 0.25 percentage points	1,985	
Decrease in future pension increases by 0.25 percentage points		1,881
Life expectancy: +2 years	5,949	

The sensitivities were calculated on the basis of the same holdings and using the same valuation method as that used for determining the extent of the obligation as of 31 December 2022. For this purpose, one parameter was varied and the other parameters were left unchanged. Any interdependencies between individual parameters occurring in practise are disregarded.

30 Other provisions

The following overview gives a breakdown of the development of the provisions' carrying amounts:

In EUR '000s	1.1.2022	Use	Reversal	Unwinding of discount	Addition	31.12.2022	non-current	current
Other								
Contingent losses	474	83	227	0	516	**680**	44	636
Litigation	33,186	12,389	16,341	0	6,460	**10,916**	0	10,916
Asset retirement obligations	41,948	119	427	– 4,002	2,317	**39,717**	34,663	5,054
Storage costs	369	0	0	– 62	6	**313**	313	0
Other	3,869	684	36	0	0	**3,149**	0	3,149
	79,846	**13,275**	**17,031**	**– 4,064**	**9,299**	**54,775**	**35,020**	**19,755**
Personnel								
Employee incentive programmes	10,839	0	0	0	12,572	**23,411**	18,693	4,718
Service anniversaries	1,210	191	434	0	441	**1,026**	858	168
Restructuring	5,055	3,497	36	0	0	**1,522**	0	1,522
Other	28	29	0	0	393	**392**	102	290
	17,132	**3,717**	**470**	**0**	**13,406**	**26,351**	**19,653**	**6,698**
Total	**96,978**	**16,992**	**17,501**	**– 4,064**	**22,705**	**81,126**	**54,673**	**26,453**

Provisions for contingent losses concern, among others, expected vacancy costs for rented store space and expected losses from tariffs with a negative margin. An asset outflow of 636 thousand euros is expected for 2023.

Litigation provisions relate to the probable costs of various legal actions against Group companies as well as other as yet unresolved disputes with third parties. Most of these provisions relate to litigation with former trade partners and customers as well as issues of intellectual property law. The Group is anticipating a complete asset outflow in 2023. To avoid disclosing prematurely, and therefore endangering, the legal and negotiation position, we shall refrain from giving further information at this juncture.

The provision for make good obligations resulting from the acquisition of the Media Broadcast Group mainly comprises obligations for the dismantling and removal of radio infrastructure at numerous locations. Following the probable expiry of the underlying rental agreements, the outflow of funds is expected to be 3,479 thousand euros in 2023 and 31,206 thousand euros in the years from 2024 to 2031. There are further make good obligations related to tenant fittings at various technology and administration locations and shops of the Group. Following the probable expiry of the underlying rental agreements, the outflow of funds is expected to be 1,575 thousand euros in 2023 and 3,457 thousand euros in the years from 2024 to 2031.

Further details concerning the recognition of provisions for employee incentive programmes are documented under note 25. A provision for restructuring was recognised in 2022 due to a reorganisation of individual units. A further outflow of assets is expected to occur in full in 2023.

Provisions for service anniversaries have been recognised; the outflow of assets for 2023 is expected to be 168 thousand euros and the outflow of assets for the years 2024 to 2042 is expected to be 858 thousand euros. An interest rate of 4.06 percent and an average period of eight years between the balance sheet date and the actual payment have been assumed as the basis for calculation.

As a result of the acquisition of the Media Broadcast Group, the company also acquired obligations for semi-retirement and long-term work accounts. These obligations are netted with the fair values of the corresponding plan assets as of every balance sheet date. As of 31 December 2022, the provisions before netting for long-term work accounts amounted to 3,558 thousand euros (previous year: 4,328 thousand euros), and the corresponding provisions for semi-retirement amounted to 0 thousand euros (previous year: 103 thousand euros).

In EUR '000s	2022	2021
Long-term work accounts		
Obligation as of 1.1.	4,328	4,546
Payments from long-term work accounts	– 514	– 553
Personnel expenses	– 164	268
Interest expense	– 92	67
Obligation as of 31.12. before netting	**3,558**	**4,328**
Payments from plan assets	6,526	6,433
Loss on plan assets	– 1,031	93
Plan assets as of 31.12.	**5,495**	**6,526**

In EUR '000s	2022	2021
Semi-retirement		
Obligation as of 1.1.	103	412
Payments from semi-retirement accounts	– 103	– 317
Personnel expenses	0	8
Obligation as of 31.12. before netting	**0**	**103**
Fair value of plan assets as of 1.1.	1,026	1,034
Loss on plan assets	– 5	– 8
Plan assets as of 31.12.	**1,021**	**1,026**

No provision remains as of 31 December 2022. The provision of 29 thousand euros remaining in the previous year for top-up obligations in connection with semi-retirement that may not be offset was shown in the statement of changes in provisions under “Other” under “Personnel” in 2021.

31 Other financial obligations, contingent liabilities and credit enhancements

As at the end of the financial year, there are operating lease commitments (which cannot be terminated) from maintenance, support and other obligations as well as order commitments in the following amounts:

In EUR '000s	31.12.2022	31.12.2021
Maintenance, support and other obligations		
Due within one year	41,327	32,076
Due within one and five years	127,471	29,904
Due after more than five years	62,734	548
	231,532	**62,528**
Order commitments		
Regarding intangible assets	892	0
Regarding property, plant and equipment	4,899	12,337
Regarding inventories, expenses and services	114,958	146,211
	120,749	**158,548**
Total	**352,281**	**221,076**

As in 2021, obligations under maintenance, support and other agreements consist mainly of agreements regarding the maintenance of IT hardware and databases, building services, network infrastructure and the outsourcing of business processes in customer service.

The order commitments as at the end of the financial year amounted to 120,749 thousand euros (previous year: 158,548 thousand euros). Of this sum, 5,791 thousand euros (previous year: 12,337 thousand euros) is attributable to the procurement of non-current assets. There are other purchase commitments amounting to 114,958 thousand euros (previous year: 146,211 thousand euros). These are mainly obligations relating to the sourcing of power for production at the various rental locations as well as broadband connections within the context of media networks (audio and video broadcasts).

Other contingent liabilities have arisen as a result of letters of comfort and rent guarantees, their aggregate total as at the balance sheet date being 40,578 thousand euros (previous year: 34,708 thousand euros). It is not expected that any claims will be submitted under the terms of the letters of comfort and rent guarantees because it is expected that the corresponding invoices will be paid in line with the contractual agreements and that the corresponding rental agreements will be paid regularly.

32 Notes to the consolidated statement of cash flows

In the consolidated statement of cash flows, the figures are reported for the Group (continuing and discontinued operations).

Cash funds consist of cash at banks, cash in hand, cheques, short-term money market instruments that can be liquidated at any time and current financial liabilities, each with an original term of up to three months. As in the previous year, cash funds do not include any liquid assets from discontinued operations.

The cash flows are broken down into operating activities, investing activities and financing activities. The indirect presentation method has been used to present cash flows from operating activities.

The item "Increase in net working capital not attributable to investing or financing activities" contains the change in the balance sheet items "Trade accounts receivable", "Other receivables and other assets", "Other financial assets", "Inventories", "Trade accounts payable", "Other liabilities and deferrals", "Other financial liabilities", "Other provisions", and the change in other assets and liabilities not attributable to investing or financing activities.

As an alternative performance measure, free cash flow shows the amount of cash generated that can be used to pay dividends or repay borrowings, for example. Accordingly, interest paid, interest received and proceeds from the cash repayment of financial assets under leases are included in cash flows from operating activities and cash repayments of lease liabilities (as a component of cash flows from financing activities) are included in the calculation of free cash flow.

32.1 Cash flows from operating activities

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).

32.2 Cash flows from investing activities

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 expansion 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.

32.3 Cash flows from financing activities

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).

32.4 Calculating the underlying figure for the consolidated statement of cash flows

The underlying figure for the statement of cash flows is EBIT generated by continuing and discontinued operations. The following shows the way in which this EBIT figure is derived from the consolidated income statement.

In EUR ’000s	1.1.2022 – 31.12.2022	1.1.2021 – 31.12.2021
Earnings before taxes	113,978	218,064
Financial result	15,423	31,975
EBIT	**129,401**	**250,039**

32.5 Reconciliation of liabilities from financing activities

The following reconciliation shows the liabilities from financing activities for the period from 1 January 2022 to 31 December 2022.

		Cash changes			Other changes		
In EUR '000s	1.1.2022	Repayment of borrowings	Repayment of lease liabilities	Interest paid[1]	Interest expense	Other changes[2]	31.12.2022
Non-current borrowings	505,786					– 112,349	393,437
Current borrowings	140,395	– 140,500				113,560	113,455
Current financial borrowings from interest accruals	3,224			– 10,268	9,712		2,668
Liabilities from finance leases	480,886		– 86,433	– 8,769	8,769	24,100	418,553
Total liabilities from financing activities	**1,130,291**	**– 140,500**	**– 86,433**	**– 19,037**	**18,481**	**25,311**	**928,113**

[1] Interest payments in connection with borrowings and leases amount to 19,037 thousand euros. Further interest payments on taxes, interest on arrears or similar amounting to 735 thousand euros are shown under the item "Interest paid" within cash flow from operating activities.
[2] This includes non-cash changes such as reclassifications, additions and disposals, and other changes related to leases.

Liabilities from financing activities for the period from 1 January 2021 to 31 December 2021 break down as follows (table adjusted):

		Cash changes			Other changes		
In EUR '000s	1.1.2021	Repayment of borrowings	Repayment of lease liabilities	Interest paid[1]	Interest expense	Other changes[2]	31.12.2021
Non-current borrowings	734,826					– 229,040	505,786
Current borrowings	199,958	– 289,500				229,937	140,395
Current financial borrowings from interest accruals	6,043			– 15,623	12,804		3,224
Liabilities from finance leases	536,661		– 87,691	– 10,194	10,194	31,916	480,886
Total liabilities from financing activities	**1,477,488**	**– 289,500**	**– 87,691**	**– 25,817**	**22,998**	**32,813**	**1,130,291**

[1] Interest payments in connection with borrowings and leases amount to 25,817 thousand euros. Further interest payments on taxes, interest on arrears or similar amounting to 7.201 thousand euros are shown under the item "Interest paid" within cash flow from operating activities.
[2] This includes non-cash changes such as reclassifications, additions and disposals, and other changes related to leases.

33 Information on financial instruments

33.1 Disclosures in accordance with IFRS 7

This section provides an overview of the significance of financial instruments for the Group, while also providing additional information on balance sheet items containing financial instruments.

We are setting out the following information for the purpose of presenting the financial instruments in the Group as of 31 December 2022 and 31 December 2021:

Financial instruments by category as of 31 December 2022

In EUR '000s	IFRS 9 measurement category	Carrying amount	Measurement			Fair value of financial instruments
		31.12.2022	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	31.12.2022
Assets						
Cash/liquid assets	AC	178,022	178,022			—[1]
Trade accounts receivable		342,021				
At amortised cost	AC	227,950	227,950			—[1]
Fair value through profit or loss	FVTPL	114,071		114,071		—[1]
Other financial assets		169,295				
Lease receivables	n. a.	44,708				
Non-derivative financial assets						
At amortised cost	AC	20,172	20,172			—[1]
Other financial assets						
At amortised cost	AC	9,536	9,536			—[1]
Fair value through profit or loss	FVTPL	24,501		24,501		
Other equity instruments						
Fair value through profit or loss	FVTPL	1,716		1,716		—[1]
Fair value through other comprehensive income	FVTOCI	68,662			68,662	68,662
Equity and liabilities						
Lease liabilities	n. a.	418,553				
Trade accounts payable	AC	331,184	331,184			
Borrowings		509,560	509,560			
Borrowings from promissory notes	AC	506,892	506,892			492,908
Other borrowings	AC	2,668	2,668			
Other financial liabilities		132,822				
At amortised cost	AC	130,147	130,147			
Fair value through profit or loss	FVTPL	2,675		2,675		—[1]
thereof aggregated by IFRS 9 measurement category						

[1] No fair value has been determined for the items; however, the carrying amount is a reasonable approximation of the fair value. This means that the aggregate fair value for the measurement categories AC and FVTPL are considerably lower than the corresponding aggregate carrying amounts in the balance sheet.

In EUR ’000s	IFRS 9 measurement category	Carrying amount	Measurement			Fair value of financial instruments
		31.12.2022	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	31.12.2022
Assets						
At amortised cost	AC	435,680	435,680			—[1]
Fair value through profit or loss	FVTPL	140,288		140,288		—[1]
Fair value through other comprehensive income	FVTOCI	68,662			68,662	68,662
Equity and liabilities						
At amortised cost	AC	970,891	970,891			492,908[1]
Fair value through profit or loss	FVTPL	2,675		2,675		—[1]

[1] No fair value has been determined for the items; however, the carrying amount is a reasonable approximation of the fair value. This means that the aggregate fair value for the measurement categories AC and FVTPL are considerably lower than the corresponding aggregate carrying amounts in the balance sheet.

Financial instruments by category as of 31 December 2021

In EUR '000s	IFRS 9 measurement category	Carrying amount	Measurement			Fair value of financial instruments
		31.12.2021	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	31.12.2021
Assets						
Cash/liquid assets	AC	286,287	286,287			—[1]
Trade accounts receivable		302,486				
At amortised cost	AC	183,679	183,679			—[1]
Fair value through profit or loss	FVTPL	118,807		118,807		—[1]
Other financial assets		249,712				
Lease receivables	n. a.	55,394				
Non-derivative financial assets						
At amortised cost	AC	18,919	18,919			—[1]
Other financial assets						
At amortised cost	AC	11,967	11,967			—[1]
Fair value through profit or loss	FVTPL	18,942		18,942		
Other equity instruments						
Fair value through profit or loss	FVTPL	1,475		1,475		—[1]
Fair value through other comprehensive income	FVTOCI	143,015			143,015	143,015
Equity and liabilities						
Lease liabilities	n. a.	480,886				
Trade accounts payable	AC	338,785	338,785			
Borrowings		649,405	649,405			
Borrowings from promissory notes	AC	646,181	646,181			658,440
Other borrowings	AC	3,224	3,224			
Other financial liabilities		87,877				
At amortised cost	AC	68,888	68,888			
Fair value through profit or loss	FVTPL	18,989		18,989		—[1]
thereof aggregated by IFRS 9 measurement category						
Assets						
At amortised cost	AC	500,852	500,852			—[1]
Fair value through profit or loss	FVTPL	139,224		139,224		—[1]
Fair value through other comprehensive income	FVTOCI	143,015			143,015	143,015
Equity and liabilities						
At amortised cost	AC	1,057,078	1,057,078			658,440[1]
Fair value through profit or loss	FVTPL	18,989		18,989		—[1]

[1] No fair value has been determined for the items; however, the carrying amount is a reasonable approximation of the fair value. This means that the aggregate fair value for the measurement categories AC and FVTPL are considerably lower than the corresponding aggregate carrying amounts in the balance sheet.

The non-financial assets constitute that part of the balance sheet item "Other receivables and other assets" which is not covered by the scope of IFRS 7.

The non-financial liabilities constitute the balance sheet item "Other liabilities and deferrals", which is not covered by the scope of IFRS 7.

The fair value of cash and cash equivalents, trade accounts receivable, other current financial assets and other current financial liabilities is roughly equivalent to the carrying amount. This is due to the short remaining terms of these financial instruments.

The fair values of the non-current trade accounts receivable and other financial assets with remaining terms of more than one year correspond to the present values of the payments associated with the assets, with due consideration being given to the relevant interest parameters. The other equity instruments measured at fair value through profit or loss do not include listed shares; there is no active market for them. If there are indications that fair values are lower or lower, these are recognised.

For other equity instruments measured at fair value through other comprehensive income, the Group recognises the fair value as the market value in an active market. The other equity instruments relate to the investment in CECONOMY (carrying amount as of 31 December 2022: 60.6 million euros) and MGI (carrying amount as of 31 December 2022: 7.5 million euros), and securities to back pension obligations.

As a result of the discounting carried out using the effective interest rate method and based on the current level of interest rates, there are only minor differences between the carrying amounts of the financial instruments and the corresponding fair values. Because of the maturity involved, the fair value of the current borrowings corresponds to the carrying amount. The fair value of the non-current borrowings exceeds their carrying amount by 13,984 thousand euros as of 31 December 2022 (previous year: 12,259 thousand euros). This difference results from the measurement of the promissory note loan at fair value; this was ascertained as at the measurement date using up-to-date estimates of the company's own credit risk and the interest rate level.

The fair value of the other equity instruments that are not traded on an exchange is determined by the Group on the basis of recognised actuarial methods (discounted cash flow method or option price models). The expected future cash flows from the financial instrument are calculated on the basis of the relevant interest rate structure and forward curves and are then discounted as of the closing date. The market value confirmations received from the external partners are periodically compared with the internally determined market values. The Group had no derivative financial instruments as of 31 December 2022.

The following overview shows the major parameters on which the assessment of the fair value of financial instruments, and the assessment of the financial instruments shown at fair value in accordance with IFRS 7 are based. The individual levels are defined in accordance with IFRS 13 as follows:

- Level 1

Unchanged use of prices from active markets for identical financial assets or financial liabilities (Deutsche Börse AG, Frankfurt stock exchange).

- Level 2

Use of inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices.

- Level 3

Use of inputs for the measurement of the financial asset or financial liability that are not based on observable market data (unobservable inputs). As was the case in the previous year, there were no transfers between the individual levels in 2022.

Fair value hierarchy as of 31 December 2022

In EUR '000s	Total	Level 1	Level 2	Level 3
Assets				
Trade accounts receivable, at fair value through profit or loss	114,071	0	0	114,071
Other financial assets, at fair value through profit or loss	24,501	0	0	24,501
Other equity instruments, at fair value through profit or loss	1,716	0	0	1,716
Other equity instruments, at fair value through other comprehensive income	68,662	68,662	0	0
Equity and liabilities				
Borrowings from promissory notes	492,908	0	0	492,908
Other financial liabilities, at fair value through profit or loss	2,675	0	0	2,675

Fair value hierarchy as of 31 December 2021

In EUR '000s	Total	Level 1	Level 2	Level 3
Assets				
Trade accounts receivable, at fair value through profit or loss	118,807	0	0	118,807
Other financial assets, at fair value through profit or loss	18,942	0	0	18,942
Other equity instruments, at fair value through profit or loss	1,475	0	0	1,475
Other equity instruments, at fair value through other comprehensive income	143,015	143,015	0	0
Equity and liabilities				
Borrowings from promissory notes	658,440	0	0	658,440
Other financial liabilities, at fair value through profit or loss	18,989	0	0	18,989

The following table shows the changes to Level 3 instruments for 2022 financial year:

In EUR '000s	1.1.2022	Additions	Disposals	31.12.2021
Assets				
Trade accounts receivable, at fair value through profit or loss	118,807	0	4,736 [1]	114,071
Other financial assets, at fair value through profit or loss	18,842	5,559 [1]	0	24,401
Other equity instruments, at fair value through profit or loss	1,474	241	0	1,715
Equity and liabilities				
Borrowings from promissory notes	658,440	0	165,532	492,908
Other financial liabilities, at fair value through profit or loss	18,989	0	16,314	2,675

[1] This is a cumulative change in the item.

There has been no reclassification within Level 3 in 2022 financial year and there have been no effects in other comprehensive income.

For the individual categories of financial instruments, the following net gains/losses were shown in 2022 financial year and in the previous year:

Net gains/losses by measurement category 2022

	From interest	From subsequent measurement		From disposals	Net gain/loss
In EUR '000s		At fair value through other comprehensive income	Loss allowance/ losses on receivables		
Assets measured at amortised cost (AC)	6,443	0	– 19,033		– 12,590
Assets measured at fair value through profit or loss (FVTPL)	– 516		– 4,398	2,307	– 2,607
Assets measured at fair value through other comprehensive income (FVTOCI)	0	– 73,226			– 73,226
Liabilities measured at amortised cost (AC)	– 10,990	0			– 10,990
Total	**– 5,063**	**– 73,226**	**– 23,431**	**2,307**	**– 99,413**

Net gains/losses by measurement category 2021

	From interest	From subsequent measurement		From disposals	Net gain/loss
In EUR '000s		At fair value through other comprehensive income	Loss allowance/ losses on receivables		
Assets measured at amortised cost (AC)	2,270	0	– 10,570		– 8,300
Assets measured at fair value through profit or loss (FVTPL)	– 796		– 8,855	5,306	– 4,345
Assets measured at fair value through other comprehensive income (FVTOCI)	0	– 50,778			– 50,778
Liabilities measured at amortised cost (AC)	– 13,770	0			– 13,770
Total	**– 12,296**	**– 50,778**	**– 19,425**	**5,306**	**– 77,193**

Net gains and losses from assets measured at amortised cost include changes in the loss allowances, gains and losses from derecognition as well as payments received and reversals of impairment losses on previously written-off receivables.

Net gains or losses from the category of financial liabilities measured at amortised cost, mainly comprise interest expense to banks.

Disclosures concerning interest income and interest expense from the financial assets and financial liabilities not measured at fair value through profit or loss are based on the application of the effective interest rate method.

Offsetting of financial assets and liabilities 31.12.2022

In EUR ’000s	Gross amount before offsetting	Offsetting amounts	Net amount shown in the balance sheet	Fair value of financial collateral	Total net amount
Financial assets					
Trade accounts receivable	441,250	99,229	342,021		342,021
Other financial assets	172,852	3,557	169,295		169,295
Total	**614,102**	**102,786**	**511,316**	**0**	**511,316**
Financial liabilities					
Trade accounts payable	430,413	99,229	331,184	4,021	327,163
Other provisions	84,683	3,557	81,126		81,126
Total	**515,096**	**102,786**	**412,310**	**4,021**	**408,289**

Offsetting of financial assets and liabilities 31.12.2021

In EUR ’000s	Gross amount before offsetting	Offsetting amounts	Net amount shown in the balance sheet	Fair value of financial collateral	Total net amount
Financial assets					
Trade accounts receivable	411,228	108,742	302,486		302,486
Other financial assets	254,113	4,401	249,712		249,712
Total	**665,341**	**113,143**	**552,198**	**0**	**552,198**
Financial liabilities					
Trade accounts payable	447,527	108,742	338,785	4,026	334,759
Other provisions	101,379	4,401	96,978		96,978
Total	**548,906**	**113,143**	**435,763**	**4,026**	**431,737**

In 2022, trade accounts receivable from network operators (e.g. from bonuses, commissions) were offset against trade accounts payable and other liabilities to the same network operators. The amount set off as of 31 December 2022 was 99,229 thousand euros (31 December 2021: 108,742 thousand euros). The conditions for offsetting are met as, in this context, the various receivables from and liabilities to two network operators were remeasured, with the result that, with some insignificant exceptions, there is basically one large credit balance with those network operators. Based on an agreement with a network operator to adjust the terms of payment, monthly advance payments are made for the mobile communications services rendered by the network operator in question. These are offset on the balance sheet date and settled in the subsequent month. In addition to the offsetting amount of 100,540 thousand euros, there is also a long-term collateral payment of 4,020 thousand euros. As a result of the acquisition of the Media Broadcast Group in 2016, the company has also taken on obligations for semi-retirement and long-term work accounts. These obligations are netted with the fair values of the corresponding plan assets as of every balance sheet date. As of the balance sheet date, the netted provisions for semi-retirement amounted to 0 thousand euros (31 December 2021: 103 thousand euros). Please refer to our explanations in note 30, Other provisions.

33.2 Principles and objectives of financial risk management and capital risk management

With regard to its assets, liabilities and planned transactions, the freenet Group is exposed in particular to market risks, liquidity risks and default risks.

The objective of financial risk management is to constantly monitor these risks and to limit them with operational and finance-oriented activities.

The basic characteristics of financial policy, whose components are explained below, are determined by the Executive Board. In addition, certain financial transactions require the Executive Board’s prior approval.

The Group Treasury department renders services to the business units and coordinates access to the financial markets. It also monitors and manages the market and liquidity risks associated with the Group's business units by way of regular internal risk reporting which analyses the risks in terms of their degree and scale. The overriding priority for the Group Treasury department is the principle of minimising risk; another important objective is to optimise net interest expense. Prudent liquidity management controlled by the Group Treasury department involves holding an adequate reserve of liquid assets, the possibility of obtaining finance by way of adequate credit line commitments, and the possibility of closing open market positions. Liquidity risks are reduced by constantly monitoring the financial status and by maintaining adequate reserves in the form of credit lines.

The Group Treasury department is responsible for monitoring the default risks of major debtors (in particular distributors, dealers and other B2B partners) as well as regular internal reporting for these risks. Receivables due from end customers are monitored in the Receivables Management department. One of the department's primary objectives is to minimise the costs attributable to the default or impairment of receivables due from end customers and sales partners.

The Group's capital risk management is related to the equity as shown in the consolidated balance sheet and to ratios derived therefrom.

The foremost objective of the Group's capital risk management is to monitor the financial covenants specified in the loan agreements, where failure to fulfil such financial covenants might lead to the loans being called in immediately. The freenet Group conducts its capital risk management on the basis of its equity ratio and its leverage. The equity ratio is the ratio of equity to total assets; as of 31 December 2022, it was above the target of 25.0 percent (31 December 2022: 40.5 percent; previous year: 41.5 percent). Leverage (31 December 2022: 1.5; previous year restated: 1.8) is determined as the ratio of net debt to EBITDA generated over the last twelve months. Net debt is defined as borrowings in the balance sheet, less liquid assets and plus net lease liabilities.

As of 31 December 2022, all covenants were met. All other agreed undertakings and covenants in the loan agreement were also met as of the balance sheet date. The main financial covenants are defined in relation to the Group's equity and debt.

In order to actively manage the capital structure, the management is permitted to sell assets to reduce debt, and to implement measures such as issuing new shares.

The following information concerning the specific risks is based on information presented to the Executive Board.

33.3 Market risk

Our Group's activities are primarily exposed to financial risks resulting from changes in interest rates and currency exchange rates.

33.3.1 Interest rate risk

The liabilities shown under borrowings relate to four promissory note loans (disclosed as a total net amount of 509.5 million euros as of 31 December 2022 (previous year: 649.3 million euros) – including 186.9 million euros in relation to the floating-rate tranches). The Group also has a revolving credit line amounting to 300.0 million euros (previous year: 300.0 million euros) which has a term of five years and again had not been drawn on by the end of the year.

As of 31 December 2022, the Group reported interest-bearing financial liabilities amounting to 509.6 million euros (previous year: 649.4 million euros), of which 186.0 million euros are subject to a variable interest rate. In this respect, the Group is exposed to interest rate risks. Although the interest rate risks are not explicitly hedged, the net 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.

The Group Treasury department 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.

In order to present market risks, the Group uses a sensitivity analysis that shows the effects of changes in interest rates on earnings and on equity.

The periodic effects are determined by relating the hypothetical changes in the risk variables to the portfolio of financial instruments as at the balance sheet date.

In the balance sheet, liabilities of 509.6 million euros are shown under short-term and long-term borrowings as of 31 December 2022 (previous year: 649.4 million euros), 186.0 million euros (previous year: 185.6 million euros) of which have variable interest rates. The variable-interest liabilities to banks as at the closing date carried interest of 3.5 percent. Of the aggregate amount shown for borrowings as of 31 December 2022, 116.1 million euros are shown as current. Of this amount, 2.6 million euros is deferred expected payments of accrued interest, and 113.5 million euros is earmarked for repayment of financial liabilities in 2023. As of 31 December 2022, the variable portion of the loans bears interest within a corridor of 2.7 to 3.7 percent. On the basis of market estimates, we are predicting a corridor of between 2.7 and 4.9 percent for the variable portion in 2023. This means that the cash outflows for the entire borrowings in 2023 would amount to 12.1 million euros. Based on the net position of variable-interest assets and liabilities measured at fair value, a parallel upward shift of 50 basis points in the interest rate curve would have an impact of −0.4 million euros on earnings before tax (previous year: +1.0 million euros), while a downward shift of 50 basis points in the interest rate curve would have an impact of +0.4 million euros on earnings before tax (previous year: –1.0 million euros).

Money market funds are subject to marginal interest rate fluctuations, so there is always a possibility of price losses. There is no significant risk, however, as the money has been invested in funds on a very short-term basis. There are no contractually defined maturity dates or interest adjustment dates, with returns coming from changes in the price of the instrument and any dividend payments. Based on the financial investments in money market funds and bonds shown in the balance sheet under other receivables and other assets, and other long-term financial assets, an upward shift of 5 percent in the price of the acquired shares would have an impact of 26 thousand euros (previous year: 26 thousand euros) on equity, while a downward shift of 5 percent would have an impact of –26 thousand euros (previous year: –26 thousand euros) on equity.

The risk of interest rate changes is negligible for the other interest-bearing assets and liabilities.

Changes in interest rates have an impact on fixed-income financial instruments only if they are recognised at fair value. The financial liabilities of freenet are therefore not exposed to an interest rate risk because they are recognised at amortised cost.

33.3.2 Foreign currency risk

Commercial transactions in foreign currencies are conducted to a limited extent in the Group. The foreign currency risk is generally hedged by entering into forward exchange contracts, or, if necessary, by way of cash holdings denominated in foreign currency.

33.3.3 Price risk

The Group has only a few assets and equity investments that are exposed to a price risk (such as shares in CECONOMY AG).

All in all, the Group regards the price risk as negligible.

33.4 Liquidity risk

The Group's general liquidity risk resides in the possibility that the company might possibly be unable to meet its financial obligations, for example the repayment of borrowings, the fulfilment of purchasing obligations and the obligations from leases.

Extensive financial planning instruments are used throughout the Group to monitor and control liquidity. Different planning horizons of up to one year are considered in connection with this. Short-term liquidity planning and control are carried out on a daily basis, each for the subsequent three months. This planning is updated daily by the Group Treasury department following liaison with the Accounting and Controlling departments on the basis of current data.

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. Reconciliations are also performed for the maturity profiles of the financial assets and liabilities. The Group uses a wide range of different financing instruments to reduce liquidity risk.

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 in the freenet Group participate.

The Group anticipates that it will be able to meet its other obligations arising from operating cash flows and the proceeds of maturing financial assets.

As at the balance sheet date, the Group had not utilised its revolving credit line of 300.0 million euros (previous year: 300.0 million euros). Within narrow limits, the company may borrow for a period of five years outside of the loan agreements in order to finance future strategic investments, for example.

Securities (money market funds and bonds in the securities deposit account) can be liquidated at short notice. There are no plans to sell any of the equity investments. If it became necessary to sell these equity investments, their sale at short notice might possibly be more difficult because there is no organised capital market for these interests.

The Group's financial and operational scope is restricted by certain provisions of the loan agreements. These impose restrictions on the company, for example regarding changes in the Group's 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. The following tables show the contractually agreed undiscounted interest and principal payment on the Group's original financial liabilities at the end of financial years 2022 and 2021:

Financial liabilities 31.12.2022

In EUR '000s	Carrying amount	Cash flows 2023			Cash flows 2024			Cash flows 2025 and later		
	31.12. 2022	Interest fixed	Interest variable	Payments of principal	Interest fixed	Interest variable	Payments of principal	Interest fixed	Interest variable	Payments of principal
Trade accounts payable	331,184			331,184						
Borrowings (liabilities to banks)	509,560	4,592	7,521	116,123	3,306	5,011	178,482	3,015	2,591	214,955
Other non-derivative financial liabilities	132,822			46,164			55,574			31,084
Lease liabilities	418,553	8,496		82,008	6,794		76,378	14,587		260,167

Financial liabilities 31.12.2021

In EUR '000s	Carrying amount	Cash flows 2022			Cash flows 2023			Cash flows 2024 and later		
	31.12. 2021	Interest fixed	Interest variable	Payments of principal	Interest fixed	Interest variable	Payments of principal	Interest fixed	Interest variable	Payments of principal
Trade accounts payable	338,785			338,785						
Borrowings (liabilities to banks)	649,405	7,154	3,071	143,619	4,592	414	113,357	5,747	4,364	392,429
Other non-derivative financial liabilities	87,877			64,045			12,231			11,601
Lease liabilities	480,886	8,295		77,038	6,781		72,726	15,488		300,558

33.5 Default risk

The Group takes into consideration the probability of default at the date of initial recognition of assets and the existence of a significant increase in default risk during the reporting periods. To assess whether the default risk has increased significantly, the risk of a default occurring on the asset as at the reporting date is compared with the risk of a default occurring on the asset as at the date of initial recognition, giving consideration to the reasonable and supportable forward-looking information available. In this context, please refer to the explanatory notes on the IFRS 9 impairment model in note 2.7.7, Impairment of financial assets, and note 21, receivables, other assets and other financial assets.

The assessment of the risk of default in the freenet Group is focused primarily on trade accounts receivable owed by end customers and on lease receivables. For further information, please refer to our comments under note 21, Receivables, other assets and other financial assets. Here, particular attention is devoted to the credit standing of customers and sales partners in our Group's large-scale business activities. 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 swift and 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 in our Group.

An ongoing reminder and debt collection process is likewise used for receivables owed by dealers, franchise partners and other business customers. Credit limits are also established and monitored. Where appropriate, a delivery block is imposed when the limit is reached.

Commercial credit insurance, moreover, safeguards us against significant default risks vis-à-vis major customers (dealers and distributors in Mobile Communications). In order to minimise credit default risk, the Group has insured a certain percentage of this revenue. Every month, the Group Treasury department notifies the insurer of the current revenue of each key account. The insurer uses this notification to calculate the revenue volume to be insured. The risks associated with uninsured customers are restricted by an internal limit system – generally, customers with a poor credit standing must pay cash in advance or the business relationship will not materialise. Default risks vis-à-vis end customers have not been hedged.

In order to determine the intrinsic value of trade accounts receivable, due account is taken of any change in creditworthiness between the point at which the terms of payment were granted and the balance sheet date. There is no significant concentration of credit default risk because the customer base is broad and because there are no correlations.

The appropriate recognition of loss allowances takes the default risks into account. Receivables and other assets are derecognised if the Group regards the receivable as irrecoverable.

Securities and liquid assets are invested mainly at major German banks. The default risk has been limited significantly as a result of the risk being spread over various banks. The Group Treasury department constantly monitors the investments' current and expected future yields.

33.6 Transfer of financial assets

For some time now, the freenet Group has been offering its customers the opportunity to choose higher-value devices for an additional monthly fee with its mobile phone upgrade option. Contracts with this mobile phone upgrade option continue to be accounted for as follows: freenet has an unconditional right to payment from the customer receiving the mobile phone as part of the mobile phone upgrade option. Freenet records a receivable in the amount of the present value of the additional monthly amounts to be paid by the customer for the higher-value mobile phone over the term of the contract when the contract is signed and the mobile phone is handed over. As customers' willingness to pay more for higher-value smartphones has increased, the number of postpaid customers selecting this mobile phone upgrade option has risen steadily over the past few financial years. This also means that the figure for deferred receivables relating to the mobile phone upgrade option recognised under non-current and current trade accounts receivable has climbed continuously. For the freenet Group, this means that capital tied up in assets has been increasing for years: today's higher-value smartphones are more expensive to purchase than the mobile phones of the past, and while cash outflows to acquire these devices occur before or when a contract is signed with the end customer, cash inflows from the mobile phone upgrade option are spread over the 24 months of the contract with the end customer.

Against this backdrop, factoring agreements were signed with two banks in 2014 and 2019. These are master agreements with indefinite terms. The sale of mobile phone option receivables is possible on a quarterly basis. The bank purchases the receivables with a defined del credere discount and it also bills freenet for interest and fees. The relevant risks (such as the risk of bad debt losses in particular) and opportunities are transferred to the bank, with the result that the receivables sold are derecognised in their entirety. The freenet Group continues to bear the risk of late payment, as well as being responsible for the collection and administration of the receivables sold (known as "servicing").

Of the sales carried out on a quarterly basis in the reporting year (nominal volume 47.7 million euros, previous year: 78.1 million euros), a total of 1.2 million euros (previous year: 1.7 million euros) was expensed. 0.6 million euros (previous year: 0.9 million euros) of this amount concerns the default risk taken on from the bank (del credere discount and fees) and 0.6 million euros (previous year: 0.8 million euros) concern interest expenses from the late payment risk. As at the balance sheet date, receivables amounting to 25.3 million euros (previous year: 60.5 million euros) have been sold and derecognised but not yet paid for. The expenses of 10 thousand euros (previous year: 10 thousand euros) to be anticipated from the late payment risk and the servicing will be realised over the residual term of the receivables (six months). The maximum loss risk for the Group is 0.4 million euros (previous year: 0.6 million euros).

The bank automatically assigns the newly defaulted receivables from the financial period ended to freenet at a fixed price each month. The buyback has no effect on either the apportionment of the risk of bad debt losses or the freenet Group's liquidity.

In the course of the financial year, income of 2.3 million euros was incurred from the sale of receivables to debt collection agencies (previous year: 5.3 million euros). All major opportunities and risks associated with ownership of these receivables were transferred to the purchaser.

34 Related party transactions

34.1 Overview

The following significant transactions took place between the Group and related parties:

In EUR '000s	2022	2021
Revenue attributable to billing of services		
Joint ventures		
Jestoro GmbH, Hamburg	0	179
Antenne Deutschland GmbH & Co. KG, Garching	7,507	5,656
Associates		
Bayern Digital Radio GmbH, München	580	446
Unconsolidated companies		
Hessen Digital Radio GmbH, Frankfurt	1,249	949
Total	**9,336**	**7,230**

In EUR '000s	2022	2021
Expenses from the purchase of services		
Joint ventures		
Check Tech Service GmbH, Hamburg (Tochterunternehmen der Jestoro GmbH)	0	77
Antenne Deutschland GmbH & Co. KG, Garching	147	196
Associates		
ad.audio GmbH, Hamburg	163	0
Bayern Digital Radio GmbH, München	676	98
Unconsolidated companies		
Hessen Digital Radio GmbH, Frankfurt	58	145
Total	**1,044**	**516**

The following significant receivables from and liabilities to related parties existed as of 31 December 2022:

In EUR ’000s	31.12.2022	31.12.2021
Liabilities from current service transactions		
Joint ventures		
Antenne Deutschland GmbH & Co. KG, Garching	59	19
Total	**59**	**19**

In EUR ’000s	31.12.2022	31.12.2021
Liabilities from current service transactions		
Joint ventures		
Antenne Deutschland GmbH & Co. KG, Garching	0	18
Total	**0**	**18**

Total remuneration of 432 thousand euros (previous year: 435 thousand euros) was granted to the employees’ representatives on the Supervisory Board in 2022 financial year.

All transactions were based on market prices. No collateral has been provided.

34.2 Executive Board remuneration

The remuneration paid to the members of the Executive Board consists of a base remunertation, a short-term variable remuneration (STIP), and a long-term variable remuneration (LTIP). There are also pension commitments. The STIP results from an annual target agreement. The Supervisory Board stipulates the specific performance criteria applicable for this target agreement and, in the event that there are several strategic targets, their weighting prior to the beginning of each financial year for that financial year, taking into account the company’s planning. A target achievement scale corridor is set for each performance criterion and ranges from a quantitatively defined minimum to a quantitatively defined maximum level. Between the minimum and maximum levels, another figure is quantified to represent 100 percent target achievement. Target achievement is possible in a corridor between 0 and 150 percent. The Supervisory Board determines the degree of achievement of each of the defined targets following adoption of the consolidated financial statements for the previous financial year. The payout for the one-year variable remuneration amount for the previous financial year is derived by taking into account the weighting of the individual performance criteria and the actual target achievement. In principle, the remuneration system adopted by the Annual General Meeting in 2022 assigns the EBITDA target a 40 percent weighting and the customer base target a 30 percent weighting, together with an overall weighting of 30 percent for between one and three strategic targets. In deviation from this, the weighting for these strategic targets may be between 20 and 50 percent. In this case, the weighting of the EBITDA and customer base performance criteria will be adjusted accordingly (but the ratio of the two will remain unchanged).

With regard to the LTIP, please refer to the explanations made in relation to the LTIP programmes in notes 25.2 (Programme 2), 25.3 (Programme 3), 25.4 (Programme 4) and 25.5 (Programme 5) in these notes to the consolidated financial statements. The remuneration for the members of the company’s Executive Board was comprised as follows in the reporting year and in the previous year:

Executive Board benefits for 2022 in accordance with IAS 24

In EUR '000s	Fixed benefits	Other variable benefits	Subtotal	Long-term variable benefits (LTIP)[1]	Total benefits[2]
Christoph Vilanek	1,015	797	1,812	3,822	5,634
Ingo Arnold	634	415	1,049	1,860	2,909
Stephan Esch	518	332	850	1,161	2,011
Rickmann v. Platen	512	385	897	1,616	2,513
Antonius Fromme	508	385	893	1,616	2,509
Total	**3,187**	**2,314**	**5,501**	**10,075**	**15,576**

Executive Board benefits for 2021 in accordance with IAS 24

In EUR '000s	Fixed benefits	Other variable benefits	Subtotal	Long-term variable benefits (LTIP)[1]	Total benefits[2]
Christoph Vilanek	1,015	806	1,821	1,484	3,305
Ingo Arnold	511	336	847	441	1,288
Stephan Esch	518	336	854	1,045	1,899
Rickmann v. Platen	512	367	879	749	1,628
Antonius Fromme	508	367	875	749	1,624
Total	**3,064**	**2,212**	**5,276**	**4,468**	**9,744**

[1] This relates to variable remuneration under the LTIP programme, including non-cash benefits and payments measured in accordance with IFRS 2 in the financial year.
[2] This amount of total benefits in the above table does not include pension expenses of 300 thousand euros (previous year: 900 thousand euros).

On 26 February 2014, agreements concerning the service agreements that grant LTIPs were entered into with the members of the Executive Board. For this LTIP programme which is also designated as “Programme 2”, please refer to note 25.2 of these notes to the financial statements.

When the service agreement was extended (with Mr Vilanek, granted in April 2018, and with Mr Esch, granted in March 2019) and the appointment to the Executive Board made (for both Mr v. Platen and Mr Fromme with effect from 1 June 2018; for Mr Arnold with effect from 1 January 2019), supplemental agreements to the service agreement granting new LTIPs were entered into with the aforementioned members of the Executive Board. For information on this LTIP programme, which is also designated “Programme 3”, please refer to note 25.3 in these notes to the consolidated financial statements.

When the service agreement were extended with effect from 1 June 2021 (grant date December 2021), Mr v. Platen and Mr Fromme were granted further LTIPs; for information on this “Programme 4”, please refer to note 25.4 in these notes to the consolidated financial statements.

In 2022 financial year, in connection with the introduction of the new Executive Board remuneration system, Executive Board members Mr Arnold, Mr v. Platen and Mr Fromme were granted new LTIP instruments under Programme 5 with effect from 1 January 2022; please refer to note 25.5 in these notes to the consolidated financial statements. For this reason, the Programme 4 granted in the previous year was limited solely to the target achievement period from 1 June 2021 to 31 December 2021 for Mr v. Platen and Mr Fromme. In 2022 financial year, the Executive Board members received no payments under the LTIP programmes. In the previous year (2021), cash payments of 2,236 thousand euros from the LTIP programmes related to Mr Esch (final payout under Programme 2).

As of 31 December 2022, the provision for the LTIP programmes amounted to 7,394 thousand euros (previous year: 3,572 thousand euros) for Mr Vilanek, 3,049 thousand euros (previous year: 1,189 thousand euros) for Mr Arnold, 2,173 thousand euros (previous year: 1,012 thousand euros) for Mr Esch, 3,038 thousand euros (previous year: 1,422 thousand euros) for Mr v. Platen and 3,038 thousand euros (previous year: 1,422 thousand euros) for Mr Fromme.

In 2022, Executive Board benefits in accordance with section 314 (1) no. 6a of the German Commercial Code/German Accounting Standard no. 17 (GAS 17) amounted to a total of 7,000 thousand euros (previous year: 7,108 thousand euros). This includes benefits with a long-term incentive effect of 1,499 thousand euros for 2022 financial year from the grant of the first tranche of Programme 5 (525 thousand euros for Mr Arnold, 487 thousand euros for Mr v. Platen and 487 thousand euros for Mr Fromme) and benefits with a long-term incentive effect of 1,832 thousand euros for 2021 from the grant of LTIP Programme 4 (916 thousand euros each for Mr v. Platen and Mr Fromme).

In November 2004, Mr Esch was granted an indirect pension commitment. In the financial year 2009, Mr Vilanek was granted an indirect pension commitment on the occasion of his appointment as chairman of the Executive Board as of 1 May 2009. freenet AG had taken on the pension commitment granted to Mr Preisig from the former debitel AG as of 1 September 2008. In February 2014, adjustments were made to pension commitments made to Mr Vilanek, Mr Preisig and Mr Esch. Mr v. Platen, Mr Fromme and Mr Arnold were each granted defined contribution benefits on the occasion of their appointment as members of the Executive Board (on 1 June 2018 for Mr v. Platen and Mr Fromme and on 1 January 2019 for Mr Arnold), with the pension benefits being reinsured by a life insurance policy.

As of 31 December 2022, the defined benefit obligation (DBO) for Mr Vilanek amounted to 4,427 thousand euros (previous year: 7,247 thousand euros) and for Mr Esch to 3,829 thousand euros (previous year: 6,446 thousand euros). The DBOs for Messrs Preisig, Krieger and Berger, as former Executive Board members, totalled 11,103 thousand euros as of 31 December 2022 (previous year: 17,668 thousand euros). Due to the nature of the selected commitment, there are no defined benefit obligations for Messrs v. Platen, Fromme and Arnold.

Current service costs of 300 thousand euros (previous year: 900 thousand euros) were recognised in total in personnel expenses for the members of the Executive Board as a result of the pension commitments. In 2022, Mr Vilanek accounted for 0 thousand euros (previous year: 382 thousand euros) of this amount, Mr Esch for 0 thousand euros (previous year: 218 thousand euros), Mr Arnold for 100 thousand euros (previous year: 100 thousand euros), Mr v. Platen for 100 thousand euros (previous year: 100 thousand euros) and Mr Fromme for 100 thousand euros (previous year: 100 thousand euros). The expenses for Messrs v. Platen, Fromme and Arnold relate to amounts paid into a pension scheme for the defined contribution benefits granted. These benefits are not included in the above tables "Executive Board benefits for 2022" and "Executive Board benefits for 2021".

In 2022, as in the previous year, pension commitments for Executive Board members did not include any past service costs.

No loans were extended to any of the Executive Board members and no guarantees or other warranties were provided for the Executive Board members.

34.3 Supervisory Board remuneration

The remuneration of the Supervisory Board stipulated in the Articles of Association and applicable as of 1 January 2021 consists of three instruments:

- Base remuneration
- Attendance fees
- Remuneration depending on membership and chairpersonship of Supervisory Board committees

The Supervisory Board's members receive from the company fixed base remuneration of 50,000 euros for each full financial year of their Supervisory Board membership.

The chairperson of the Supervisory Board receives double this amount, the vice chairperson one-and-a-half times this amount.

In addition, every Supervisory Board member receives an attendance fee of 1,000 euros for each Supervisory Board or committee meeting that he/she attends. Several meetings on one day are only remunerated once.

Members of the audit committee receive additional annual remuneration of 15,000 euros each for being members of this committee. Members of other committees – with the exception of the mediation committee – receive additional remuneration of 10,000 euros per committee for being members of these committees. The chairperson of each committee receives double this amount. Remuneration for chairpersonship and membership of the committees only applies if the committees meet to fulfil their duties at least once during the financial year in question.

Members of the Supervisory Board are also reimbursed for their necessary expenses.

The remuneration arrangement applicable from 1 January 2021 onward stipulates that the total remuneration of a Supervisory Board member may not exceed 160 thousand euros per year (maximum remuneration).

34.3.1 Remuneration for financial years 2022 and 2021

No loans were extended to any of the Supervisory Board members and no guarantees or other warranties were provided for the Supervisory Board members.

Individualised figures for the last two financial years are shown in the following tables. 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.

Remuneration for 2022 financial year

In EUR '000s	Base remuneration	Attendance fees	Committee remuneration	Total
Active members				
Knut Mackeprang [1]	75.0	13.0	20.0	108.0
Claudia Anderleit [1]	50.0	11.0	10.0	71.0
Marc Tüngler	83.0	13.0	31.5	127.5
Robert Weidinger	50.0	12.0	30.0	92.0
Sabine Christiansen	50.0	11.0	10.0	71.0
Thomas Reimann [1]	50.0	10.0	15.0	75.0
Theo-Benneke Bretsch [1]	50.0	6.0	0.0	56.0
Bente Brandt [1]	50.0	9.0	15.0	74.0
Gerhard Huck [1]	50.0	8.0	10.0	68.0
Prof. Dr. Kerstin Lapotta	32.8	8.0	9.8	50.6
Thomas Karlovits	32.8	7.0	6.6	46.4
Miriam Wohlfarth	32.8	4.0	0.0	36.8
	606.4	**112.0**	**157.9**	**876.3**
Former members				
Thorsten Kraemer	17.3	1.0	0.0	18.3
Prof. Dr. Helmut Thoma	34.6	2.0	6.9	43.5
Fränzi Kühne	17.3	1.0	0.0	18.3
	69.2	**4.0**	**6.9**	**80.1**
Total	**675.6**	**116.0**	**164.8**	**956.4**

[1] Employee representative in accordance with section 7 (1) clause 1 no. 1 MitbestG of 4 May 1976.

Remuneration for financial year 2021

In EUR '000s	Base remuneration	Attendance fees	Committee remuneration	Exceeding maximum remuneration	Total
Active members					
Prof. Dr. Helmut Thoma	100.0	9.0	60.0	– 9.0	160.0
Knut Mackeprang[1]	75.0	8.0	20.0	0.0	103.0
Claudia Anderleit[1]	50.0	7.0	10.0	0.0	67.0
Thorsten Kraemer	50.0	5.0	10.0	0.0	65.0
Marc Tüngler	50.0	10.0	25.0	0.0	85.0
Robert Weidinger	50.0	9.0	30.0	0.0	89.0
Sabine Christiansen	50.0	8.0	20.0	0.0	78.0
Thomas Reimann[1]	50.0	9.0	15.0	0.0	74.0
Fränzi Kühne	50.0	4.0	0.0	0.0	54.0
Theo-Benneke Bretsch[1]	50.0	4.0	0.0	0.0	54.0
Bente Brandt[1]	50.0	9.0	15.0	0.0	74.0
Gerhard Huck[1]	50.0	5.0	10.0	0.0	65.0
Total	**675.0**	**87.0**	**215.0**	**– 9.0**	**968.0**

[1] Employee representative in accordance with section 7 (1) clause 1 no. 1 MitbestG of 4 May 1976.

35 Disclosures pursuant to section 315a HGB

The average number of employees in the Group (section 314 (1) no. 4 HGB) has been shown in note 8 in the notes.

With regard to the disclosures concerning remuneration of the company's executive bodies (section 314 (1) no. 6 HGB), please refer to note 34. In accordance with section 314 (1) no. 8 HGB, we hereby declare that the Declaration of Compliance in accordance with section 161 AktG was submitted by the company's Executive Board and Supervisory Board on 7 December 2022. It has been made permanently available to shareholders on the Internet at the following address: https://www.freenet-group.de/investor/corporate-governance/index.html.

A total of 1,316 thousand euros in fees was paid to the auditor in accordance with section 314 (1) no. 9 HGB during 2022 financial year. Of this figure, 1,204 thousand euros is attributable to auditing services (thereof 1,204 thousand euros for the current audit for 2022), 81 thousand euros is attributable to other assurance services (e.g. reviewing the remuneration report; plausibility assessments regarding the covenants for the loan agreements and the achievement of targets of the Executive Board for the financial year ended) and 31 thousand euros is attributable to other services (mainly IT security).

In accordance with section 313 (2) to (3) HGB, we provide the following overview of the companies included in the consolidated financial statements:

	Share in capital in %
Fully-consolidated companies	
freenet Cityline GmbH, Hamburg	100.00
freenet.de GmbH, Hamburg	100.00
01019 Telefondienste GmbH, Hamburg	100.00
01024 Telefondienste GmbH, Hamburg	100.00
01050.com GmbH, Hamburg	100.00
freenet Datenkommunikations GmbH, Hamburg	100.00
freenet DLS GmbH, Büdelsdorf (formerly: mobilcom-debitel GmbH)	100.00
freenet Logistik GmbH, Schleswig (formerly: mobilcom-debitel Logistik GmbH)	100.00
MobilCom Multimedia GmbH, Schleswig	100.00
klarmobil GmbH, Hamburg	100.00
vitrado GmbH, Hamburg	100.00
freenet Direkt GmbH, Hamburg	100.00
freenet Energy GmbH, Berlin	100.00
Stanniol GmbH für IT & PR, Oberkrämer	100.00
freenet Shop GmbH, Oberkrämer (formerly: mobilcom-debitel Shop GmbH)	100.00
callmobile GmbH, Hamburg	100.00
freenet Shopping GmbH, Hamburg	100.00
The Cloud Networks Germany GmbH, Munich	100.00
The Cloud Networks Nordic AB, Stockholm (Sweden)	100.00
Gravis-Computervertriebsgesellschaft mbH, Berlin	100.00
freenet digital Holdings Inc., Wilmington (USA)	100.00
freenet digital LLC, Wilmington (USA)	100.00
freenet digital North America Inc., Wilmington (USA)	100.00
EXARING AG, Munich	74.62
Synergy Networks GmbH, Leipzig	74.62
Taunus Beteiligungs GmbH, Cologne	100.00
Media Broadcast GmbH, Cologne	100.00
Field Service Deutschland FSD GmbH, Köln (formerly: Media Broadcast Services GmbH, Cologne)	100.00
Media Broadcast TV Services GmbH, Cologne	100.00
audio.digital NRW GmbH, Cologne	100.00
Companies accounted for using the equity method	
Antenne Deutschland GmbH & Co. KG, Garching (joint venture)	50.00
Antenne Deutschland Verwaltungs GmbH, Garching (joint venture)	50.00
ad.audio GmbH, Hamburg (associate)	40.00
Bayern Digital Radio GmbH, München (associate)	45.00

36 Events of material importance after the reporting date

No events of special significance for the freenet Group have occurred after the balance sheet date.

37 Development of intangible assets, goodwill and property, plant and equipment

Development of intangible assets, goodwill and property, plant and equipment as of 31 December 2022

In EUR '000s	Cost					
	1.1.2022	Additions	Reclassi-fications	Disposals	Foreign currency	31.12.2022
Intangible assets						
Internally generated software	171,178	22,208	0	7,234	0	186,152
Software, licenses and right-of-use assets	34,776	78,706	961	21,126	0	93,317
Trademarks	341,368	0	0	0	0	341,368
Customer relationships	106,480	0	0	0	0	106,480
	653,802	**100,914**	**961**	**28,360**	**0**	**727,317**
Goodwill						
Goodwill	1,382,394	0	0	0	0	1,382,394
	1,382,394	**0**	**0**	**0**	**0**	**1,382,394**
Property, plant and equipment						
Land, property facilities and buildings	28,282	13,893	3,141	0	0	45,316
Switches and networks	237	0	0	33	0	204
Technical equipment and machinery	213,574	10,579	266	2,962	– 425	221,032
Other operating and office equipment	36,725	14,774	389	8,940	– 8	42,940
Prepayments made and assets under construction	4,945	4,753	– 4,757	487	0	4,454
	283,763	**43,999**	**– 961**	**12,422**	**– 433**	**313,946**
Total	**2,319,959**	**144,913**	**0**	**40,782**	**– 433**	**2,423,657**

Development of intangible assets, goodwill and property, plant and equipment as of 31 December 2021

In EUR '000s	Cost					
	1.1.2021	Additions	Reclassi-fications	Disposals	Foreign currency	31.12.2021
Intangible assets						
Internally generated software	151,314	19,864	0	0	0	171,178
Software, licenses and right-of-use assets	192,941	29,377	79	187,621	0	34,776
Trademarks	341,368	0	0	0	0	341,368
Customer relationships	107,008	0	0	528	0	106,480
	792,631	**49,241**	**79**	**188,149**	**0**	**653,802**
Goodwill						
Goodwill	1,382,394	0	0	0	0	1,382,394
	1,382,394	**0**	**0**	**0**	**0**	**1,382,394**
Property, plant and equipment						
Land, property facilities and buildings	34,586	293	29	6,626	0	28,282
Switches and networks	672	0	0	435	0	237
Technical equipment and machinery	210,715	9,879	873	7,780	– 113	213,574
Other operating and office equipment	39,495	9,109	397	12,275	– 1	36,725
Prepayments made and assets under construction	1,752	5,414	– 1,378	843	0	4,945
	287,220	**24,695**	**– 79**	**27,959**	**– 114**	**283,763**
Total	**2,462,245**	**73,936**	**0**	**216,108**	**– 114**	**2,319,959**

Depreciation, amortisation and impairment							Carrying amounts	
1.1.2022	Additions	Impairments	Reclassi-fications	Disposals	Foreign currency	31.12.2022	31.12.2022	1.1.2022
116,963	14,484	0	0	7,220	0	124,227	61,925	54,215
7,280	29,391	0	505	21,126	0	16,050	77,267	27,496
41,960	195,414	0	0	0	0	237,374	103,994	299,408
28,688	5,018	0	0	0	0	33,706	72,774	77,792
194,891	**244,307**	**0**	**505**	**28,346**	**0**	**411,357**	**315,960**	**458,911**
0	0	0	0	0	0	0	1,382,394	1,382,394
0	**0**	**0**	**0**	**0**	**0**	**0**	**1,382,394**	**1,382,394**
16,985	649	1,106	0	0	0	18,740	26,576	11,297
237	0	0	0	33	0	204	0	0
133,169	18,224	0	– 505	2,843	– 338	147,707	73,325	80,405
9,017	12,825	0	0	8,744	– 8	13,090	29,850	27,708
6	0	0	0	0	0	6	4,448	4,939
159,414	**31,698**	**1,106**	**– 505**	**11,620**	**– 346**	**179,747**	**134,199**	**124,349**
354,305	**276,005**	**1,106**	**0**	**39,966**	**– 346**	**591,104**	**1,832,553**	**1,965,654**

Depreciation, amortisation and impairment							Carrying amounts	
1.1.2021	Additions	Impairments	Reclassi-fications	Disposals	Foreign currency	31.12.2021	31.12.2021	1.1.2021
102,777	14,186	0	0	0	0	116,963	54,215	48,537
129,647	32,845	32,422	– 13	187,621	0	7,280	27,496	63,294
41,287	673	0	0	0	0	41,960	299,408	300,081
24,198	5,018	0	0	528	0	28,688	77,792	82,810
297,909	**52,722**	**32,422**	**– 13**	**188,149**	**0**	**194,891**	**458,911**	**494,722**
0	0	0	0	0	0	0	1,382,394	1,382,394
0	**0**	**0**	**0**	**0**	**0**	**0**	**1,382,394**	**1,382,394**
11,411	1,900	10,296	3	6,625	0	16,985	11,297	23,175
672	0	0	0	435	0	237	0	0
125,886	14,788	106	0	7,552	– 59	133,169	80,405	84,829
8,776	12,060	0	10	11,828	– 1	9,017	27,708	30,719
0	6	0	0	0	0	6	4,939	1,752
146,745	**28,754**	**10,402**	**13**	**26,440**	**– 60**	**159,414**	**124,349**	**140,475**
444,654	**81,476**	**42,824**	**0**	**214,589**	**– 60**	**354,305**	**1,965,654**	**2,017,591**

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)

Further information

Auditor's report

The auditor's report reproduced below also includes an "Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Financial Statements and the Management Report Prepared for Publication Purposes" ("ESEF report"). The subject matter of the audit on which the ESEF report is based (ESEF documents to be audited) is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

"Independent auditor's report

To freenet AG, Büdelsdorf

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of freenet AG, Büdelsdorf, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of freenet AG for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Revenue recognition
2. Recoverability of goodwill
3. Recoverability of deferred tax assets on tax losses carried forward

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Revenue recognition

1. Revenue totaling EUR 2.6 billion is reported in the consolidated income statement in freenet AG's consolidated financial statements. In the case of mobile communications contracts with terminal equipment sold in the postpaid segment, the transaction price agreed over the entire contract term is allocated to the hardware delivery and mobile communications service obligations on the basis of the relative individual sales prices and recognized as revenue in accordance with the satisfaction of the respective service obligation. Contract acquisition costs are capitalized and amortized over the underlying contract term. The majority of network operator commissions and bonuses received are reported as a reduction in the cost of materials and thus do not represent revenue. To the extent that these relate to the term of the contract, they are deferred and recognized as expenses on a straight-line basis over the term of the contract. If sales partners in indirect sales provide hardware or other services to end customers in order to acquire customers, this does not constitute sales revenue for the freenet Group if the freenet Group does not have a principal position due to the lack of actual control over the hardware or other services provided. Any hardware or other customer acquisition services provided to end customers by the sales partner in indirect sales are subject to capitalization as other assets and are amortized on a straight-line basis over the term of the contract to reduce sales. In order to correctly apply the accounting standard on revenue recognition (IFRS 15), the Group has implemented respective systems and processes, primarily for the mobile communications business.

   The accounting treatment of revenue is material in terms of the amount and subject to considerable risk due to the complexity of the systems necessary for properly recording and identifying revenue and the impact of ever-changing business, price and tariff models (including tariff structures, customer discounts, incentives). In addition, revenue recognition is based to a large extent on estimates and assumptions made by the executive directors. Against this background and taking into consideration the associated considerable uncertainties, revenue recognition was of particular significance during our audit.

2. In light of the knowledge that the complexity and the estimates and assumptions that have to be made give rise to an increased risk of accounting misstatements, our audit included assessing the freenet Group's processes and controls for recognizing and deferring revenue. We also assessed the IT system environment for invoicing and measurement and other relevant systems supporting the accounting treatment of revenue, including the implemented controls, as well as the invoicing and measurement systems up to entries in the general ledger. We also assessed the identification of performance obligations with respect to customer contracts, and evaluated whether these performance obligations are satisfied over time or at a point in time. As part of this process, we assessed whether revenue had been recognized fully and accurately and verified whether it had been allocated to the correct periods or correctly deferred. We also examined customer invoices and the associated customer contracts and receipts of payment on a test basis and obtained balance confirmations from business customers. We applied consistent audit procedures for the audit of the subsidiaries included in the consolidated financial statements to ensure that we responded appropriately to the inherent audit risk in this audit area.

   We were able to satisfy ourselves that the systems, processes and controls in place are appropriate and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure that revenue is appropriately accounted for.

3. The Company's disclosures on revenue are contained in note 2.1 and 4 of the notes to the consolidated financial statements of freenet AG.

2. Recoverability of goodwill

1. Goodwill of EUR 1,382.4 million (38.1 percent of consolidated total assets and 94.1 percent of Group equity) is reported under the "Goodwill" balance sheet item in the Company's consolidated financial statements. The Company allocates goodwill to the cashgenerating units within the freenet AG Group. Goodwill is tested for impairment annually or if there are indications of impairment. The impairment tests are carried out by comparing the carrying amounts of the cash-generating units with their respective recoverable amounts. The recoverable amount is calculated on the basis of fair value less costs to sell. This is based on the present value of future cash flows since market values are not generally available for the individual cash-generating units. The discounted cash flow models are based on planning prepared by the executive directors and approved by the supervisory board for the period up to 2026, which is extrapolated on the basis of assumptions about long-term growth rates. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit.

   The result of this measurement depends to a large extent on the executive director's assessment of future cash inflows of the respective cash-generating unit and the discount rate used, and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the valuation model, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology employed for the purposes of performing the impairment tests, among other things. We evaluated the appropriateness of the future cash inflows used in the measurement, among other things by comparing this data with the current budgets in the plan prepared by the executive directors and approved by the supervisory board, and reconciling it against general and sector-specific market expectations. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the recoverable amounts calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, we assessed the additional sensitivity analysis for the cash-generating units and, taking into account the information available, determined that the respective goodwill was adequately covered by the discounted future cash flows.

   Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill are contained in notes 2.15, 15 and 16 to the consolidated financial statements.

3. Recoverability of deferred tax assets on tax losses carried forward

1. freenet AG's consolidated financial statements include deferred tax assets on tax losses carried forward amounting to EUR 246.1 million, which the Company's executive directors believe can likely be utilized in the future. The projected results in accordance with IFRSs, which serve as the starting point for tax planning, are derived from the planning prepared by the executive directors and approved by the supervisory board for the period up to 2026.

   From our point of view, this matter is of particular significance, as the multi-year projections serving as the basis for the recoverability of deferred tax assets on tax losses carried forward are highly dependent on the estimates and assumptions of the executive directors and are subject to a high level of uncertainty.

2. As part of our audit of the recoverability of deferred tax assets, we included specialists from our Tax department in our audit team. With their support we assessed, among other things, the methodological process to carry out impairment testing on tax assets recognized in relation to tax losses carried forward. We also assessed the recoverability of the deferred tax assets on tax losses carried forward, as described above, on the basis of the projections prepared by the executive directors and approved by the supervisory board with respect freenet AG's future taxable income and that of its consolidated income tax group subsidiaries, and we assessed the appropriateness of the planning premises used. Our assessment also covered the correctness of the reconciliation of the projected results to the tax result, the compliance of the method used to calculate deferred taxes in accordance with IAS 12 and the mathematical accuracy of the calculations.

   We were able to verify the assumptions made by the executive director's and the method applied.

3. The Company's disclosures pertaining to deferred tax assets on tax losses carried forward are contained in notes 2.14 and 18 to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the non-financial group statement to comply with §§ 315b to 315c HGB included in section "1.8. Non-financial Group Statement" of the group management report
- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "1.9.1. Corporate Governance Statement and Declaration of Compliance" of the group management report
- the sections "1.9.2.1.1. Structure of internal control and monitoring systems" and "1.9.2.1.2. Summary assessment of appropriateness and effectiveness" of the group management report

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for dis-closing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file freenet_AG_KA+KLB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 5 May 2022. We were engaged by the supervisory board on 2 November 2022. We have been the group auditor of the freenet AG, Büdelsdorf, without interruption since the financial year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Niklas Wilke.

Hamburg, 10 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Niklas Wilke	sgd. ppa. Harald van Voorst
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)“

Assurance practitioner's report on Non-financial group statement

"Independent assurance practitioner's report on a limited assurance engagement on the non-financial reporting of a group of companies [1]

To freenet AG, Büdelsdorf

We have performed a limited assurance engagement on the consolidated non-financial statement of freenet AG, Büdelsdorf, (the "parent company") for the period from 1 January 2022 to 31 December 2022 (the "consolidated non-financial statement") included in section "consolidated non-financial statement" of the group management report. The external sources of documentation or expert opinions mentioned in the consolidated non-financial statement are not subject to our assurance engagement.

Responsibility of the Executive Directors

The executive directors of the parent company are responsible for the preparation of the consolidated non-financial statement in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy Report" of the consolidated non-financial statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a consolidated non-financial statement that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy Report" of the consolidated non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Assurance of the Assurance Practitioner's Firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the By-laws Regulating the Rights and Duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their Profession and the IDW Quality Assurance Standard issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1). and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

[1] This document is a convenience translation of the German original.
The original German language document is the authoritative version. The independent assurance practitioner's report refers to the German version of the non-financial reporting of a group of companies of freenet AG, Büdelsdorf.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the consolidated non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB.

This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the group's consolidated non-financial financial statement, other than the external sources of documentation or expert opinions mentioned in the consolidated non-financial financial statement, are not prepared, in all material respects, in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy Report" of the consolidated non-financial statement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation
- Inquiries of relevant employees involved in the preparation of the consolidated non-financial statement about the preparation process, and about disclosures in the consolidated non-financial statement
- Assessment of the processes for identifying, processing and monitoring the information, including the consolidation of data
- Identification of likely risks of material misstatement in the consolidated non-financial statement
- Analytical procedures on selected disclosures in the consolidated non-financial statement
- Inspection and examination of selected documents (audit evidence) supporting the disclosures in the non-financial consolidated statement
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the consolidated non-financial reporting of a group of companies
- Evaluation of the process to identify the taxonomy-alignment activities and the corresponding disclosures in the consolidated non-financial statement

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement of the group for the period from [date] to [date] is not prepared, in all material respects, in accordance with §§ 315b, 315c in conjunction with 289b to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors as disclosed in section "EU Taxonomy Report" of the consolidated non-financial statement.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the consolidated non-financial statement.

Restriction of Use/General Engagement Terms/Liability/ Exclusion of Liability in Relation to Third Parties

We draw attention to the fact that the assurance engagement was conducted for the parent company's purposes and that the report is intended solely to inform the parent company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the parent company alone. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

The General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017 as agreed and attached as, are applicable. In accordance with section 9 para. 2 of these General Engagement Terms, our liability for an individual case of damages caused by negligence, with the exception of damages resulting from injury to life, body or health, as well as for damages that constitute a duty of replacement by a producer pursuant to section 1 ProdHaftG [German Product Liability Act – Produkthaftungsgesetz] is limited to EUR 4 million. Our responsibility for the assurance engagement and assurance practitioner's report is to H&R GmbH & Co. KGaA alone. We do not accept any responsibility, duty of care, or liability; in particular, third parties are not included in the scope of protection of this contract. Section 334 BGB ["Bürgerliches Gesetzbuch": German Civil Code], pursuant to which the objections under the contract may be raised in relation to the third party too, is not waived.

Düsseldorf, 9 March 2023

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Cornelia von Oertzen	Dr. Claudia Schrimpf-Dörges
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]"

Responsibility statement

To the best of our knowledge and belief, and in accordance with the applicable reporting principles and in compliance with generally accepted accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

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)

GRI content index and membership of associations

GRI content index

Statement of Use:	freenet AG has reported the information cited in this GRI content index for the period 1.1.2022 – 31.12.2022 with reference to the GRI Standards.
GRI 1 used:	GRI 1: Foundation 2021

GRI standard	Statement	Pages	References and Comments
General Disclosures			
GRI 2: General Disclosures 2021	2-1 Organisational details	24ff 55 18 210 125ff	Group Management Report (Business model and organisational structure) Non-financial Group statement (About this non-financial Group statement) freenet share (Shareholder structure at the end of 2022) Corporate website see fn.de/shareholders Further information (Imprint and contact) Notes to the Consolidated Financial Statements (Note 3, Segment reporting)
	2-2 Entities included in the organisation's sustainability reporting	56f 180f	Non-financial Group statement (Materiality analysis as the basis for determining material topics), Notes to the Consolidated Financial Statements (Note 35, Disclosures pursuant to section 315a HGB)
	2-3 Reporting period, frequency and contact point	55 210	Non-financial Group statement (About this non-financial Group statement), Further information (Financial calendar, Imprint and contact), Reporting period: 12 months (annually), Publication date: 24 March 2023
	2-4 Restatements of information	59 68	Corrections and restatements are indicated in the relevant places. Non-financial Group statement: Employees (new KPIs: Employee satisfaction and response rate), Customer matters (Restatement: KPI customer satisfaction mobile communications)
	2-5 External assurance	55ff 194ff 15	Non-financial Group statement (About this non-financial Group statement), Further information (Independent assurance practicioner's report), Report of the Supervisory Board (Review of the non-financial Group statement for the 2022 financial year)
	2-6 Activities, value chain and other business relationships	24ff 79ff 125ff	Group Management Report (Business model and organisational structure), Non-financial Group statement (Supply chain and human rights due diligence), Notes to the Consolidated Financial Statements (Note 3, Segment reporting)
	2-7 Employees	62f	Non-financial Group statement (Employees, Section "Diversity"); Further information on employment: Part time (as of 31.12.): 27.2% of women (2021: 25.4%)/7.5% of men (2021: 7.6%); Fixed-term employment contracts (as of 31.12.): 13.6% of women (2021: 14.9%)/15.9% of men (2021: 16.7%) As freenet AG is only active in Germany, there is no breakdown of the number of employees by region.
	2-9 Governance structure and composition	10ff	Report of the Supervisory Board, Corporate website: Corporate Governance Statement see fn.de/cgstatement

GRI standard	Statement	Pages	References and Comments
GRI 2: General Disclosures 2021	2-10 Nomination and selection of the highest governance body	10ff	Report of the Supervisory Board, Corporate website: Corporate Governance Statement see fn.de/cgstatement
	2-14 Role of the highest governance body in sustainability reporting	10f	Report of the Supervisory Board (Details of matters addressed at meetings), Corporate website: Corporate Governance Statement (Working practices of the Executive Board and Supervisory Board) see fn.de/cgstatement
	2-15 Conflicts of interest	12ff	Report of the Supervisory Board (Work of the Supervisory Board committees), Corporate website: Corporate Governance Statement (Working practices of the Executive Board and Supervisory Board) see fn.de/cgstatement Corporate website: Information concerning on memberships in committees/control bodies see fn.de/supervisoryboard Corporate website: Information concerning shareholder structure see fn.de/shareholders
	2-18 Evaluation of the performance of the highest governance body	–	Corporate website: Corporate Governance Statement (Self-assessment of the Supervisory Board) see fn.de/cgstatement
	2-19 Remuneration policies	–	Corporate website: Remuneration report and remuneration system see fn.de/remuneration
	2-22 Statement on sustainable development strategy	21f 55f	To our shareholders (Sustainable action), Non-financial Group statement (About this non-financial Group statement; Section "freenet's approach to sustainability and ESG ratings")
	2-23 Policy commitments	43ff 21f 55ff 78f, 62f	Group Management Report: Report on opportunities and risks (Risk management system), To our shareholders (Sustainable action) Non-financial Group statement (About this non-financial Group statement), Non-financial Group statement (Compliance and Integrity, Employees: Section "Diversity") Corporate website: Corporate Governance Statement see fn.de/cgstatement
	2-25 Processes to remediate negative impacts	78f	Non-financial statement (Compliance and Integrity) Corporate website: Whistleblower system see fn.de/whistleblower
	2-28 Membership associations	203	Further Information (GRI content index and Membership associations)
	2-29 Approach to stakeholder engagement	21f 55ff	To our shareholders (Sustainable action), Non-financial Group statement (About this non-financial Group statement)
	2-30 Collective bargaining agreements	–	As of 31 December 2022, 15.1 % (31 December 2021: 15.0 %) of the salaried employees were paid in accordance with collective bargaining agreements. These are exclusively employees of Media Broadcast GmbH.
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	56	Non-financial Group statement (Materiality analysis as the basis for determining material issues)
	3-2 List of material topics	56f	Non-financial Group statement (Materiality analysis as the basis for determining material topics, Table 22: List of material topics [GRI 3-2], assigned to CSR RUG aspects and GRI standards) Changes to the material topics are indicated at the appropriate place.
	3-3 Management of material topics	43ff 57ff	Report on opportunities and risks (Risk management system), Non-financial Group statement (Material topics)

GRI standard	Statement	Pages	References and Comments
Economic performance			
GRI 3: Material Topics 2021	3-3 Management of material topics	28ff	Group Management Report (Corporate Management)
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	—	In million euros Revenue: 2,556.7 (2021: 2,555.6) Capital expenditures: 60.0 (2021: 45.1) Personnel expenses: 229.6 (2021: 219.4) Taxes paid: 29.1 (2021: 35.0) Interest paid: 19.8 (2021: 33.0) Distributions to shareholders: 201.3 (2021: 316.9)
	201-3 Defined benefit plan obligations and other retirement plans	155ff	Notes to the Consolidated Financial Statements, Note 29 (Pension provisions and similar obligations)
Anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	78f	Non-financial Group statement (Compliance and Integrity)
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	78f	Non-financial Group statement (Compliance and Integrity)
Energy consumption			
GRI 3: Material Topics 2021	3-3 Management of material topics	73ff	Non-financial Group statement (Corporate environmental protection)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	76	Non-financial Group statement (Corporate environmental protection, Table 27: Energy consumption and carbon emissions)
Carbon emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	73ff	Non-financial Group statement (Corporate environmental protection)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	76	Non-financial Group statement (Corporate environmental protection, Table 27: Energy consumption and carbon emissions)
	305-2 Energy indirect (Scope 2) GHG emissions	76	Non-financial Group statement (Corporate environmental protection, Table 27: Energy consumption and carbon emissions)
	305-3 Other indirect (Scope 3) GHG emissions	76	Non-financial Group statement (Corporate environmental protection, Table 27: Energy consumption and carbon emissions)
	305-4 GHG emissions intensity	76	Non-financial Group statement (Corporate environmental protection, Table 27: Energy consumption and carbon emissions)
	305-5 Reduction of GHG emissions	76	Non-financial Group statement (Corporate environmental protection, Table 27: Energy consumption and carbon emissions)
Employee involvement			
GRI 3: Material Topics 2021	3-3 Management of material topics	57ff	Non-financial Group statement (Employees)
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	60	Non-financial Group statement (Employees, Table 24: New hires and employee turnover [GRI 401-1]), Germany is defined as the region
	401-2 Benefits provided to full-time employees that are not provided to temporary or parttime employees	58ff	Non-financial Group statement (Employees, Section "Employer attractiveness"); The following basic benefits are generally not offered: Life insurance and stock ownership
	401-3 Parental leave	59f	Information incomplete: Data on the take-up of parental leave and the return rate after parental leave are not evaluated.
GRI 3: Material Topics 2021	3-3 Management of material topics	57ff	Non-financial Group statement (Employees)
n/a	freenet-specific information: Results of surveys to measure employee satisfaction	58ff	Non-financial Group statement (Employees, Section "Employer attractiveness", Table 23: Employee satisfaction)

GRI standard	Statement	Pages	References and Comments
Occupational Health and Safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	57ff	Non-financial Group statement (Employees)
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	63ff	Non-financial Group statement (Employees, Section “Occupational health and safety”)
	403-3 Occupational health services	64	Non-financial Group statement (Employees, Section “Occupational health and safety”)
	403-4 Worker participation, consultation, and communication on occupational health and safety	64	Non-financial Group statement (Employees, Section “Occupational health and safety”)
	403-5 Worker training on occupational health and safety	64f	Non-financial Group statement (Employees, Section “Occupational health and safety”)
	403-9 Work-related injuries	64	Non-financial Group statement (Employees, Section “Occupational health and safety”, Table 26: Industrial accidents and commuting accidents), Information incomplete: The number of hours worked is not evaluated.
Training and Education			
GRI 3: Material Topics 2021	3-3 Management of material topics	57ff	Non-financial Group statement (Employees)
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	62	Non-financial Group statement (Employees, Section “Upgrading skills”, Table 25: Key figures on training and education), Information incomplete: The required data for a breakdown by gender and employee category are not collected.
	404-2 Programs for upgrading employee skills and transition assistance programs	61f	Non-financial Group statement (Employees, Section “Upgrading skills”), Information incomplete: Programmes for transitional assistance at the end of employment due to age are not offered.
	404-3 Percentage of employees receiving regular performance and career development reviews	61	Non-financial Group statement (Employees, Section “Upgrading skills”); Information incomplete: The required data for a breakdown by gender and employee category are not evaluated due to the high overall implementation rate.
Diversity and equal opportunity			
GRI 3: Material Topics 2021	3-3 Management of material topics	57ff	Non-financial Group statement (Employees), Corporate Goveranance Statement see fn.de/cgstatement
GRI 405: Diversity and Equal Oppor-tunity 2016	405-1 Diversity of governance bodies and employees	62f	Non-financial Group statement (Employees, Section “Diversity”) Corporate website: Corporate Goveranance Statement see fn.de/cgstatement (Section “Targets for the percentage of women in the Executive Board and the two management tiers below the level of the Executive Board”)
GRI 3: Material Topics 2021	3-3 Management of material topics	57ff	Non-financial Group statement (Employees)
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	62f	Non-financial Group statemenPage(s)mployees, Section “Diversity”)

GRI standard	Statement	Pages	References and Comments
Supplier social assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	79f	Non-financial Group statement (Supply chain and human rights due diligence)
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	—	Information not available: Data is not collected, as a systematic assessment of suppliers based on social criteria has not been carried out so far.
Marketing and labeling			
GRI 3: Material Topics 2021	3-3 Management of material topics	67ff	Non-financial Group statement (Customer matters)
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	68	Non-financial Group statement (Customer matters, Section “Overarching approach and governance”) Information incomplete: The percentage of relevant product or service categories covered by such procedures is not collected.
GRI 3: Material Topics 2021	3-3 Management of material topics	67ff	Non-financial Group statement (Customer matters)
n/a	freenet-specific information: results of surveys to measure customer satisfaction	68f	Non-financial Group statement (Customer matters, Section “Service quality”)
Customer data security			
GRI 3: Material Topics 2021	3-3 Management of material topics	65ff	Non-financial Group statement (Digital responsibility)
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	66	Non-financial Group statement (Digital responsibility)

Membership of associations and advocacy organisations

Memberships are intended to support the business activities of freenet and provide a framework for the exchange of information on economic and industry-specific topics. The following is an excerpt of the freenet Group's national and international memberships of associations and advocacy organisations in 2022 financial year [GRI 2-28]:

National and regional memberships

- 5G Media Initiative
- Allianz für Cybersicherheit
- BMVI and BNetzA working groups
- Bundesverband Materialwirtschaft, Einkauf und Logistik (BME)
- Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V. (Bitkom)
- Deutsche Elektrotechnische Kommission im DIN und VDE (DKE)
- Deutsche TV Plattform e.V.
- Deutscher Investor Relations Verband e.V. (DIRK)
- Digital Radio Deutschland e.V.
- Digital Radio Plattform e.V.
- Digitalradio Board
- Digitalradio Mitteldeutschland e.V.
- eco – Verband der Internetwirtschaft e.V.
- Fernseh- und Kinotechnische Gesellschaft e.V. (FKTG)
- Gesellschaft für Datenschutz und Datensicherung e.V. (GDD)
- Initiative of the Federal Office of Civil Protection and Disaster Assistance (Bundesamt für Bevölkerungsschutz und Katastrophenhilfe) and also of the Federal Office for Information Security (Bundesamt für Sicherheit in der Informationstechnik) to protect critical infrastructure
- JusProg e.V.
- trusted Dialog
- Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e.V. (VATM)
- Verband privater Medien e.V. (VAUNET)
- Verband Privater Rundfunk und Telemedien e.V. (VPRT)
- Vereinigung der Unternehmensverbände in Hamburg und Schleswig-Holstein e.V. (UV Nord)
- Verband Technischer Betriebe für Film & Fernsehen e.V. (VTFF)

International Memberships

- 5G Media Action Group (5G MAG)
- 5G Records
- Broadcast Networks Europe
- DVB Project
- European Broadcasting Union (EBU)
- HbbTV Association
- High Frequency Coordination Conference (HFCC)
- International Telecommunications Union – Radio sector (ITU-R)
- ITU Radio sector
- European Conference of Postal and Telecommunications Administrations (CEPT)
- MVNO Europe
- WorldDAB Forum

Multi-year and quarterly overview

Multi-year overview of key financials

In EUR millions/as indicated	2022[1]	2021	2020
Operations			
Revenue	2,556.7	2,556.3	2,576.2
Gross profit	886.7	853.4	862.1
EBITDA	478.7	447.3	425.9
EBITDA CAGR (benchmark year 2020)	6.0%	5.0%	n/a
(Adjusted) EBIT	324.1	250.0	263.0
(Adjusted) EBT	308.7	218.1	217.5
(Adjusted) consolidated profit	248.4	191.2	561.0
(Adjusted) earnings per share (in EUR)[2]	2.07	1.62	4.44
Dividend per share (in EUR)	1.68[3]	1.57	1.65
Balance sheet			
Total equity and liabilities	3,628.7	3,952.4	4,505.6
Equity	1,469.2	1,638.9	1,821.1
Equity ratio	40.5%	41.5%	40.4%
Finances and investments			
Free cash flow	249.2	234.4	237.3
Net investments (CAPEX)	– 60.0	– 45.1	– 46.2
Net debt	705.3	788.4	740.6
Adjusted net debt	637.1	645.9	555.8
Leverage	1.5	1.8	1.7
Adjusted leverage	1.3	1.4	1.3
Customer-related key figures			
Postpaid ARPU (in EUR)	17.9	18.1	18.2
Postpaid customers (in millions)	7.274	7.178	7.079
freenet TV subscribers (RGU) (in '000s)	685.6	796.6	901.9
waipu.tv subscribers (in '000s)	970.0	722.5	572.5

[1] Earnings figures (EBIT, EBT, consolidated profit) adjusted for effects from the amortisation of the mobilcom-debitel trademark
[2] Diluted and basic.
[3] The dividend will be paid subject to a resolution adopted by the Annual General Meeting.

Quarterly overview of the income statement 2022

In EUR '000s/as indicated	Q1/2022	Q2/2022	Q3/2022	Q4/2022
Revenue	**616,816**	**620,142**	**652,105**	**667,651**
Other operating income	10,693	12,643	10,994	15,218
Other own work capitalised	5,291	5,860	6,522	7,319
Cost of materials	– 398,641	– 401,543	– 431,383	– 438,448
Personnel expenses	– 53,042	– 53,202	– 54,910	– 68,474
Other operating expenses	– 63,092	– 60,992	– 61,962	– 66,864
Thereof loss allowances on financial assets and contract assets	– 6,338	– 5,461	– 4,256	– 5,069
Thereof without loss allowances on financial assets and contract assets	– 56,754	– 55,531	– 57,706	– 61,795
EBITDA	**118,025**	**122,908**	**121,366**	**116,402**
Depreciation, amortisation and impairment	– 84,880	– 88,012	– 87,803	– 88,605
EBIT	**33,145**	**34,896**	**33,563**	**27,797**
Profit or loss of equity-accounted investments	60	– 690	– 500	– 837
Interest and similar income	1,017	2,813	1,053	1,560
Interest and similar expenses	– 5,575	– 5,664	– 6,139	– 6,303
Other financial result	4,880	– 832	– 288	22
Financial result	**382**	**– 4,373**	**– 5,874**	**– 5,558**
Earnings before taxes	**33,527**	**30,523**	**27,689**	**22,239**
Income taxes	– 11,005	4,214	– 3,756	– 21,585
Consolidated profit	**22,522**	**34,737**	**23,933**	**654**
Consolidated profit attributable to shareholders of freenet AG	22,304	34,122	23,429	– 561
Consolidated profit attributable to non-controlling interests	218	615	504	1,215
Earnings per share (EPS), basic and diluted (in EUR)	**0.19**	**0.28**	**0.20**	**0.00**
Weighted average number of shares outstanding in thousand, basic and diluted (in thousand)	119,251	118,851	118,851	118,901

Quarterly overview of the composition of free cash flow 2022

In EUR '000s	Q1/2022	Q2/2022	Q3/2022	Q4/2022
Cash flows from operating activities	97,338	97,598	97,302	103,453
Payments to acquire property, plant and equipment and intangible assets	– 13,366	– 15,109	– 14,056	– 20,411
Proceeds from disposal of intangible assets and property, plant and equipment	550	1,240	1,005	125
Cash repayments of lease liabilities	– 21,773	– 21,850	– 21,626	– 21,184
Free cash flow	**62,749**	**61,879**	**62,625**	**61,983**

Quarterly overview of the income statement 2021

In EUR '000s/as indicated	Q1/2021	Q2/2021	Q3/2021	Q4/2021
Revenue	**619,151**	**619,858**	**641,810**	**675,501**
Other operating income	9,593	10,602	10,733	11,078
Other own work capitalised	5,345	5,392	5,131	6,997
Cost of materials	– 405,107	– 409,605	– 426,985	– 461,201
Personnel expenses	– 50,469	– 55,374	– 54,029	– 59,544
Other operating expenses	– 69,683	– 57,390	– 59,055	– 65,424
Thereof loss allowances on financial assets and contract assets	– 8,660	– 7,435	– 6,415	8,391
Thereof without loss allowances on financial assets and contract assets	– 61,023	– 49,955	– 52,640	– 73,815
EBITDA	**108,830**	**113,483**	**117,605**	**107,407**
Depreciation, amortisation and impairment	– 39,799	– 73,501	– 38,070	– 45,916
EBIT	**69,031**	**39,982**	**79,535**	**61,491**
Profit or loss of equity-accounted investments	– 517	– 381	– 455	– 653
Interest and similar income	575	524	611	560
Interest and similar expenses	– 8,452	– 7,116	– 6,864	– 8,301
Other financial result	– 506	– 368	– 332	– 300
Financial result	**– 8,900**	**– 7,341**	**– 7,040**	**– 8,694**
Earnings before taxes	**60,131**	**32,641**	**72,495**	**52,797**
Income taxes	– 10,377	124	– 10,990	– 5,617
Consolidated profit	**49,754**	**32,765**	**61,505**	**47,180**
Consolidated profit attributable to shareholders of freenet AG	50,155	41,651	60,982	45,379
Consolidated profit/loss attributable to non-controlling interests	– 401	– 8,886	523	1,801
Earnings per share (EPS), basic and diluted (in EUR)	**0.40**	**0.34**	**0.50**	**0.38**
Weighted average number of shares outstanding in thousand, basic and diluted (in thousand)	124,622	123,444	121,314	120,315

Quarterly overview of the composition of free cash flow 2021

In EUR '000s	Q1/2021	Q2/2021	Q3/2021	Q4/2021
Cash flows from operating activities	88,992	85,908	91,994	100,318
Payments to acquire property, plant and equipment and intangible assets	– 9,149	– 12,482	– 9,824	– 16,771
Proceeds from disposal of intangible assets and property, plant and equipment	589	1,644	710	136
Cash repayments of lease liabilities	– 20,968	– 22,378	– 22,112	– 22,233
Free cash flow	**59,464**	**52,692**	**60,768**	**61,450**

Glossary

5G Fifth generation mobile communications, which is to be based on the existing mobile communications standard LTE (see "LTE").

Adjusted EBITDA EBITDA (see "EBITDA") adjusted for one-time effects.

Adjusted net debt Net debt (see "Net debt") less equity investments (see "Equity investments").

Adjusted leverage Ratio between adjusted net debt (see "Adjusted net debt") and EBITDA (see "EBITDA") generated in the last twelve months.

AktG German: Aktiengesetz; English: German Stock Corporation Act.

App Add-on programme for smartphones that is downloaded from the Internet onto the mobile phone. Application examples: image editing, web browsers or computer games.

ARPU abbr. Average revenue per user. The customer group-specific usage fee divided by the average number of customers on the relevant reference date.

Bundle In the context of mobile phone contracts, bundle means entering into a contract that also includes (subsidised) hardware.

Broadcast Broadcast refers to the real-time reception by an indefinite number of receiving devices of designed video and/or audio content based on a transmission plan by means of telecommunications. Broadcasting includes, in particular, radio and television.

CAGR abbr. Compound annual growth rate. The CAGR represents the average annual growth of a specific variable (e.g. EBITDA).

CDP Initiative launched by institutional investors that aims to promote dialogue between investors and businesses on climate change issues. Businesses provide information on their greenhouse gas emissions and climate action strategies. The data is collected and published annually.

CGU abbr. Cash generating unit.

Churn rate The churn rate defines the number of customers recorded over a certain period of time who no longer use the service in relation to the total number of customers.

Cloud Cloud computing refers to the provisioning, use and billing of IT services over a network that is dynamically adapted to demand. The range of services offered as part of cloud computing covers the entire spectrum of information technology including the provision of infrastructure (e.g. computing power, storage space), platforms and software, etc.

CLTV abbr. Customer lifetime value; key figure describing the value contributed by a customer relationship. The CLTV is composed of the historical customer value and the future, potential customer value.

CO_2 equivalent Emissions of greenhouse gases other than carbon dioxide (CO_2) are converted into CO_2 equivalents (CO_2eq) according to their global warming potential (see "GWP") for better comparability.

Compliance Compliance with laws, regulations and company policies as an integral part of management and corporate culture with the aim of preventing damage.

Digital lifestyle Describes the simplification of everyday life via technical tools based on the Internet and/or smartphones.

Diluted earnings per share Diluted earnings per share are calculated by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding increased by potentially dilutive shares. The number of potentially dilutive shares is calculated as the difference between the potential ordinary shares attributable to employee incentive programmes measured at the subscription price and the ordinary shares issuable at fair value.

Earnings per share The portion of consolidated profit or loss which is attributable to an individual share. It is calculated by dividing consolidated profit/loss by the weighted average number of issued shares.

EBIT Earnings before interest and taxes.

EBITDA EBIT (see "EBIT") plus depreciation, amortisation and impairment.

EBT Earnings before taxes.

Equity investments Market value of CECONOMY AG on the reporting date. The market value of CECONOMY AG is calculated by multiplying the closing price of the CECONOMY share on the Frankfurt stock exchange by the number of CECONOMY AG shares held by the freenet Group (32,633,555 no-par-value shares) as of the relevant reference date.

Equity ratio Ratio between equity and total equity and liabilities.

Fair value A value concept for the measurement of assets or liabilities.

Finance lease In a finance lease, the investment risk is transferred to the lessee.

Free cash flow Cash flows from operating activities (without payments for transaction costs from acquiring/selling companies) less CAPEX (see "Net investments (CAPEX)") and cash repayments of lease liabilities.

freenet TV subscribers (RGU) RGU means "revenue generating unit"; it refers to active freenet TV subscribers.

Gross profit Revenue less cost of materials.

Gross profit margin Ratio between gross profit and revenue.

GWP abbr. Global warming potential. Greenhouse gases differ in their global warming potential. The climate impact of carbon dioxide (the GWP of CO_2 is equal to 1) serves as a benchmark, i.e. the global warming potential of other substances is measured relative to CO_2. The GWP value indicates the global warming potential of a substance and thus its contribution to the warming of the near-surface air layer.

HGB Abbreviation of Handelsgesetzbuch, the German Commercial Code.

IFRIC abbr. International Financial Reporting Interpretations Committee. The IFRIC is a group within the International Accounting Standards Committee Foundation. The task of the IFRIC is to publish IFRS and IAS interpretations in cases where it becomes apparent that the standard can be interpreted differently or incorrectly, or where new circumstances have not been sufficiently taken into account in the existing standards.

IFRSs abbr. International Financial Reporting Standards. Collection of standards for external reporting by (publicly traded) companies issued by the International Accounting Standards Board.

IPTV abbr. Internet protocol television; refers to the transmission of television programmes and films using the Internet Protocol as opposed to other broadcasting channels such as cable television, DVB-T2 or satellite.

ISIN abbr. International securities identification number.

Leverage Ratio between net debt (see "Net debt") and EBITDA (see "EBITDA") generated in the last twelve months.

Long term incentive account See "LTIP".

LTE abbr. Long term evolution. A fourth-generation mobile communications standard enabling very high download speeds of up to 1,200 megabits per second.

LTIP abbr. Long term incentive programme. Remuneration component with long-term incentive effect.

MitbestG Abbreviation of Mitbestimmungsgesetz, the German Co-determination Act.

MNP abbr. Mobile number portability MNP enables mobile phone users to retain their mobile phone number when changing mobile network operators.

Mobile service provider Providers of mobile communications services without their own mobile network who sell mobile communications tariffs for their own account.

Net debt Long-term and short-term borrowings shown in the balance sheet, less liquid assets and plus net lease liabilities (see "net lease liabilities").

Net interest expense Interest and similar expenses less interest and similar income.

Net investments (CAPEX) Investments in property, plant and equipment and intangible assets, less proceeds from the disposal of intangible assets and property, plant and equipment.

Net lease liabilities Non-current and current lease liabilities shown in the balance sheet, less non-current and current lease receivables.

No-frills No-frills tariffs deliberately have a simple structure, and in general do not include a subsidised device. Traditionally, they are marketed by way of direct distribution (e.g. online) and not via specialist outlets.

OTT abbr. Over-the-top content; the transmission of video and audio content via Internet access. This can be free and paid content.

Overhead Overhead includes the items other operating income, other own work capitalised, personnel expenses and other operating expenses.

Portal Central web site which generally comprises a comprehensive range of navigation functions, aggregated content and additional services, such as e-mail.

Postpaid Mobile services billed subsequently (usually 24-month contracts).

Prepaid Mobile services billed in advance.

Roaming The ability of a mobile customer to receive or make calls, send and receive data, or access other mobile network services on a network other than their home mobile network. Roaming can refer to domestic networks of various network operators (national roaming) and to international network operators (international roaming).

SIM card abbr. Subscriber identity module. Chip card with a processor and memory for mobile devices, storing various pieces of information, including the user number allocated by the network operator; the SIM card also identifies the user in the mobile network.

Smart home Smart home refers to the automation and interconnection of inhouse electricity (light, shutters etc.), electric appliances (washing machines, fridges etc.) and entertainment electronics (TV, radio and audio system etc.).

Smartphone Mobile phone with touch and/or qwerty keyboard and feature set for easy Internet access and/or e-mail transfer.

Streaming Refers to a data transmission method in which the data can be viewed or listened to not only after complete transmission and storage, but during the transmission.

TV customers (B2C customers) Customers of the freenet Group in the TV and Media segment who are freenet TV subscribers (RGU) (see "freenet TV subscribers (RGU)") or waipu.tv subscribers (see "waipu.tv subscribers").

Unicast Unicast in telecommunications is addressing a message to a single receiving device. The term unicast has been coined in analogy with the term broadcast, which means real-time reception by an indefinite number of receiving devices.

VoD abbr. Video on demand; the ability to download digital video on demand from an online service or watch directly via streaming.

WACC abbr. Weighted average cost of capital.

waipu.tv subscribers Customers who use subscribed to one of the fee-based tariffs.

Financial calendar

Date	Event
23 February 2023	2022 Financial year– preliminary results
24 March 2023	2022 Annual Report
4 May 2023	Quarterly Statement as of 31 March 2023 – First quarter 2023
17 May 2023	Annual General Meeting in Hamburg (in-person)
4 August 2023	Half-year Report as of 30 June 2023 – Second quarter 2023
9 November 2023	Nine-month Statement as of 30 September 2023 – Third quarter 2023

Dates are subject to change.

All publications can be found at fn.de/releases

The English version of the annual report is a convenience translation of the German version of the annual report. The German version of this annual report is legally binding

Further information on the freenet and the share is available at: fn.de/share

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For more information on 2022 financial year including statements from our Executive Board members, go to fn.de/2022fy freenet